

Subject to compliance by the Authority with certain covenants, in the opinion of Bond Counsel, under present law, (i) interest on the 2014 Series A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, except for the interest on any 2014 Series A Bond for any period during which such 2014 Series A Bond is owned by a person who is a substantial user of the facilities refinanced with the proceeds of the 2014 Series A Bonds or any person considered to be related to such person (within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended), but such interest is included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, (ii) interest on the 2014 Series B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, and (iii) interest on the 2014 Series C Bonds is includable in the gross income of the owners thereof for federal income tax purposes. It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky (the "Commonwealth"), as presently enacted and construed, that the interest on the 2014 Series Bonds is exempt from the individual income tax, the interest on the 2014 Series A Bonds and the 2014 Series B Bond is exempt from the corporate income tax, and the 2014 Series Bonds are exempt from the property tax, all imposed by the Commonwealth. See "TAX MATTERS" herein for a more complete discussion.



**LOUISVILLE
 REGIONAL
 AIRPORT
 AUTHORITY®**

LOUISVILLE REGIONAL AIRPORT AUTHORITY

\$249,130,000
Airport System Revenue
Refunding Bonds

\$119,585,000
Airport System Revenue
Refunding Bonds
2014 Series A
(AMT)

\$3,285,000
Airport System Revenue
Refunding Bonds
2014 Series B
(Non-AMT)

\$126,260,000
Airport System Revenue
Refunding Bonds
2014 Series C
(Taxable)

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The Airport System Revenue Refunding Bonds, 2014 Series A (the "2014 Series A Bonds"), the Airport System Revenue Refunding Bonds, 2014 Series B (the "2014 Series B Bonds"), and the Airport System Revenue Refunding Bonds, 2014 Series C (the "2014 Series C Bonds" and together with the 2014 Series A Bonds and the 2014 Series B Bonds, the "2014 Series Bonds") will be issued by the Louisville Regional Airport Authority (the "Authority") under and secured pursuant to the Authority's Master Bond Resolution duly adopted by the members of the Authority on May 14, 2014 (the "Bond Resolution"), as supplemented by the First Supplemental Bond Resolution duly adopted by the members of the Authority on May 14, 2014, relating to the 2014 Series Bonds (the "2014 Series Resolution" and together with the Bond Resolution, the "Resolution"), in denominations of \$5,000 or any integral multiple thereof, will accrue interest from the date of their issuance and will initially bear interest at the rates and mature on the dates set forth on the inside front cover. The 2014 Series Bonds will be issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal of and interest and premium, if any, on the 2014 Series Bonds will be made. Individual purchases will be made in book-entry only form. Purchasers of the 2014 Series Bonds will not receive physical certificates.

Proceeds of the 2014 Series Bonds, along with other available funds of the Authority, will be used to (i) refund all of the Authority's outstanding Airport System Revenue Bonds and outstanding Airport System Revenue Refunding Bonds as described herein (the "Refunded Bonds"), (ii) fund the 2014 Series Account of the Debt Service Reserve Fund, and (iii) pay the costs of issuance of the 2014 Series Bonds. See "SUMMARY OF REFUNDING PROGRAM — Plan of Refunding" herein.

The 2014 Series A Bonds and the 2014 Series C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2014 Series B Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity. See "THE 2014 SERIES BONDS" — **Redemption of the 2014 Series Bonds**" herein.

The 2014 Series Bonds and the interest thereon are special, limited obligations of the Authority, payable solely from the Net Revenues and such funds and accounts as provided in the Bond Resolution and such Other Moneys Available for Debt Service, as provided in the 2014 Series Resolution and do not constitute in any way an indebtedness of the Authority, the Commonwealth, any county, any city or any other political subdivision of the Commonwealth within the meaning of the constitution or the laws of the Commonwealth. The Authority is obligated to pay the principal of, premium, if any, and interest on the 2014 Series Bonds and other costs incidental thereto only from the sources specified above.

The 2014 Series Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel to the Authority. Certain legal matters will be passed upon on behalf of the Authority by its Special Counsel, Ice Miller, LLP, Indianapolis, Indiana. Certain legal matters will be passed upon for the Underwriters by Underwriters' Counsel, Squire Patton Boggs (US) LLP, Washington, DC. It is expected that the 2014 Series Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about June 26, 2014.

Morgan Stanley

BofA Merrill Lynch

Citigroup

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed in "CERTAIN INVESTMENT CONSIDERATIONS."

MATURITY SCHEDULES

\$119,585,000
2014 Series A Bonds
(AMT)

<u>Maturity July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
2015	\$7,030,000	2.00%	0.24%	101.781	546850CF3
2016	7,375,000	3.00%	0.52%	104.961	546850CG1
2017	7,615,000	3.00%	0.96%	106.045	546850CH9
2018	7,970,000	4.00%	1.37%	110.237	546850CJ5
2019	8,785,000	5.00%	1.72%	115.691	546850CK2
2020	9,315,000	5.00%	2.04%	116.672	546850CL0
2021	9,880,000	5.00%	2.33%	117.184	546850CM8
2022	10,470,000	5.00%	2.62%	117.102	546850CN6
2023	11,070,000	5.00%	2.85%	116.984	546850CP1
2024	3,655,000	5.00%	3.04%	116.811	546850CQ9
2025	3,990,000	5.00%	3.20%	115.318*	546850CR7
2026	3,645,000	5.00%	3.32%	114.212*	546850CS5
2027	3,945,000	5.00%	3.43%	113.210*	546850CT3
2028	4,280,000	5.00%	3.53%	112.309*	546850CU0
2029	4,580,000	5.00%	3.63%	111.415*	546850CV8
2030	4,935,000	5.00%	3.71%	110.707*	546850CW6
2031	2,980,000	4.00%	4.05%	99.388	546850CX4
2031	2,355,000	5.00%	3.77%	110.179*	546850CZ9
2032	3,180,000	4.00%	4.11%	98.609	546850CY2
2032	2,530,000	5.00%	3.84%	109.567*	546850DA3

*Priced at the stated yield to the first optional redemption date of July 1, 2024.

\$3,285,000
2014 Series B Bonds
(Non-AMT)

<u>Maturity July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
2015	\$310,000	2.00%	0.24%	101.781	546850DB1
2016	325,000	3.00%	0.35%	105.313	546850DC9
2017	335,000	3.00%	0.72%	106.785	546850DD7
2018	345,000	4.00%	1.10%	111.356	546850DE5
2019	360,000	4.00%	1.45%	112.288	546850DF2
2020	375,000	5.00%	1.77%	118.349	546850DG0
2021	395,000	5.00%	2.08%	118.964	546850DH8
2022	410,000	5.00%	2.34%	119.334	546850DJ4
2023	430,000	5.00%	2.57%	119.440	546850DK1

\$126,260,000
2014 Series C Bonds
(Taxable)

<u>Maturity July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] No.</u>
2015	\$10,155,000	0.250%	0.250%	100.00	546850BP2
2016	10,220,000	0.769%	0.769%	100.00	546850BQ0
2017	10,290,000	1.313%	1.313%	100.00	546850BR8
2018	7,640,000	1.906%	1.906%	100.00	546850BS6
2019	7,265,000	2.286%	2.286%	100.00	546850BT4
2020	7,440,000	2.734%	2.734%	100.00	546850BU1
2021	8,015,000	2.984%	2.984%	100.00	546850BV9
2022	8,260,000	3.283%	3.283%	100.00	546850BW7
2023	8,535,000	3.483%	3.483%	100.00	546850BX5
2024	8,825,000	3.683%	3.683%	100.00	546850BY3
2025	9,145,000	3.833%	3.833%	100.00	546850BZ0
2026	9,495,000	3.933%	3.933%	100.00	546850CA4
2027	3,115,000	4.033%	4.033%	100.00	546850CB2
2028	3,230,000	4.133%	4.133%	100.00	546850CC0

\$10,565,000 4.451% Term Bond due July 1, 2031, Price 100.00 to Yield 4.451% CUSIP[†] 546850CE6

\$4,065,000 4.601% Term Bond due July 1, 2038, Price 100.00 to Yield 4.601% CUSIP[†] 546850CD8

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2014 Series Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014 Series Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014 Series Bonds.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

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James S. Welch, Jr.
Vice-Chairman

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Elaine M. Musselman
Lesa Seibert

Evelyn D. Strange
Gail L. Strange
Steven E. Trager

MANAGEMENT

C.T. "Skip" Miller, A.A.E.....	Executive Director
Michael C. Burris, A.A.E.....	Deputy Executive Director of Finance and Administration and Chief Financial Officer
Brian J. Sinnwell.....	Deputy Executive Director of Planning and Engineering and Chief Planning Officer
Steven C. Petty, A.A.E.....	Deputy Executive Director of Operations and Chief Operating Officer
Dorothy M. Caulk, C.P.A., C.M.	Director of Finance and Accounting
Patricia S. Burke	Director of Public Relations
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Dwight H. Clayton, P.E., A.A.E.	Director of Engineering
John T. Middleton, C.P.M.	Director of Purchasing and Procurement
Douglas R. Faulkenburg	Director of Terminal Operations
Ronald D. Logsdon	Director of Parking Operations

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Indianapolis, Indiana

Financial Advisor
PUBLIC FINANCIAL MANAGEMENT, INC.
Memphis, Tennessee

Underwriters' Counsel
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Washington, D.C.

Airport Consultant
LEIGHFISHER
Cincinnati, Ohio

This Official Statement is provided in connection with the issuance of the 2014 Series Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Authority and other sources which are believed to be reliable.

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

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2014 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the 2014 Series Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 SERIES BONDS AT A LEVEL ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

relating to

Louisville Regional Airport Authority

\$249,130,000

\$119,585,000 Airport System Revenue Refunding Bonds, 2014 Series A (AMT)

\$3,285,000 Airport System Revenue Refunding Bonds, 2014 Series B (Non-AMT)

\$126,260,000 Airport System Revenue Refunding Bonds, 2014 Series C (Taxable)

INTRODUCTION

This Official Statement of the Louisville Regional Airport Authority (the "Authority") provides information with respect to the issuance and sale of the Authority's Airport System Revenue Refunding Bonds, 2014 Series A (the "2014 Series A Bonds"), Airport System Revenue Refunding Bonds, 2014 Series B (the "2014 Series B Bonds"), and Airport System Revenue Refunding Bonds, 2014 Series C (the "2014 Series C Bonds" and, together with the 2014 Series A Bonds and the 2014 Series B Bonds, the "2014 Series Bonds").

The Authority

The Authority is a body politic and corporate and a political subdivision of the Commonwealth performing essential governmental duties in the operation of airports and air transportation facilities. See "**THE AUTHORITY**" herein.

The 2014 Series Bonds

The 2014 Series Bonds will be issued pursuant to Sections 183.132 through 183.165, inclusive, Section 183.476 and Sections 183.630 through 183.740, inclusive, of the Kentucky Revised Statutes, as amended (the "Act"), and the provisions of the Bond Resolution duly adopted by the members of the Authority on May 14, 2014, as supplemented by the 2014 Series Resolution duly adopted by the members of the Authority on May 14, 2014.

Redemption of the 2014 Series Bonds

The 2014 Series A Bonds and the 2014 Series C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2014 Series B Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity as described under "**THE 2014 SERIES BONDS — Redemption of the 2014 Series Bonds.**"

Use of Proceeds of the 2014 Series Bonds

Proceeds of the 2014 Series Bonds, along with other available funds of the Authority, will be used to (A) refund all of the Authority's outstanding (i) Airport System Revenue Bonds, 1998 Series A, (ii) Airport System Revenue Bonds, 2001 Series A, (iii) Airport System Revenue Bonds, 2001 Series B, (iv) Airport System Revenue Bonds, 2002 Series A, (v) Airport System Revenue Bonds, 2002 Series B, (vi) Airport System Revenue Bonds, 2003 Series B, (vii) Airport System Revenue Bonds, 2003 Series C, (viii) Airport System Revenue Bonds, 2005 Series A, (ix) Airport System Revenue Bonds, 2008 Series A, (x) Airport System Revenue Bonds, 2011 Series A, and (xi) Airport System Revenue Bonds, 2011 Series

B, (together, the "Refunded Bonds"), (B) fund the 2014 Series Account of the Debt Service Reserve Fund, and (C) pay the costs of issuance of the 2014 Series Bonds. See "**SUMMARY OF THE REFUNDING PROGRAM — Plan of Refunding**" herein. Upon delivery, the 2014 Series Bonds will represent the only Bonds the Authority has Outstanding.

Security for the 2014 Series Bonds

The 2014 Series Bonds will be special, limited obligations of the Authority payable from the Authority's Net Revenues (Revenues less Operating Expenses) and certain funds and accounts established by the Resolution. Specifically, the 2014 Series Bonds will be secured by the 2014 Series Account of the Debt Service Fund, the 2014 Series Account of the Debt Service Reserve Fund funded in an amount sufficient to satisfy the 2014 Debt Service Reserve Requirement for the 2014 Series Bonds, and the Rolling Coverage Account. The Authority also expects to commit Other Moneys Available for Debt Service in each fiscal year from the date of issuance of the 2014 Series Bonds through 2017 to pay a portion of the debt service on the 2014 Series C Bonds. See "**SECURITY AND SOURCE OF PAYMENT**" herein.

Additional Bonds

The Authority may issue additional Airport System Revenue Bonds secured under the Resolution which will rank on a parity, as to security interest in the Net Revenues and the Rolling Coverage Account, with the 2014 Series Bonds upon the terms and conditions set forth in the Resolution. The 2014 Series Bonds and any additional Airport System Revenue Bonds issued under the Resolution in the future are collectively referred to herein as the "Bonds." See "**SECURITY AND SOURCE OF PAYMENT — Additional Bonds**" herein.

The Airport System

The airport system consists of the Louisville International Airport at Standiford Field (the "Airport") and Bowman Field ("Bowman Field" and, together with the Airport, the "Airport System"), both of which are situated within the boundaries of the Louisville metropolitan area. Bowman Field is a general aviation airport designated by the Federal Aviation Administration (the "FAA") as a reliever airport for the Airport. The land and improvements comprising the Airport are owned by the Authority. The Airport is the primary commercial airport facility serving the Louisville metropolitan area.

The Airport was opened to commercial air traffic in 1947. The major airfield facilities at the Airport consist of two independent parallel runways and a crosswind runway, associated taxiways, the UPS-owned cargo facility - Worldport[®], the Kentucky Air National Guard base, the FedEx sort facility, maintenance hangars leased by Republic Airways and Compass Airlines, and general aviation/corporate facilities. The passenger terminal building is a two-level structure consisting of a landside element and an airside element connected by a moving walkway corridor in the airside building. A total of 5,957 public parking spaces are available at the Airport, which includes a four-level parking garage containing 4,127 public parking spaces located north of the terminal. The Airport, according to FAA reports ranked 68th nationwide in total passengers enplaned in calendar year 2012 and is considered a "small hub". The Airport ranked third in North America and seventh in the world in terms of the amount of air cargo handled in calendar year 2012. See "**THE AIRPORT SYSTEM**" herein.

United Parcel Service, Inc.

United Parcel Service, Inc., through its subsidiaries, including United Parcel Service Co. (collectively, "UPS"), has its worldwide headquarters for its primary air operations in Louisville and is the central connection point for UPS' next-day and second-day delivery to locations worldwide. The UPS

facilities at the Airport are located on approximately 607 acres owned by UPS, with more than 5.2 million square feet under roof, and includes approximately 300 acres of ramp area with 135 aircraft parking positions, a dedicated fuel farm, and the only aircraft maintenance hangar in the UPS system – all to operate the central package sorting process and maintain UPS aircraft. UPS accounted for 98% of total air cargo volume at the Airport in Fiscal Year 2013. The UPS land and all facilities located thereon are not part of the Airport System. In Fiscal Year 2013, fees paid by UPS represented approximately 82% of all landing fees paid to the Authority and 26% of all operating revenues of the Authority. See "**AIRPORT OPERATIONS — United Parcel Service, Inc.**" herein.

Capital Improvement Program

The Authority has developed and approved a Capital Improvement Program (the "CIP") for the Airport System, which is updated periodically and last was approved in January, 2014. The CIP is planned to be undertaken through the end of Fiscal Year 2019 at a total estimated cost of \$148 million. Projects in the current CIP include, but are not limited to, significant improvements to the airfield at the Airport, as well as other improvements and equipment for the Airport System. The Authority plans to finance the current CIP with federal and state grants, Passenger Facility Charges ("PFCs"), and other available Authority funds. See "**THE CAPITAL IMPROVEMENT PROGRAM**" herein.

Certain Investment Considerations

Investment in the 2014 Series Bonds may be subject to certain risks. Prospective investors should consider their financial conditions and the risks involved to determine the suitability of investing in the 2014 Series Bonds. See "**CERTAIN INVESTMENT CONSIDERATIONS**" herein.

Factors Affecting the Airline Industry

No assurance can be given as to the level of aviation activity that will be achieved at the Airport in future fiscal years. Many factors and events that are beyond the control of the Airport can and do impact the air transportation system including:

- The availability and price of aviation fuel;
- Airline competition;
- Airline airfare pricing strategy;
- Changes in airline route networks;
- Industry consolidation and alliances;
- Aviation safety and security concerns;
- Changes in consumer spending patterns;
- Weather and natural disasters;
- Actual or threatened war, terrorist attacks, and political instability;
- Changes in government regulation affecting airline and/or airport entities.

The airline industry in general is particularly sensitive to changes in economic conditions. Unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures, and increased business operating costs can reduce spending for both leisure and business travel. Steady revenues generated by the Airport System's cargo operations have helped to moderate the financial impact of changes that have adversely affected the industry in recent years. See "**SELECTED FINANCIAL INFORMATION – Authority Statement of Revenues by Category**" herein.

Since 2009, the aviation industry has seen four major airline mergers, significant volatility in the price and availability of aviation fuel, the closure of numerous regional airline hubs, rapid fleet

modernization and retirement of less efficient aircraft and the introduction of numerous ancillary fees that have provided airlines with the ability to better manage pricing and capacity deployment. As a result, airlines have reversed years of negative financial results and encouraged more efficient and compact domestic route networks. In the short-term airline capacity restraint is expected to continue while airlines adapt to a new competitive environment. During this time, it is expected that there will be minimal new growth in the airline industry.

As the Authority cannot predict the likelihood of future incidents similar to those described above, historical results presented in this Official Statement may not be indicative of future results.

For additional information regarding these matters, see "**AIRPORT OPERATIONS,**" "**SELECTED FINANCIAL INFORMATION**" and "**CERTAIN INVESTMENT CONSIDERATIONS**" herein.

Report of the Airport Consultant

The Authority retained LeighFisher to serve as the Airport Consultant (the "Airport Consultant") in connection with the issuance of the 2014 Series Bonds. The Airport Consultant prepared the Report of the Airport Consultant, dated June 2, 2014 (the "Report of the Airport Consultant"). The Report of the Airport Consultant is included in **APPENDIX A** hereto. The Airport Consultant has provided its consent to include the Report of the Airport Consultant in **APPENDIX A** hereto. See "**REPORT OF THE AIRPORT CONSULTANT**" and **APPENDIX A - "Report of the Airport Consultant"** herein. As the Authority cannot predict the likelihood of future results, the projected results presented in this Official Statement may differ from actual results, and the difference may be material.

Prospective Financial Information

The Report of the Airport Consultant included in **APPENDIX A** of this Official Statement was prepared by the Airport Consultant and contains prospective financial information. Other prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant has been prepared by, and is the responsibility of, the Authority's management. See "**SELECTED FINANCIAL INFORMATION**" and "**PROSPECTIVE FINANCIAL INFORMATION**" herein.

Forward-Looking Statements

This Official Statement, and particularly the information contained under the captions "**INTRODUCTION,**" "**THE 2014 SERIES BONDS,**" and the "**REPORT OF THE AIRPORT CONSULTANT**" and the Report of the Airport Consultant included as **APPENDIX A** to this Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause forecast revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there will be differences between forecast and actual results, and those differences may be material.

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the 2014 Series Bonds, the Authority and the Airport System and certain information relating to the Louisville/Jefferson County Metro Government (the "Louisville Metro Government"), the Commonwealth and the sources of payment and security for the 2014 Series Bonds, together with summaries of the terms of the 2014 Series Bonds, the Resolution and the Airline Agreements (as defined herein). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2014 Series Bonds are qualified in their entirety by references to the form of the 2014 Series Bonds included as an exhibit to the 2014 Series Resolution.

The principal sources of Net Revenues are the rates and charges generated under the airline agreements between the Authority and the airlines who have executed the airline agreements (the "Airline Agreements"). A summary of certain provisions of the Airline Agreements between the Authority and the Signatory Airlines is in **APPENDIX B**. Definitions and a summary of certain provisions of the Resolution are included in **APPENDIX C**. Certain financial statements and the report of the independent accountants of the Authority for the years ended June 30, 2013, and 2012, are included in **APPENDIX D**. A description of the book-entry system maintained by DTC is included in **APPENDIX E**. The proposed form of the opinions to be delivered by Chapman and Cutler LLP, Bond Counsel, in connection with the issuance of the 2014 Series Bonds are included in **APPENDIX F**. The form of the Continuing Disclosure Undertaking to be executed by the Authority required by Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, and as in effect on the date hereof, is included in **APPENDIX G**.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority or the Airport System since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority or the Underwriters and the purchasers or owners on any 2014 Series Bonds.

Inquiries regarding information about the Authority and its financial matters contained in this Official Statement may be directed to Dorothy "Dodie" Caulk, CPA, C.M., Director of Finance & Accounting at (502) 363-8517 or e-mail at Dodie.Caulk@flylouisville.com. Certain financial and statistical information with respect to the Authority also may be obtained through the Authority's website at www.flylouisville.com.

THE 2014 SERIES BONDS

General

The 2014 Series Bonds are being issued under the Resolution. The 2014 Series Bonds will be dated as of their date of delivery, which will be on or about June 26, 2014, will bear interest at the interest rates shown on the inside cover page of this Official Statement from that date, payable beginning on January 1, 2015, and semiannually thereafter on each January 1 and July 1, and will mature on July 1 in the years, set forth on the inside cover page of this Official Statement. Interest on the Series 2014 Bonds shall be calculated on the basis of a calendar year consisting of 360 days and twelve (12) thirty (30) day months. The 2014 Series will be issued in denominations of \$5,000 or integral multiples thereof and will be subject to redemption prior to maturity as described below under "Redemption of the 2014 Series Bonds."

Book-Entry Only System

The 2014 Series Bonds will be issued as fully registered bonds without coupons and are initially to be registered in the name of Cede & Co., as nominee for DTC as Securities Depository for the 2014 Series Bonds. For more information regarding the Book-Entry Only System, see **APPENDIX E – "BOOK ENTRY ONLY SYSTEM."**

NONE OF THE AUTHORITY, THE UNDERWRITERS, OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2014 SERIES BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF ANY 2014 SERIES BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY 2014 SERIES BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2014 SERIES BONDS; OR (vi) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Redemption of the 2014 Series Bonds

The 2014 Series A Bonds

The 2014 Series A Bonds maturing on and after July 1, 2025 are subject to optional redemption prior to maturity by the Authority, on any date on and after July 1, 2024, in whole or in part, by lot, in such order of maturity as shall be selected by the Authority, at a Redemption Price of 100% of the principal amount thereof being redeemed plus interest accrued to the date fixed for redemption.

The 2014 Series B Bonds

The 2014 Series B Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity.

The 2014 Series C Bonds

The 2014 Series C Bonds maturing on and after July 1, 2025 are subject to optional redemption prior to maturity by the Authority, on any date on and after July 1, 2024, in whole or in part, on the basis of a pro rata pass-through distribution of the total principal amount of the 2014 Series C Bonds to be redeemed, in such order of maturity as shall be selected by the Authority, at a Redemption Price of 100% of the principal amount thereof being redeemed plus interest accrued to the date fixed for redemption.

Additionally, the 2014 Series C Bonds shall be subject to optional redemption prior to maturity by the Authority, in whole or in part, on the basis of a pro rata pass-through distribution of the total principal amount of the 2014 Series C Bonds to be redeemed, on any date, at the "Make-Whole Redemption Price." The "Make-Whole Redemption Price" shall be the greater of (i) the issue price(s) as shown on the inside cover page of this Official Statement pertaining to the 2014 Series C Bonds (but not less than 100% of the principal amount of the 2014 Series C Bonds to be redeemed); or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2014 Series C Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date fixed for redemption, discounted

to the date fixed for redemption on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the 2014 Series C Bonds to be redeemed on the date fixed for redemption.

If 2014 Series C Bonds are to be called for redemption at the option of the Authority, but not all of the 2014 Series C Bonds then outstanding are to be called for redemption, the 2014 Series C Bonds to be redeemed shall be determined in accordance with the procedures set forth below.

The following definitions shall apply for purposes of the computation of the "Make-Whole Redemption Price":

"Treasury Rate" means, with respect to any date fixed for redemption for any particular 2014 Series C Bonds, the greater of (i) the yield to maturity as of such date fixed for redemption of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the date fixed for redemption (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the date fixed for redemption to the maturity date of the 2014 Series C Bonds to be redeemed; provided, however, that if the period from the date fixed for redemption to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority at the Authority's expense and such determination shall be conclusive and binding on the owners of the 2014 Series C Bonds, or (ii) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the date fixed for redemption for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any date fixed for redemption for a particular 2014 Series C Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2014 Series C Bonds to be redeemed (taking into account any mandatory sinking fund redemptions).

"Comparable Treasury Price" means, with respect to any date fixed for redemption for a particular 2014 Series C Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such date fixed for redemption, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Authority.

"Reference Treasury Dealer" means each of the four firms, specified by the Authority from time to time, any or all of which may also be an Underwriter for the Bonds, that are primary United States government securities dealers (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any date fixed for redemption for the 2014 Series C Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such date fixed for redemption.

The \$10,565,000 2014 Series C Bonds maturing July 1, 2031 are subject to mandatory sinking fund redemption in part, on the basis of a pro rata pass-through distribution of the total principal amount of the 2014 Series C Bonds to be redeemed, prior to maturity on July 1, in the years set forth below at a Redemption Price equal to the principal amount thereof being redeemed.

<u>Year</u>	<u>Principal Amount</u>
2029	\$3,370,000
2030	3,520,000
2031 *	3,675,000

* Final Maturity.

The \$4,065,000 2014 Series C Bonds maturing July 1, 2038 are subject to mandatory sinking fund redemption in part, on the basis of a pro rata pass-through distribution of the total principal amount of the 2014 Series C Bonds to be redeemed, prior to maturity on July 1, in the years set forth below at a Redemption Price equal to the principal amount thereof being redeemed.

<u>Year</u>	<u>Principal Amount</u>
2032	\$500,000
2033	530,000
2034	555,000
2035	580,000
2036	605,000
2037	630,000
2038 *	665,000

* Final Maturity.

Selection of Bonds for Redemption

Under the Resolution, if less than all of the 2014 Series Bonds of any Series are called for redemption prior to maturity and if the 2014 Series Bonds of such Series shall mature on more than one date, the 2014 Series Bonds of such Series shall be redeemed from the Outstanding Bonds of such Series in such order of maturity as determined by the Authority.

If less than all of the 2014 Series A Bonds maturing on any single date shall be called for redemption prior to maturity, the Trustee shall select the 2014 Series A Bonds to be redeemed by lot in such manner as in the sole discretion of the Trustee it shall deem appropriate and fair; provided, however,

that the portion of any 2014 Series A Bond to be redeemed shall be in a Principal amount equal to a denomination of \$5,000. In selecting 2014 Series A Bonds for redemption the Trustee shall treat each 2014 Series A Bond as representing that number of 2014 Series A Bonds which is obtained by dividing the Principal amount of such 2014 Series A Bond to be redeemed in part by the minimum denomination in which the 2014 Series A Bonds is authorized to be issued.

If less than all of the 2014 Series C Bonds maturing on any single date shall be called for redemption prior to maturity, the Trustee shall select the 2014 Series C Bonds to be redeemed on the basis of a pro rata pass-through distribution to the beneficial owners of the 2014 Series C Bonds of the total principal amount of the 2014 Series C Bonds to be redeemed in accordance with the DTC's procedures then in effect at the time of such redemption, and, in the event that the DTC's procedures do not allow for redemption on the basis of such pro rata pass-through distribution of the total principal amount to be redeemed, then the 2014 Series C Bonds to be redeemed shall be determined by lot by the Trustee. In the event that the book-entry system applicable to the 2014 Series C Bonds is discontinued, if 2014 Series C Bonds are to be called for redemption to meet the schedule of mandatory sinking fund retirement for the 2014 Series C Bonds, the 2014 Series C Bonds to be redeemed shall be selected by the Trustee on the basis of a pro rata distribution to the registered holders of the 2014 Series C Bonds of the total principal amount to be redeemed.

If part (but not all) of a 2014 Series Bond shall be selected for redemption prior to maturity, the Holder thereof (or his attorney or legal representative) shall present and surrender such 2014 Series Bond to the Trustee for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such Principal amount. The Trustee shall promptly notify the Authority in writing of the 2014 Series Bonds or portions thereof selected for redemption.

Notice of Redemption

Notice of redemption of the 2014 Series Bonds shall be sent by the Trustee not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail to the registered owner of the 2014 Series Bond to be redeemed in whole or in part as it appears on the bond registration books of the Trustee or at such address as such registered owner may have filed with the Trustee for that purpose. Neither the failure to give notice by first-class mail to the Holder of any 2014 Series Bonds to be redeemed, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of any such 2014 Series Bonds. Each notice of redemption must state (i) the date fixed for redemption, (ii) the place of redemption, (iii) the Principal amount, (iv) if less than all of the 2014 Series Bonds are to be redeemed, the distinctive numbers of the 2014 Series Bonds to be redeemed, and (v) also state that the interest on the 2014 Series Bonds or portions thereof in such notice designated for redemption shall cease to accrue from and after the date fixed for redemption. On that date there will become due and payable on each of said 2014 Series Bonds the Redemption Price thereof and interest accrued thereon to the date fixed for redemption.

Notice of redemption shall be given by the Trustee for and on behalf and at the expense of the Authority, at the Written Request of the Authority given to the Trustee, at least thirty-five (35) days prior to the date fixed for redemption.

Conditional Redemption

If at the time of the mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all 2014 Series Bonds so called for redemption, such notice may state that it is conditional upon the deposit of moneys sufficient to redeem all such 2014 Series Bonds called for redemption prior to maturity with the Trustee not later than the date fixed for redemption, and such notice shall be of no effect unless such moneys are so deposited. If the notice of redemption

contains such condition and if moneys sufficient to redeem all 2014 Series Bonds so called for redemption have not been deposited with the Trustee by the dated fixed for redemption, the notice of redemption shall be rescinded, none of the 2014 Series Bonds described in such notice shall be redeemed, the Redemption Price shall not be due and payable under the Resolution, and the Trustee shall, as soon as possible, give notice for and on behalf and at the expense of the Authority, by first class mail, postage prepaid, to the registered owners of the 2014 Series Bonds so called for redemption of the rescission of such notice of redemption in the same manner as such notice of redemption was given.

Additional Notice of Redemption

In addition to the redemption notice required above, if there is more than one registered owner of a Series of the 2014 Series Bonds, further notice (the "Additional Notice") shall be given by the Trustee and shall contain, in addition to the requirements described in subsections (i) through (v) under the first paragraph of the "Notice of Redemption" section above, the following: (i) the CUSIP numbers of all such 2014 Series Bonds being redeemed; (ii) the date of the 2014 Series Bonds as originally issued; (iii) the rate of interest borne by each 2014 Series Bond being redeemed; (iv) the maturity date of each 2014 Series Bond being redeemed; and (v) any other descriptive information needed to identify accurately the 2014 Series Bonds being redeemed. The Additional Notice shall be sent at least 32 days before the redemption date to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds (currently DTC) and to one or more national information services, but the Additional Notice is not required to be provided earlier than the notice to owners of the 2014 Series Bonds as described above. No defect in the Additional Notice nor any failure to give all or any portion of the Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in the first paragraph of the "Notice of Redemption" section above. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION."**

Purchase in Lieu of Redemption

The Authority shall have the option to cause any 2014 Series A Bonds that have been called for redemption prior to maturity to be purchased in lieu of redemption. This option shall be exercised by the Authority by delivering to the Trustee on or prior to the Business Day preceding the date fixed for redemption a written direction of the Authority specifying that such 2014 Series A Bonds shall not be redeemed, but instead shall be subject to purchase by the Authority at a purchase price equal to the redemption price at which such 2014 Series A Bonds would have been redeemed on the date that would have been the date fixed for redemption.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2014 Series Bonds, along with other available funds of the Authority, will be used to: (i) refund the Refunded Bonds, (ii) fund the 2014 Series Account of the Debt Service Reserve Fund, and (iii) pay the costs of issuance of the 2014 Series Bonds.

<u>SOURCES OF FUNDS</u>	<u>2014 SERIES A</u>	<u>2014 SERIES B</u>	<u>2014 SERIES C</u>	<u>TOTAL</u>
Par Amount of Bonds	\$119,585,000.00	\$3,285,000.00	\$126,260,000.00	\$249,130,000.00
Original Issue Premium	14,329,336.20	435,511.05	————	14,764,847.25
Authority Funds ¹	28,863,996.88	1,273,530.34	27,072,774.98	57,210,302.20
Total Sources of Funds	<u>\$162,778,333.08</u>	<u>\$4,994,041.39</u>	<u>\$153,332,774.98</u>	<u>\$321,105,149.45</u>
 <u>USES OF FUNDS</u>				
Deposits to Escrow Fund	153,047,157.14	4,723,286.05	144,129,557.66	301,900,000.85
Deposits to the 2014 Series Account of the Debt Service Reserve Fund	8,829,976.05	245,321.18	8,325,268.31	17,400,565.54
Costs of Issuance ²	901,199.89	25,434.16	877,949.01	1,804,583.06
Total Uses of Funds	<u>\$162,778,333.08</u>	<u>\$4,994,041.39</u>	<u>\$153,332,774.98</u>	<u>\$321,105,149.45</u>

¹ Amounts from the debt service funds and debt service reserve fund for the Refunded Bonds.

² Costs of Issuance includes financing and legal costs of the offering, and underwriters' discount.

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SUMMARY OF REFUNDING PROGRAM

Purpose of Refunding

The Authority has previously issued general airport revenue bonds under its 1983 Airport System Revenue Bond Resolution, as previously amended and supplemented (the "Prior Bond Resolution"), pursuant to which it has issued multiple series of bonds, a total of \$288,775,000 in principal amount of which is still outstanding. The Authority intends to use the proceeds of the 2014 Series Bonds, together with certain other funds, to refund the Refunded Bonds. The Authority expects to fund an escrow sufficient to defease on or about the date of issuance of the 2014 Series Bonds all the Refunded Bonds either to maturity or prior redemption, as the case may be. The defeasance will discharge and extinguish all obligations of the Authority under the Prior Bond Resolution immediately upon delivery of the 2014 Series Bonds.

Specifically, the Authority intends to redeem the following Refunded Bonds at a price of par, plus accrued interest to the redemption date, upon delivery of appropriate notice no later than 60 days after the date of delivery of the 2014 Series Bonds:

1998 Series A
2001 Series A
2001 Series B
2002 Series A
2002 Series B
2003 Series B
2003 Series C

(the "Currently Refunded Bonds"). The 2014 Series A Bonds and 2014 Series B Bonds will refund all of the Currently Refunded Bonds, except the Series 2001A and the Series 2001B Bonds. The Authority expects to establish an escrow of cash and/or government securities to pay or redeem the Currently Refunded Bonds.

The Authority intends to defease the following Refunded Bonds, immediately upon delivery of the 2014 Series Bonds, as required by the Prior Bond Resolution:

2005 Series A
2008 Series A
2011 Series A
2011 Series B

(the "Advance Refunded Bonds"). The 2014 Series C Bonds will refund the Advance Refunded Bonds, the 2001 Series A Bonds and the 2001 Series B Bonds. The Authority expects to establish an escrow of cash and/or government securities to pay or redeem the Advance Refunded Bonds. The escrow funds will be adequate to pay the interest and maturing principal amount of the outstanding 2005 Series A Bonds until and on the July 1, 2015 redemption date and the interest and maturing principal amount of the outstanding 2008 Series A Bonds until and on the July 1, 2018 redemption date. The escrow funds will be adequate to pay the interest and maturing principal amount of the outstanding 2011 Series A Bonds and 2011 Series B Bonds on and to the maturity dates, as those bonds are not callable. All redemptions are expected to be at the par amount of the Refunded Bonds plus accrued interest.

In each case, all defeasance of Refunded Bonds will be made in accordance with the requirements of the Prior Bond Resolution by depositing with the Trustee in the Escrow Fund (defined below) moneys and investment securities, the principal of and interest on which when due will provide money that together with moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when

due the principal and interest due and to become due on the respective Refunded Bonds on or prior to the date such Refunded Bonds will be called for redemption or the maturity date, as the case may be.

The Authority is undertaking this refunding program in order (i) to achieve near term debt service savings, (ii) to provide a new structure for the issuance of general airport revenue bonds, containing more workable and useful provisions, which will provide more flexibility to the Authority in meeting its future financing needs and (iii) to provide first lien security for the 2014 Series Bonds.

The Authority has recently discovered that uncertainties exist about proper interpretations of the Prior Bond Resolution, primarily regarding the calculation of debt service coverage, both with respect to annual rate covenant tests and the tests of the issuance of additional parity bonds. The Prior Bond Resolution questions primarily concern:

- The use of a designated coverage account as part of "revenues" (i.e., rolling coverage), with respect to the additional bonds test and annual rate covenant calculations;
- The use of assumed interest rates on the variable rate 2002 Series Bonds in prospective additional bond test calculations in 2002 and subsequently;
- The treatment of PFCs (assessed in connection with the 2001 Series Bonds and also applicable to the 2011 Series Bonds) with respect to both revenue assumptions and debt service assumptions in these two calculations; and
- The determination of the debt service requirements for the 2002 Series Bonds for purposes of sizing the debt service reserve requirement.

In each case, certain of the Authority's practices were not expressly authorized by the Prior Bond Resolution.

These uncertainties have led the Authority to engage in the refunding program described in this Official Statement. By refunding all bonds outstanding under the Prior Bond Resolution, the Authority will eliminate all uncertainties that might otherwise affect the Refunded Bonds or future debt offerings by the Authority. Further, the defeasance and discharge of the Prior Bond Resolution: (1) permits the Authority to issue the 2014 Series Bonds, and future parity Bonds, as senior lien bonds on the security pledged under the Resolution; and (2) facilitates the future issuance of additional parity bonds by providing new, modernized procedures for the additional bonds tests.

The Authority has also undertaken a review of its bond issuance and post-issuance compliance procedures, and has updated its written procedures to ensure compliance with applicable laws, tax regulations and bond documents. The Authority has retained a new external financing team to assist it in the issuance of the 2014 Series Bonds.

Plan of Refunding

Upon delivery of the 2014 Series Bonds, the Authority will enter into an escrow agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). The Escrow Agreement creates an irrevocable escrow fund (the "Escrow Fund"), which will be held by the Escrow Agent and amounts in the Escrow Fund will be applied to the payment of the principal of and interest on the Refunded Bonds on their respective redemption or maturity dates. The Authority will deposit the net proceeds of the 2014 Series Bonds and other funds in the Escrow Fund in an amount sufficient to (i) pay the interest on the Refunded Bonds to their respective redemption or

maturity dates, and (ii) pay or redeem the Refunded Bonds on their respective redemption or maturity dates.

DEBT SERVICE SCHEDULE

The following table sets forth the Annual Debt Service on the 2014 Series Bonds.

Bond Year	2014 Series A Debt Service	2014 Series B Debt Service	2014 Series C Debt Service	Total Debt Service
2015	\$12,431,239.59	\$446,570.83	\$13,731,192.93	\$26,609,003.35
2016	12,561,650.00	453,500.00	13,721,816.50	26,736,966.50
2017	12,580,400.00	453,750.00	13,713,224.72	26,747,374.72
2018	12,706,950.00	453,700.00	10,928,116.98	24,088,766.98
2019	13,203,150.00	454,900.00	10,407,498.58	24,065,548.58
2020	13,293,900.00	455,500.00	10,416,420.68	24,165,820.68
2021	13,393,150.00	456,750.00	10,788,011.08	24,637,911.08
2022	13,489,150.00	452,000.00	10,793,843.48	24,734,993.48
2023	13,565,650.00	451,500.00	10,797,667.66	24,814,817.66
2024	5,597,150.00	—	10,790,393.64	16,387,543.64
2025	5,749,400.00	—	10,785,368.86	16,534,768.86
2026	5,204,900.00	—	10,784,841.02	15,989,741.02
2027	5,322,650.00	—	4,031,402.66	9,354,052.66
2028	5,460,400.00	—	4,020,774.72	9,481,174.72
2029	5,546,400.00	—	4,027,278.82	9,573,678.82
2030	5,672,400.00	—	4,027,280.12	9,699,680.12
2031	5,825,650.00	—	4,025,604.92	9,851,254.92
2032	5,963,700.00	—	687,030.66	6,650,730.66
2033	—	—	694,025.66	694,025.66
2034	—	—	694,640.36	694,640.36
2035	—	—	694,104.80	694,104.80
2036	—	—	692,419.00	692,419.00
2037	—	—	689,582.96	689,582.96
2038	—	—	695,596.66	695,596.66
Total*	\$167,567,889.59	\$4,078,170.83	\$162,638,137.4	\$334,284,197.89

*Totals may not add due to rounding.

SECURITY AND SOURCE OF PAYMENT

The 2014 Series Bonds are secured (i) on a parity with other Bonds that may be issued by the Authority under the Resolution by a pledge of Net Revenues derived by the Authority from the operation of the Airport System and by a security interest in the Rolling Coverage Account, and (ii) by amounts deposited in the 2014 Series Account of the Debt Service Fund, the 2014 Series Account of the Cost of Issuance Fund and the 2014 Series Account of the Debt Service Reserve Fund. No property of the Authority is subject to any mortgage for the benefit of the owners of the 2014 Series Bonds.

The 2014 Series Bonds and the interest thereon are special, limited obligations of the Authority, payable solely from the Net Revenues and such funds and accounts as provided in the Bond Resolution and such Other Moneys Available for Debt Service, as provided in the 2014 Series Resolution and do not constitute in any way an indebtedness of the Authority, the Commonwealth, any county, any city or any other political subdivision of the Commonwealth within the meaning of the constitution or the laws of the Commonwealth. The Authority is obligated to pay the principal of, premium, if any, and interest on the 2014 Series Bonds and other costs incidental thereto only from the sources specified above. For information regarding the Rate Covenant and other provisions of the Resolution, see **APPENDIX C – "DEFINITIONS AND SUMMARY OF THE RESOLUTION."**

Debt Service Reserve Fund

The 2014 Series Account of the Debt Service Reserve Fund is required to be held and maintained by the Trustee so long as any Bonds secured by the 2014 Series Account of the Debt Service Reserve Fund, including the 2014 Series Bonds, remain outstanding. The 2014 Series Account of the Debt Service Reserve Fund must be funded with cash or with a Reserve Fund Instrument upon issuance of the 2014 Series Bonds and maintained in accordance with the Resolution (the "2014 Debt Service Reserve Requirement") in an amount equal to the least of (a) the maximum principal and interest due on outstanding 2014 Series Bonds in the current or any future Fiscal Year, (b) 10 percent of the original stated principal amount of the 2014 Series Bonds (or 10 percent of the issue price of the 2014 Series Bonds if required by the Code), or (c) 125 percent of the average annual principal and interest due on outstanding 2014 Series Bonds in the current and each future Fiscal Year, but in no event more than 10 percent of the original stated principal amount of the Bonds (or 10 percent of the issue price of the Bonds if required by the Code). Moneys credited to the 2014 Series Account of the Debt Service Reserve Fund will be used for the payment of the principal of and interest on the 2014 Series Bonds and any other Bonds issued by the Authority to be paid from the 2014 Series Account of the Debt Service Fund and secured by the 2014 Series Debt Service Reserve Account. Upon delivery of the 2014 Series Bonds, cash on deposit in the 2014 Series Account of the Debt Service Reserve Fund will equal the 2014 Debt Service Reserve Requirement for the 2014 Series Bonds.

If, on the final day of any month, there is a deficiency in the 2014 Series Account of the Debt Service Fund, the Trustee will apply moneys from the 2014 Series Account of the Debt Service Reserve Fund to the extent necessary so that the balance in the 2014 Series Account of the Debt Service Fund is sufficient to pay the interest and principal on the 2014 Series Bonds. The Trustee is required to deposit from Revenues to the 2014 Series Account of the Debt Service Reserve Fund (in the order of priority outlined in the Resolution) an amount sufficient to restore moneys in the 2014 Series Account of the Debt Service Reserve Fund to the 2014 Debt Service Reserve Requirement. See "**Application of Revenues — Flow of Funds**" below.

Further, the Authority has reserved the right to pledge the 2014 Series Account of the Debt Service Reserve Fund to secure other Bonds in the future, subject to the provisions of the Resolution. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — Funds and Accounts — Debt Service Reserve Fund."**

Pledge of Net Revenues

"Revenues" of the Authority are defined under the Resolution generally as all income and revenues of the Authority from all sources, excluding PFCs, proceeds of specified grants, governmental appropriations and contributions from third parties which by their terms are to be applied to a particular purpose. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION" and APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT"** for a description of the distinctions between the computation of Revenues under the Resolution and generally accepted accounting principles. The Authority also expects to commit Other Moneys Available for Debt Service in each Fiscal Year from the date of issuance of the 2014 Series Bonds through 2017 to pay a portion of the debt service on the 2014 Series C Bonds.

The 2014 Series Bonds are special, limited obligations of the Authority, payable from and secured by the Net Revenues derived by the Authority from or attributable to the Airport System and any moneys, securities and funds pledged or designated for the payment thereof. Net Revenues means Revenues less Operating Expenses.

Rolling Coverage Account

The Authority has established a Rolling Coverage Account that is held by the Trustee. The amount on deposit in the Rolling Coverage Account may be adjusted by the Authority by transfers to or from the Surplus Fund. The amount held in the Rolling Coverage Account in an amount (the "Rolling Coverage Amount") not greater than 25% of the highest debt service on all outstanding Bonds in any Fiscal Year will be included by the Authority in the computation of the rate covenant and its additional bonds tests described below. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — Funds and Accounts — Rolling Coverage Account."**

Rate Covenant

The Authority has covenanted (the "Rate Covenant") in the Resolution that while any Bonds are outstanding, it will establish, fix, prescribe, enforce and collect rates, fees, rentals and other charges for the use of the Airport System and will revise the same as often as may be necessary or appropriate (i) to provide Net Revenues, together with the Rolling Coverage Amount, in each Fiscal Year in an amount equal to at least 125% of Aggregate Debt Service on all Bonds plus 100% of Repayment Obligations for such Fiscal Year (except where provided for by capitalized interest), and (ii) to provide at least 100% of the amounts required to be deposited from Net Revenues in each Fund or account created by the Resolution during such Fiscal Year. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION"** for the process by which Other Amounts Available for Debt Service can be dedicated by the Authority and used to reduce the Debt Service that is otherwise due for purposes of the Rate Covenant.

Each Airline Agreement between the Authority and a Signatory Airline requires the respective Signatory Airline to pay rentals, fees and charges with respect to certain facilities whose costs are reflected in the particular cost center or centers used by the Signatory Airline in an amount sufficient to enable the Authority to meet the Rate Covenant.

To the extent that proceeds of any Bonds are used to fund Airport projects for certain facilities whose costs are reflected in cost centers not subject to the Airline Agreements, the Authority cannot increase fees payable by the airlines under the Airline Agreements to fund such projects, in whole or in part. Rather, the Authority is obligated under its Rate Covenant to establish a uniform schedule of rates and charges with respect to such other cost centers sufficient, with the other Revenues of the Authority, including Revenues derived from the Airline Agreements plus the Rolling Coverage Amount to meet the Rate Covenant. Under certain circumstances, the airlines may challenge rates and charges applicable to them in an administrative process. See "**CERTAIN INVESTMENT CONSIDERATIONS.**" There currently is no dispute between the Authority and any of the airlines over any existing rates and charges.

Application of Revenues — Flow of Funds

Under the Resolution, all Revenues must be promptly deposited by the Authority to the credit of the Revenue Fund.

Operating Expenses shall be paid by the Authority from time to time as they become due and payable as a first charge on the Revenue Fund; *provided, however*, that the Authority may use money on deposit in the Operation and Maintenance Reserve Fund to pay such Operating Expenses if, in any month, the Authority expects that, at the end of that month, the amount of money that will be available in the Revenue Fund to make the transfers and deposits required under the Resolution's flow of funds as outlined in the paragraph below will not be sufficient to pay such Operating Expenses and to make such transfers and deposits required under the Resolution.

On or before the last Business Day of each calendar month, after payment of unpaid Operating Expenses then due, the Authority shall transfer and deposit from amounts on deposit in the Revenue Fund to the extent of moneys available in the Revenue Fund, the amounts set forth below into the following Funds in the following order of priority:

- To the Debt Service Fund, an amount, if any, required so that the balance in each of the Series Accounts in the Debt Service Fund shall equal the Accrued Debt Service on the respective Series of Bonds and, to the extent required by the Supplemental Bond Resolution creating such Series Account, on any Security Instrument Obligations for which such Series Account was established.
- To each Series Account established within the Debt Service Reserve Fund in an amount equal to approximately one-twelfth of the aggregate amount necessary to be deposited so that the balance in such Series Account is at least equal to the Debt Service Reserve Requirement.
- In the event of any withdrawal from the Operation and Maintenance Reserve Fund (or an increase in the amount budgeted by the Authority), for the credit to the Operation and Maintenance Reserve Fund, in an amount equal to approximately one-twelfth of the aggregate amount necessary to be deposited so that the balance in the Operation and Maintenance Reserve Fund is at least equal to the Operation and Maintenance Reserve Requirement.
- In the event the amount on deposit in the Renewal and Replacement Fund is less than the Renewal and Replacement Fund Requirement, an amount equal to approximately one-twelfth of the aggregate amount necessary to be deposited so that the balance in the Renewal and Replacement Fund is at least equal to the Renewal and Replacement Fund Requirement.

provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all outstanding Bonds and all outstanding Repayment Obligations in accordance with their terms (including Principal or applicable sinking fund Redemption Price and interest), no deposits shall be required to be made into the Debt Service Fund.

At the end of each calendar month, any moneys then remaining in the Revenue Fund, after the above-referenced required deposits and payments (and amounts required to be retained in the Revenue Fund under the Resolution), may be transferred from time to time by the Authority into the Surplus Fund or the Rolling Coverage Account in the Revenue Fund.

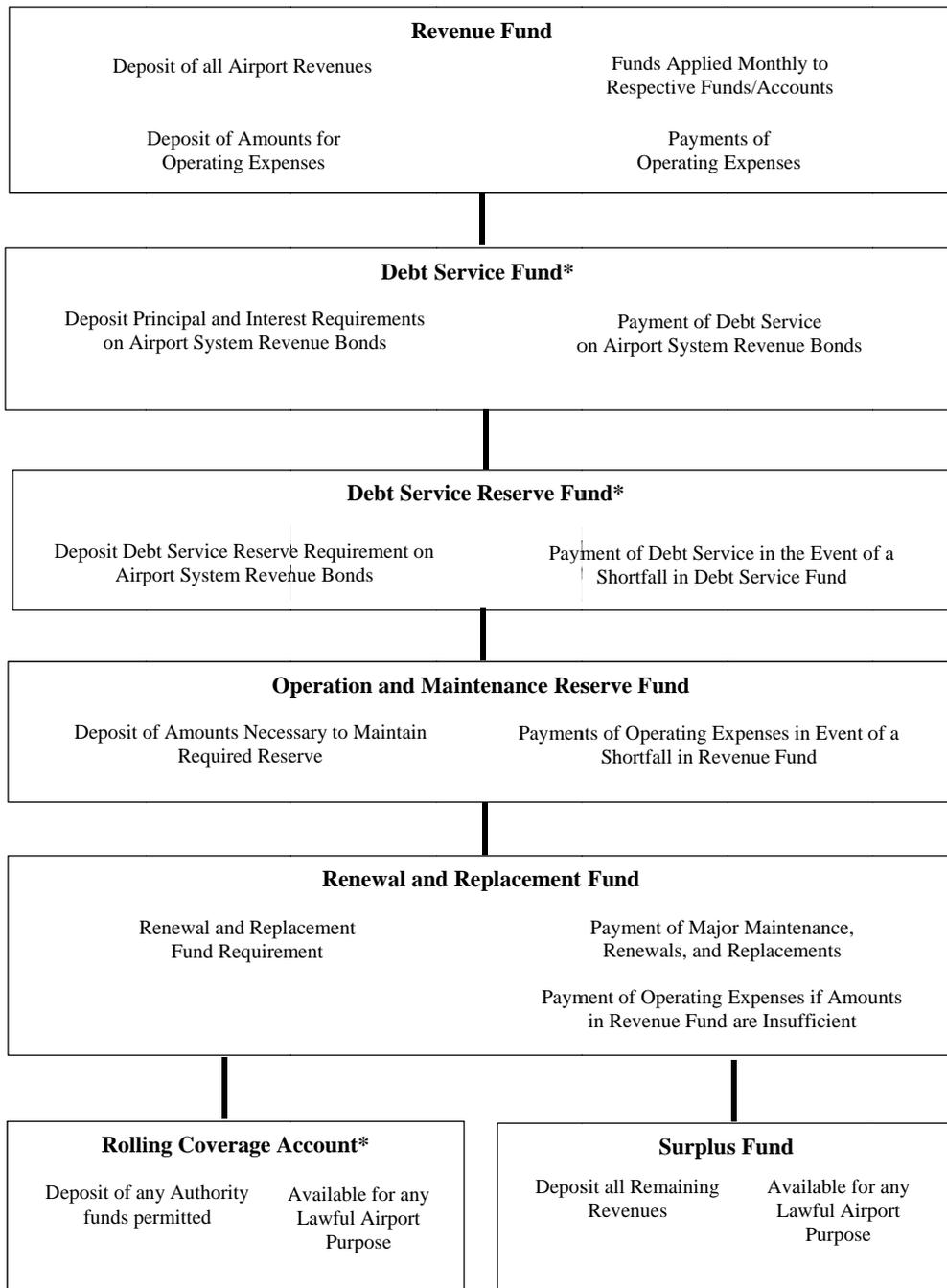
Money on deposit in the Rolling Coverage Account and the Surplus Fund may be used for any purpose for which any money of the Authority may be used. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — Revenue Fund and Rolling Coverage Account; Payment of Operating Expenses" and — "Flow of Funds."**

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Flow of Funds

Required Fund Deposits

Applications of Monies



* Held by the Trustee.

Additional Bonds

One or more series of additional Construction Bonds (the "Construction Bonds") may be issued to pay the cost of acquiring, improving or equipping additional Projects. Such Construction Bonds will rank on a parity with any outstanding Bonds, if certain conditions are met, including either:

(i) a Written Certificate by the Authority certifying that the Net Revenues for the Authority's most recent Fiscal Year or for any 12 consecutive months out of the most recent 24 months, together with any Rolling Coverage Amount (which may take into account any increase in the Rolling Coverage Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), will be sufficient to satisfy the Rate Covenant Requirement with respect to all Bonds to be Outstanding and the Repayment Obligations to be outstanding, in both cases, after the issuance of the proposed Series of Bonds for whichever of the following periods shall extend until the latest date: (A) if the Supplemental Bond Resolution authorizing the Series of Bonds being issued requires capitalized interest on such Series of Bonds until a certain date, for each of the two (2) Fiscal Years after such date, or (B) if the Supplemental Bond Resolution authorizing the Series of Bonds being issued does not require such capitalized interest, for the then current Fiscal Year and each succeeding Fiscal Year to and including the third Fiscal Year after the date of issuance of such Series of Bonds; or

(ii) an Airport Consultant's Certificate setting forth the Estimated Net Revenues for whichever of the following periods shall extend until the latest date: (I) if the Supplemental Bond Resolution authorizing the Series of Bonds being issued requires capitalized interest on such Series of Bonds until a certain date, for each of the two (2) Fiscal Years after such date, or (II) if the Supplemental Bond Resolution authorizing the Series of Bonds being issued does not require such capitalized interest on such Series of Bonds, for the then current Fiscal Year and each succeeding Fiscal Year to and including the third Fiscal Year after the date of issuance of such Series of Bonds, certifying the Aggregate Debt Service for each of the Fiscal Years set forth in the Airport Consultant's Certificate delivered pursuant to the Bond Resolution (which Aggregate Debt Service shall include the Debt Service for such Fiscal Years on any Construction Bonds that the Authority expects to issue thereafter to pay any unfunded balance of the estimated Cost of Construction of a Project that are necessary to produce the Estimated Net Revenues set forth in the Airport Consultant's Certificate), and showing that the estimates of Net Revenues as shown in such Airport Consultant's Certificate for each of such Fiscal Years together with any Rolling Coverage Amounts (which may take into account any increase in the Rolling Coverage Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), will be sufficient to satisfy the Rate Covenant Requirement for each such Fiscal Year with respect to all Bonds to be Outstanding and to the Repayment Obligations to be outstanding, in both cases, after the issuance of the proposed Series of Bonds and any such Construction Bonds.

The requirements described above for Construction Bonds do not apply to (a) the 2014 Series Bonds, (b) to any series of Construction Bonds all of the proceeds of which are applied to pay the Cost of Construction of a Project necessary to keep the Airport System in good operating condition or to prevent a loss of Revenues or to comply with the requirements of any governmental agency having jurisdiction over the Airport System, (c) to any Series of Bonds, the aggregate Principal amount of which, together with the aggregate Principal amount of all other Outstanding Bonds issued as described above during such Fiscal Year, does not exceed 25% of the Revenues for the most recent Fiscal Year prior to the issuance of such Series of Bonds for which audited financial statements are available, all as expressed in a Written Certificate of the Authority; provided, that the Trustee shall have received a Written Certificate of the Authority certifying that the Estimated Net Revenues for the next succeeding Fiscal Year, together with any Rolling Coverage Amount (which may take into account any increase in the Rolling Coverage

Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), would be sufficient to satisfy the Rate Covenant Requirement for such Fiscal Year with respect to all the 2014 Series Bonds to be Outstanding at any time during such Fiscal Year and to the Repayment Obligations to be outstanding at any time during such Fiscal Year, and (d) any Series of Bonds issued to pay the Cost of Construction necessary to complete any Project for which Bonds have previously been issued provided, that the Trustee receives: (i) a Written Certificate by the Authority stating that the nature and purpose of such Project has not materially changed since the initial Written Certificate of the Authority; and (ii) a Written Certificate by the Authority that (A) all of the proceeds (including investment earnings) of Bonds previously issued to finance such Project have been or will be used to pay Costs of Construction of the Project, (B) the then estimated Costs of Construction of the Project certified by the Authority exceeds the sum of the Costs of Construction already paid plus moneys available in the Project Account established for the Project (including unspent proceeds of Bonds previously issued for such purpose), (iii) the issuance of such Series of Bonds is necessary to provide funds to pay the Costs of Construction necessary for the Project, and (iv) the principal amount of such Series of Bonds does not exceed fifteen percent (15%) of the principal amount of all Bonds previously issued to finance such Project. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — Special Provisions for the Issuance of Construction Bonds."**

The Authority may also authorize the issuance of Subordinated Indebtedness pursuant to a separate resolution, indenture or other instrument, the payment of the principal of, premium, if any, and interest on which Subordinated Indebtedness shall be subject to the prior lien and charge created in the Resolution for the payment of the principal and redemption price, if any, and the interest of the Bonds. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — General Provisions for the Issuance of Bonds."**

Refunding Bonds

The Authority may issue one or more Series of Refunding Bonds in such principal amount which, when taken together with other legally available funds, will provide the Authority with funds sufficient to refund all or a part of the Outstanding Bonds of one or more Series, or all or part of any other borrowing of the Authority payable in whole or in part from the Revenues. Such Refunding Bonds will rank on a parity with any outstanding Bonds, if certain conditions are met, including (i) a Written Certificate by the Authority setting forth the Aggregate Debt Service for each Fiscal Year to and including the Fiscal Year in which occurs the latest maturity of the Bonds to be refunded or such Series of Refunding Bonds, whichever is later, (A) with respect to the Bonds to be refunded, and (B) with respect to the Series of Refunding Bonds to be authenticated and delivered, and stating that the maximum amount of Aggregate Debt Service for any Fiscal Year is less than the Aggregate Debt Service on the Bonds to be refunded for any Fiscal Year; or (ii) a Written Certificate of the Authority certifying that the Net Revenues for the most recent Fiscal Year of the Authority for which an audited financial report is available, together with any Rolling Coverage Amount (which may take into account any increase in the Rolling Coverage Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), would be sufficient to satisfy the Rate Covenant Requirement with respect to all Bonds to be Outstanding and the Repayment Obligations to be outstanding, in both cases, for the then-current Fiscal Year and succeeding Fiscal Year to and including the Fiscal Year after the issuance of the proposed Series of Refunding Bonds; or (iii) an Airport Consultant's Certificate setting forth:

(A) the Estimated Net Revenues for the then-current Fiscal Year and each succeeding Fiscal Year to and including the Fiscal Year after the date of issuance of such Series of Bonds; and

(B) the Aggregate Debt Service for each of the Fiscal Years set forth in the Airport Consultant's Certificate certifying that the Estimated Net Revenues as shown in such Airport

Consultant's Certificate for each of such Fiscal Years, together with any Rolling Coverage Amounts (which may take into account any increase in the Rolling Coverage Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), will be sufficient to satisfy the Rate Covenant Requirement for each of such Fiscal Years with respect to all Bonds to be Outstanding and to the Repayment Obligations to be outstanding, in both cases, after the issuance of the proposed Series of Refunding Bonds.

The issuance of Refunding Bonds is also conditioned upon irrevocable instructions from the Authority to the Trustee (or the lender or its designee, as appropriate) to give due notice of redemption of all the Bonds to be refunded on the redemption date or dates specified in such instructions. See **"APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION — Special Provisions for the Issuance of Refunding Bonds."**

Events of Default and Remedies; No Acceleration or Cross Defaults

"Events of Default" and related remedies under the Resolution are described in the summary of certain provisions of the Resolution attached as **APPENDIX C**, in particular in the section "Events of Default and Remedies of Bondholders." The occurrence of an Event of Default does not grant any right to accelerate payment of the 2014 Series Bonds to either the Trustee or the Holders of any Bonds. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or others, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust created hereby, including, without limitation, the proceeds of the sale of the Bonds, the Revenues and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer. See **APPENDIX C — "DEFINITIONS AND SUMMARY OF THE RESOLUTION."**

THE AUTHORITY

Organization

The Authority, a body politic and corporate constituting a political subdivision of the Commonwealth, is organized pursuant to Sections 183.132 through 183.138 and Section 183.476 of the Act and was established in 1928 pursuant to a special Act of the Kentucky General Assembly for the purpose of establishing, maintaining, operating and expanding necessary, desirable or appropriate airport and air navigational facilities. Kentucky was the first state in the nation to adopt specific legislation to create an independent airport board, and the Authority is among the oldest airport authorities in the United States.

The Authority is governed by the Board of Directors of the Authority (the "Board") of 11 members which includes the Mayor of Louisville Metro Government (the "Metro Mayor"), seven members appointed by the Metro Mayor and three members appointed by the Governor of the Commonwealth. The members each serve staggered four year terms, except for the Metro Mayor, whose term on the Board runs concurrently with his term as Metro Mayor. Members whose terms have expired continue to serve until a successor is appointed and qualified, provided that if the appointing authority has not named a successor within sixty (60) days after the expiration of a member's term, the member is deemed to have been appointed to a new term. All members serve without compensation.

Authority Members

PHILIP J. LYNCH (originally appointed 2003, term expires February 28, 2015). Mr. Lynch is Chairman of the Board, a position he has held since November 2009. Prior to being appointed Chairman, he served as Vice Chairman of the Board from January 2004 through November 2009. He is Vice

President, Director of Corporate Communications for Brown-Forman Corporation, headquartered in Louisville, Kentucky. He is a former chairman and a current member of Louisville Regional Development Board of Kentucky Educational Television and past capital campaign chairman for Bunbury Theatre. He is a former board member of Maryhurst, the Louisville Science Center, and the Louisville Visual Arts Association. He previously served as Director of Communications/Press Secretary for the Mayor of the City of Louisville.

JAMES S. WELCH, JR. (originally appointed 2009, term expires July 15, 2017). Mr. Welch is the Vice-Chairman of the Board. Mr. Welch is Vice Chairman of Brown-Forman Corporation, headquartered in Louisville, Kentucky, and has global responsibility for corporate strategy, human resources, corporate affairs, and diversity. In March 2007, he was appointed to Brown-Forman's board of directors. Mr. Welch joined Brown-Forman in 1989, as manager of Corporate Planning and Investor Relations. In 1990, he became assistant to the chief executive officer, and was elected an assistant vice president in 1992. From 1995-1998, Mr. Welch was a vice president in charge of the Business Consulting Group. More recently, he served as senior vice president of Human Resources for Brown-Forman. Before joining Brown-Forman, Mr. Welch was co-founder and vice president of operations for Source Air Corporation — a start-up aviation venture in Charlottesville, Virginia. He began his career in 1981 with J.P. Morgan & Company in New York, becoming a vice president in 1986. Mr. Welch is currently serving as president of the board of directors for the Louisville Orchestra. He also serves on the Executive Committee and boards of Louisville's Downtown Development Corporation, The Fund For The Arts, and Greater Louisville Inc. (Louisville's Chamber of Commerce). He has served as chairman of The Nature Conservancy - Kentucky Chapter, is a former president of River Fields Inc., and is a former trustee of Bernheim Forest and Research Arboretum. Mr. Welch earned a bachelor's degree in economics, graduating cum laude from Princeton University in 1981.

JON A. MEYER, CPA and CGMA (originally appointed 2011, term expires July 15, 2015). Mr. Meyer is the Secretary/Treasurer of the Board. Mr. Meyer is a Certified Public Accountant (CPA), and a Chartered Global Management Accountant (CGMA). He is partner and chair of the board of Jones, Nale & Mattingly PLC, Certified Public Accountants, headquartered in Louisville, Kentucky. He is a member of the American Institute of Certified Public Accountants (AICPA) and the Kentucky Society of Certified Public Accountants. Among many civic involvements, Mr. Meyer is a chairman of Spalding University Board of Trustees, and is a member of the board of directors of the Louisville Waterfront Development Corporation. He also serves on the board of directors of the University of Louisville Board of Overseers. Mr. Meyer received his bachelor of science degree in commerce from the University of Louisville.

MARY ROSE EVANS (originally appointed 2002, terms expires July 15, 2014). Ms. Evans currently serves as Mayor for the City of Parkway Village, as President of the Airport Neighbors' Alliance Inc., the Vice President of the National Organization to Insure a Sound-controlled Environment (N.O.I.S.E.) and as the Authority's representative on the Community Noise Forum. Ms. Evans worked for the Kentucky Department of Human Resources as a social worker. Currently, Ms. Evans' community service includes serving as the Vice President of the Jefferson County League of Cities Board of Directors and as a member of the Board of Directors of the St. Joseph Area Association, the KY K9 Search and Reunite and the Louisville Nature Center. In addition, she serves on the Metro Council District 10 Advisory Council.

GREG FISCHER (term concurrent with term in office). Mr. Fischer serves on the Board by virtue of his position as Metro Mayor. Mr. Fischer, who was elected to a four-year term as Louisville's Mayor in 2010, is an entrepreneur, businessman and philanthropist. He majored in Economics at Vanderbilt University. Prior to his election as Mayor, Mr. Fischer founded SerVend International and co-invented the SerVend ice-and-beverage dispenser just as fast-food restaurants and convenience stores were proliferating. Mr. Fischer also founded Iceberg Ventures, a private investment firm, and later was a

co-founder of bCatalyst, the first business accelerator in Louisville, Kentucky. Mr. Fischer is a partner and former CEO of Dant Clayton Corporation, which designs, manufactures and constructs sports stadiums around the country. Since taking office, Mayor Fischer has pursued three top goals – making Louisville a city of lifelong learning, a much healthier city and a more compassionate community. His accomplishments include regaining the 42,000 jobs lost to the long recession, including creating 12,400 new jobs in 2013 alone. His successes led to his being named a 2013 "Public Official of the Year" by Governing Magazine – the only U.S. mayor to earn that distinction. He is chairman of the Louisville Science Center and was a co-founder of Louisville's Center for Quality of Management. He has served on numerous nonprofit boards and currently serves on the University of Louisville Board of Overseers and the Waterfront Development Corp.

EARL F. JONES, JR. (originally appointed 2004, term expires April 1, 2016). Mr. Jones, an attorney, is Senior Counsel, Government and Industry Relations, for General Electric's Appliances and Lighting Division, headquartered at Appliance Park in Louisville, Kentucky. Mr. Jones is a member of the Board of Directors of the Association of Home Appliance Manufacturers, a not-for-profit trade association representing manufacturers of major and portable home appliances, floor care appliances, and suppliers. He is vice chair of the board of trustees of the Louisville Olmstead Parks Conservancy and has served on the Boards of the Louisville Opera, the Louisville Ballet, the Center for Women and Families and the Family Place. He is a member of Leadership Louisville and a past President of the Louisville Bicycle Club. He received his undergraduate and law degrees from Columbia University.

ELAINE M. MUSSELMAN (originally appointed 1997, term expires July 15, 2017). Ms. Musselman is vice chair of Risk Management Services Company of Louisville, Kentucky, where she organizes, structures and administers self-insured plans and affinity programs for business, associations, and government entities. She currently serves on the Boards of Jewish Hospital St. Mary's Healthcare, the Office Depot, Inc. Women's Advisory Board, and Women 4 Women, Inc., an organization which she helped found. Ms. Musselman previously served on the Board of Directors of the Louisville Arena Authority, Louisville Gas and Electric Company, First Kentucky National Bank Corporation, the University of Louisville Board of Trustees, Blue Cross/Blue Shield of Kentucky and the American National Red Cross Board of Governors. She is a former Chair of Greater Louisville, Inc. (Louisville's Chamber of Commerce), the Metro Louisville United Way and the Greater Louisville Visitors' and Convention Bureau.

LESA SEIBERT (originally appointed 2013, term expires July 15, 2017). Ms. Seibert is president of Xtreme Media headquartered in Louisville, Kentucky, which is an international multi-media firm which she founded. Ms. Seibert serves as the immediate past president of the National Association of Women Business Owners (Louisville Chapter). She also serves on the board of directors of the Louisville Arena Authority and Women 4 Women. Ms. Seibert serves on the advisory board of Citizens Union Bank and on the Greater Louisville, Inc. (Louisville's Chamber of Commerce) Small and Independent Business Committee and IdeaFestival Planning & Taste of Innovation Committee.

EVELYN D. STRANGE (originally appointed 2012, term expires July 15, 2016). Ms. Strange is president of Advanced Electrical Systems, Inc., a full-service industrial and commercial electrical contracting and engineering firm, headquartered in Louisville, Kentucky. She currently serves on the Board of Greater Louisville, Inc. (Louisville's Chamber of Commerce), and is past chair of the National Association of Women Business Owners. Ms. Strange received her undergraduate and graduate degrees in nursing from the University of Louisville.

GAIL L. STRANGE (originally appointed 2003, term expires July 15, 2015). Ms. Strange is the Director of Mission Communications for the Presbyterian Church Mission Agency, the mission and ministry arm of the Presbyterian Church (U.S.A.). Ms. Strange provides marketing and communications support for the ministries of the Church. Prior to joining the PCUSA, Ms. Strange served as Senior

Manager of Corporate and Community Relations for Brown & Williamson Tobacco Corporation. Most recently, Ms. Strange served as Executive Director of the Louisville Youth Philanthropy Council. Ms. Strange has served on a number of board of directors including Kentucky Derby Festival, Dare-To-Care, The Center for Women and Families, Leadership Louisville, and Metro United Way. Additionally, she served as Board Chair of the Louisville Urban League. She earned a Master of Business Management and Human Relations from Webster University and a Bachelor of Science degree from Kentucky State University.

STEVEN E. TRAGER (originally appointed 2008, term expires July 15, 2016). Mr. Trager joined Republic Bank & Trust Company in May of 1987. In 1994, Mr. Trager led the merger and reorganization of the Republic group into its current unitary corporate banking structure. Also in 1994, Mr. Trager was appointed Vice Chairman of the bank's holding company, Republic Bancorp. In 1998, Mr. Trager was named President and Chief Executive Officer of Republic Bancorp. He also serves as Chairman and Chief Executive Officer of Republic Bank. Mr. Trager is past chairman for the Kentucky Bankers Association, past chair for Leadership Kentucky, and a former board member of the Federal Reserve Bank of St. Louis' Louisville Branch. He currently serves as Chairman for the University of Louisville Board of Overseers; serves on the boards for Fund for the Arts and Bellarmine University Board of Trustees and is an advisory board member of the Young Professionals Association of Louisville. He is also involved in local community nonprofit organizations and was the Juvenile Diabetes Research Foundation's Man of the Year in 2003. Mr. Trager served as Council Chair with the Boy Scouts of America for the 2009 Friends of Scouting Campaign. Mr. Trager received his B.A. degree in finance from the University of Texas at Austin and his J.D. degree from the University of Louisville School of Law.

Authority Senior Management

The operations of the Airport System are administered by an Executive Director, assisted by three Deputy Executive Directors and the Directors of the various departments described below. The organization's four divisions are Executive, Operations and Maintenance, Planning and Engineering, and Finance and Administration. Each division is overseen by a Deputy Executive Director with the exception of the Executive division which is overseen by the Executive Director. The Authority currently has approximately 180 employees.

C.T. "SKIP" MILLER, A.A.E. currently serves as the Authority's Executive Director. Prior to joining the Authority in 2003, he served as Executive Director of Airports and Director of Operations and Facilities at the Fort Wayne-Allen County Airport Authority, Fort Wayne, Indiana. He also has held positions with the Michiana Regional Airport, South Bend, Indiana, and Greater Pittsburgh International Airport. He served as president to the Aviation Association of Indiana and Great Lakes Chapter of the American Association of Airport Executives ("AAAE") and as a member of the Board of Directors for the Greater Ft. Wayne YMCA, the World Trade Association and ACI North America. He is a Past Chairman and current board member of Kentuckians for Better Transportation. He also has served on various AAAE committees. He served on the Mayor's Community Service Council as well as on the board of the Fort Wayne Convention and Tourism Bureau (Indiana) and is a current member of the Louisville Rotary Club. Mr. Miller also serves on the boards of Greater Louisville Inc. (Louisville's Chamber of Commerce), and the Regional Leadership Coalition. He serves as a committee chair for ACI North America and as sub-committee chair for Greater Louisville, Inc. (Louisville's Chamber of Commerce). He holds a Bachelors of Science in Business Management from the Indiana Institute of Technology, and a degree in Aviation Administration and Technology from Northern Kentucky University. He has been an accredited Airport Executive with AAAE since 1987.

MICHAEL C. BURRIS, A.A.E. currently serves as the Authority's Deputy Executive Director of Finance and Administration and Chief Financial Officer. Prior to joining the Authority in 2004,

Mr. Burris served as the Deputy Director of Aviation - Administration and Finance for Kansas City Aviation Department, Kansas City, Missouri and Director of Finance and Administration for Lehigh Northampton Airport Authority (Pennsylvania). He holds a Master of Public Administration degree in public finance from New York University and a Bachelor of Science degree in Commerce from Niagara University.

BRIAN J. SINNWELL currently serves as the Authority's Deputy Executive Director of Planning and Engineering and as Chief Planning Officer. In addition, his responsibilities include directing the Authority's environmental and noise-abatement functions. Prior to joining the Authority in 2013, Mr. Sinnwell was the Director of Planning and Facilities at Lehigh Northampton Airport Authority (Pennsylvania). He holds a Bachelor of Science degree in Civil Engineering Technology from the University of Pittsburgh, a Master's Certificate in Applied Project Management from Villanova University and a Graduate Certificate in Supply Chain Management from Lehigh University.

STEVE PETTY, A.A.E. currently serves as the Authority's Deputy Executive Director of Operations and Maintenance. Mr. Petty previously served as the Authority's Director of Public Safety and was promoted in 2012. Prior to joining the Authority in 2004, he was a Captain in Aircraft Rescue and Fire Fighting with Cincinnati/Northern Kentucky International Airport. Mr. Petty holds a Bachelor of Arts degree in Business Administration degree from Xavier University, an Associate of Applied Business degree from Cincinnati State Technical and Community College and an Associate in Applied Science degree from Jefferson Community and Technical College. Steve is also a Peace Officer Professional Standards (POPS), Certified Law Enforcement Officer (LEO) in the Commonwealth.

DOROTHY "DODIE" M. CAULK, CPA, C.M. currently serves as the Authority's Director of Finance and Accounting. Ms. Caulk joined the Authority as Capital and Planning Manager in 2004 and was promoted to Director of Finance and Accounting in 2008. Prior to joining the Authority, she served as a Senior Associate and Manager for the accounting firm of Potter & Company, LLP, in Louisville, KY. Ms. Caulk holds a Bachelor's Degree in Business Administration - Accounting from Sullivan University.

PATRICIA "TRISH" S. BURKE currently serves as the Authority's Director of Public Relations. Ms. Burke joined the Authority as Public Relations Manager in 2004 and was promoted to Director of Public Relations in 2007. Prior to joining the Authority, she worked at the Metropolitan Sewer District, serving five years as Director of Customer Service and Public Affairs. In addition, Ms. Burke worked at Louisville Gas & Electric (LG&E) and LG&E Energy, where she served as Manager of Corporate Communications. She holds a Bachelor of Arts degree from St. Mary's College in Notre Dame, Indiana.

TIMOTHY N. HAIZLIP, C.M. currently serves as the Authority's Director of Maintenance. Prior to joining the Authority in 2013, Mr. Haizlip served as Director of Maintenance at the Capital Region Airport Authority in Lansing, Michigan. He has over 19 years in the aviation industry. Mr. Haizlip holds both a Bachelor of Arts degree and Master of Public Administration degree from Northern Kentucky University.

JAMES P. SOHAN currently serves as the Authority's Director of Public Safety. Prior to joining the Authority in 2013, Mr. Sohan served as a police officer for the Louisville Metro Police Department for 22 years and retired with the rank of Major/Division Commander. He also served as a Captain at the Camp Taylor Fire Department and as a firefighter with the Fern Creek Fire Department (Louisville area). Mr. Sohan holds a Bachelor's degree in Criminal Justice from the University of Louisville.

JANET BARROW, S.P.H.R. currently serves as the Authority's Director of Human Resources. Prior to joining the Authority in 2002, she served as Regional Human Resources Project Manager and

Site Human Resources Manager for Sears Roebuck and Company. Ms. Barrow holds a Bachelor of Science in Business Administration degree from Spalding University and a Master of Public Administration degree from the University of Louisville.

THOMAS TYRA currently serves as the Authority's Director of Marketing and Air Service Development. He joined the Authority in 2005. Mr. Tyra has more than 17 years of aviation industry experience, previously serving as the Director of Marketing and Public Relations for Blue Grass Airport in Lexington, Kentucky, and as the Supervisor for Air Service and Airline Affairs at Port Columbus International Airport in Columbus, Ohio. He holds a Master of Public Administration degree and a Bachelor of Science degree from the University of Louisville.

DARRELL D. WATSON, A.A.E. currently serves as the Authority's Director of Properties. He re-joined the Authority in 2008. From 2007 to 2008, Mr. Watson served as Vice President of Commercial Programs for the Rhode Island Airport Corporation. Prior to moving to Rhode Island, he was the Properties Manager for the Authority from 2002 to 2007. Mr. Watson holds both a Bachelor of Science degree in Aviation Technology and a Master of Science Degree in Aviation Safety from the University of Central Missouri in Warrensburg, Missouri.

DWIGHT H. CLAYTON, P.E., A.A.E. currently serves as the Authority's Director of Engineering. Prior to joining the Authority in 2008, Mr. Clayton served as a Project Manager for Michael Baker, Jr. Corp. in Louisville. He also has served as a Project Manager for PBS&J in Florence, Kentucky and ECE, Inc. in Elsmere, Kentucky. Mr. Clayton holds a Bachelor's Degree in Civil Engineering from the University of Kentucky and is licensed as a professional engineer in Kentucky, Ohio and Indiana.

JOHN T. MIDDLETON, C.P.M. currently serves as the Authority's Director of Purchasing and Procurement. Prior to joining the Authority in 2004, Mr. Middleton served as Vice President, Mid-America Bancorp, Inc. (Bank of Louisville) and Vice President/Director of Purchasing for Liberty National Bank & Trust Company. He holds a Bachelor of Arts degree from the University of Maryland. Mr. Middleton is a Certified Purchasing Manager, a designation of the Institute for Supply Management.

DOUGLAS R. FAULKENBURG currently serves as the Authority's Director of Terminal Operations. He has held various positions with the Authority since 1982, including Assistant Director of Maintenance, Electrical Systems Coordinator and Electrical Supervisor. Mr. Faulkenburg also has been employed with Wright Electric Company, and Guarantee and Standard Electrical Company.

RONALD D. LOGSDON currently serves as the Authority's Director of Parking Operations. He joined the Authority in 2000. Prior to joining the Authority, Mr. Logsdon worked for the United States Postal Service where, in addition to other management positions, he served as Manager of Technical Sales and Service and then as Manager of Customer Service.

THE AIRPORT SYSTEM

The Airport System consists of the Airport and Bowman Field, both of which are situated within the boundaries of the Louisville metropolitan area. Bowman Field is a general aviation airport designated by the FAA as a reliever airport for the Airport. As of January 2014, the Airport was served by five scheduled passenger airline carriers by utilizing mainline aircraft and 11 regional airlines, and two cargo airlines. UPS has its worldwide headquarters for its air operations at the Airport, which is the central connection point for its next-day and second-day delivery to locations worldwide. See "**AIRPORT OPERATIONS.**"

Louisville International Airport

The Airport first opened to commercial air traffic in 1947. In federal fiscal year 2010, the FAA classified the Airport as a small hub facility based on its percentage of nationwide enplanements. As of June 2013, the Airport offered 82 scheduled daily passenger flights, with daily nonstop service to 24 destinations nationwide and one-stop international service to 121 cities in 62 countries. Passenger activity at the Airport decreased to 1,714,706 enplanements in Fiscal Year 2013 from 1,839,166 enplanements in Fiscal Year 2007 (a decrease of 6.8%). The Airport, according to FAA reports, ranked 68th nationwide in total passengers enplaned in calendar year 2012. In addition, with a 10.6% increase in available seats during the second quarter of 2013, the Airport was the third fastest growing airport among the nation's largest 75 airports in terms of new seats added. The Airport ranked third in North America and seventh in the world in terms of the amount of air cargo handled in calendar year 2012.

The Airport encompasses approximately 1,500 acres of land, all of which is owned by the Authority. Currently, an additional approximately 260 acres of land is owned by the LRAA through the purchase of residential areas under its FAA Part 150 noise program.

Airfield Facilities

The major airfield facilities consist of two independent parallel runways and a crosswind runway, associated taxiways, the UPS-owned cargo facility - Worldport[®], the Kentucky Air National Guard base, the FedEx sort facility, maintenance hangars leased to Republic and Compass Airlines, and general aviation/corporate facilities. The parallel runways, 17R/35L and 17L/35R are separated by 4,900 feet which allows for simultaneous operations and have lengths of 11,890 feet and 8,580 feet, respectively. The crosswind runway has a length of 7,250 feet. All three runways are 150 feet in width.

The parallel runways have full Instrument Landing System capability at each end. All three runways have sufficient pavement strength to accommodate Group VI aircraft. Additionally, under normal weather conditions, the existing runway system can accommodate international flights to Europe, South America and the Far East for UPS operations. All airfield taxiways, with the exception of the terminal apron area, are designed for at least Group V aircraft while Taxiway "A" can accommodate Group VI aircraft. The terminal apron area taxi lanes are designed for Group IV (e.g., Boeing-767) aircraft.

The Airport's passenger terminal apron area covers approximately 50 acres while the UPS-owned apron covers approximately 300 acres with 135 aircraft parking positions. Other apron areas include the Fixed Base Operator ("FBO") apron, the Kentucky Air National Guard apron, the FedEx apron, the Republic Airways and Compass Airlines aprons and the corporate hangar apron.

Passenger Terminal Facilities

The passenger terminal building at the Airport is a two-level structure consisting of a landside element and an airside element connected by a moving walkway corridor in the airside building. The landside element of the terminal contains approximately 238,000 square feet and contains passenger ticket counters, offices and concession areas on the upper level. The lower level contains baggage claim facilities, baggage and other office space, inline baggage screen facilities and rental car counters. The inline baggage screening facilities were added to the landside terminal. Additions were made to both the east and west sides of the terminal, with the west side being a two story facility with offices and storage areas on the second floor.

The airside element includes a two-level "Y" shaped pier that supports 23 second-level aircraft gates and contains approximately 176,000 square feet. Airline operations offices are located on the ground level.

Rental Car Operators

There are currently nine on-airport rental car operators operating at the Airport pursuant to eight separate agreements: Advantage, Alamo, Avis, Budget, Dollar/Thrifty, Enterprise, Hertz, National and Thrifty. The current agreements with these operators expire August 31, 2015. The Authority anticipates issuing a Request for Proposals for the rental car concession in March 2015.

Parking Facilities

Substantially all public parking is owned and operated by the Authority and located within the terminal roadway loop. A four-level parking garage containing 4,127 public parking spaces is located north of the terminal. The garage is linked to the landside terminal by two corridors under the arrival roadway. The lowest level of the garage is designated as short-term parking (391 spaces), while other levels are designated for daily parking (3,736 spaces). There are 1,442 parking spaces in the surface lot adjacent to the garage and 390 spaces in a credit card lot east of the terminal.

Rental car ready/return parking is located in a surface lot adjacent to the west side of the terminal with direct access from baggage claim. There are approximately 699 rental car spaces, with an additional area containing 16 queuing lanes for the storage of vehicles and a facility for cleaning and fueling. The employee parking facility consists of approximately 601 surface spaces located east of the terminal building. Additionally, a cell phone waiting lot, east of the passenger terminal building, consists of approximately 160 parking spaces. A taxi queuing area is located in the terminal area north of the multi-tenant air cargo building.

Air Cargo Facilities

UPS' cargo facilities occupy a large portion of the area between the runways and the property adjoining the southern boundary of the Airport and are integrated into the runway-taxiway system. The UPS facilities at the Airport are located on approximately 607 acres owned by UPS, with more than 5.2 million square feet under roof, and includes approximately 300 acres of ramp area with 135 aircraft parking positions, dedicated fuel farm, and the only aircraft maintenance hangar in the UPS system – all to operate the central package sorting process and maintain UPS aircraft. In April 2010, UPS completed a \$1 billion two-phase expansion of its sorting facilities at the Airport known as "UPS Worldport (SM)". In the two-phase project, UPS expanded its all-points air hub by 37% to 416,000 packages per hour. The second phase of the expansion enlarged the facility from 4 million to 5.2 million square feet, with a perimeter of 7.2 miles. This project significantly increased UPS sorting facilities, as well as the aircraft parking areas. An \$82.5 million, 654,000-square-foot heavy freight facility was also added to the Louisville operations in June 2006. UPS estimates that it has invested more than \$2.4 billion in its facilities at the Airport, including its investment in "UPS Worldport (SM)," through the end of calendar year 2013. See "**AIRPORT OPERATIONS - United Parcel Service, Inc.**" below. The UPS land and facilities located thereon are not a part of the Airport System.

FedEx facilities are located on the west side of the airfield. The air cargo building is approximately 85,200 square feet, with an apron accommodating two aircraft parking positions.

The United States Postal Service's ("USPS") owned facilities are located at the Airport on a 10-acre site leased from the Authority that includes a public service center and mail sort/transfer facility. A tunnel connects a secure tug road with the USPS facility to the Airport terminal apron for access to passenger aircraft and the FedEx apron.

A multi-tenant cargo building is located on the west side of the passenger terminal building utilized by passenger carriers and freight forwarders. The facility consists of a 54,600 square foot

building, approximately six acres for aircraft parking and ground service equipment staging, and an approximately 1.8 acre truck parking area.

General Aviation Facilities

General aviation facilities are located on the east side of the Airport airfield. The fixed base operator at the Airport occupies an approximately 8,859 square foot terminal, 4,916 square foot ground support equipment maintenance building, three contiguous hangars totaling 54,782 square feet and a separate 14,400 square foot hangar. The aircraft-parking apron consists of approximately 7.2 acres. In addition, there are five corporate hangars with a total of 121,000 square feet under roof located in the general aviation area on approximately 620,580 square feet of land leased from the Authority.

Military Facilities

The Kentucky Air National Guard occupies approximately 82 acres at the Airport in support of the mission of the 123rd Airlift Wing. Located on the east side of the airfield, this facility includes apron parking for up to 12 C-130 aircraft, a maintenance hangar, motor pool and support buildings for functions such as engineering and administration.

Maintenance/Repair/Overhaul (MRO) Airline Hangar Facilities

Two MRO hangar facilities are located on the west side of the airfield. Republic Airways occupies a 70,000 square foot facility situated on approximately 9.85 acres and Compass Airlines occupies a 54,000 square foot facility situated on approximately 6.3 acres of land.

Administration

The Authority administrative and engineering offices are currently located in an approximately 20,000 square foot building on the northeast side of the Airport. The Authority maintenance and purchasing offices are currently located in an approximately 60,750 square foot building on the northwest side of the Airport.

Bowman Field

Airline service to Louisville began on August 1, 1928, at Bowman Field. Most passenger airline operations were transferred to the Airport in 1947. Bowman Field is the Authority's general aviation airport, located approximately five miles southeast of Louisville's central business district and is designated by the FAA as a reliever airport to the Airport. Bowman Field is situated on approximately 426 acres and has two intersecting runways of approximately 3,500 feet, and 4,300 feet, making the airport an alternative for corporate and pleasure aircraft. There are 41 building structures at Bowman Field which includes the following: FAA Air Traffic Control Tower, two Fixed Base Operators, 217 T-Hangar units, nine aircraft hangars (not including hangars operated by FBOs), and a historic art deco Administration Building that was built in 1929. Aircraft operations (take offs and landings) at Bowman Field totaled 76,014 in fiscal year 2013.

THE AIR TRADE AREA

Louisville, Kentucky is located in the north-central portion of the Commonwealth on the south bank of the Ohio River. The primary air trade area for the Airport is the Louisville/Jefferson County Metropolitan Statistical Area ("Louisville MSA"), which includes, in addition to Jefferson County, the Counties of Bullitt, Henry, Oldham, Shelby, Spencer and Trimble in Kentucky, and Clark, Floyd, Harrison, Scott and Washington Counties in Indiana. The Louisville MSA had a 2013 population estimated at 1.3 million. Jefferson County accounted for 60% of the total population of the Louisville MSA. The area served by the Airport also extends to a secondary air trade area, which includes an additional seven counties in Kentucky and three counties in Indiana. It is the economic strength of the Louisville MSA, however, that provides the primary base for supporting air transportation at the Airport.

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of the Airport's air trade area (i.e., the geographical area served by the Airport). This relationship is particularly true for origin-destination passenger traffic, which has been the primary source of demand at the Airport. Moreover, the Airport is uniquely defined by the predominance of its cargo transportation activity which provides a significant benefit to the regional economy.

The Louisville MSA possesses a diverse economic base which has exhibited the national pattern of a shift away from manufacturing towards services. The unemployment rate for the Louisville MSA was 7.7% as of March 2014 as reported by the Bureau of Labor Statistics. In 2012, the average per capita income in the Louisville MSA as reported by the Bureau of Economic Analysis was \$40,970.

Louisville/Jefferson County MSA Largest Employers, 2013

<u>Employer</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
United Parcel Service Inc.	Air Cargo Transport and Distribution	20,047
Jefferson County Public Schools	Education	14,269
Humana Inc.	Group Health Insurance/HMOs	11,235
Norton Healthcare, Inc.	Hospital and Healthcare Facilities	9,666
KentuckyOne Health Inc. ¹	Hospital and Healthcare Facilities	8,893
Ford Motor Company	Automotive Manufacturing	8,347
University of Louisville	Higher Education	6,187
GE Appliances	Appliance Manufacturing	6,000
Louisville-Jefferson County Metro Government	Government Service	5,651
The Kroger Co.	Retail Grocer	5,152
Baptist Health.	Hospital and Healthcare Facilities	4,854

Source: Business First, Louisville, Kentucky - publication date December 27, 2013.

¹KentuckyOne Health, Inc. was created in 2012 by the merger of Louisville-based Jewish Hospital & St. Mary's Healthcare, Inc. and Lexington's Saint Joseph Health System.

AIRPORT OPERATIONS

Airlines Serving the Airport

As of March 31, 2014, the Airport was served by five scheduled passenger airline brands, through mainline aircraft and 11 regional airlines, and two all-cargo carriers as follows:

Passenger Airlines

Air Wisconsin
American Airlines*
Chautauqua*²
Chautauqua*²
Chautauqua*²
Compass
Delta Air Lines*
Endeavor¹
Envoy¹
ExpressJet*²
ExpressJet*²
Mesa
PSA¹
Republic¹
Shuttle America^{1,2}
SkyWest^{1,2}
SkyWest^{1,2}
Southwest Airlines*

Doing Business As:

US Airways Express
--
American Connection
United Express
Delta Connection
Delta Connection
--
Delta Connection
American Eagle
Delta Connection
United Express
US Airways Express
US Airways Express
US Airways Express
United Express
United Express
Delta Connection
--

* Signatory to the Airline Agreements at the Airport. UPS and FedEx are parties only to an Airfield Agreement.

¹ These airlines are considered Signatory Airlines as either a wholly-owned subsidiary of a Signatory Airline or as a wholly-owned subsidiary of the same legal entity that is the parent of the Signatory Airline.

² Serves the Airport as a code-sharing partner with more than one partner. It is only counted once in the total for passenger airlines.

Source: The Authority

The following two tables summarize certain Airport operations for the past five complete Fiscal Years based on the records of the Authority.

Historical Enplanements by Airlines

Airline	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	Enplanements	Share								
Southwest	531,995	31.6%	532,022	32.2%	540,837	32.0%	526,475	31.3%	575,450	33.6%
Delta Carriers	477,714	28.4%	427,742	25.9%	411,735	24.3%	418,889	24.9%	480,902	28.1%
US Airways Carriers ¹	214,950	12.8%	226,302	13.7%	238,212	14.1%	227,405	13.5%	212,608	12.4%
American Carriers ¹	200,460	11.9%	195,039	11.8%	186,410	11.0%	197,370	11.7%	204,467	11.9%
Continental Carriers ²	137,564	8.2%	136,869	8.3%	128,245	7.6%	0	0.0%	0	0.0%
United Express ²	104,386	6.2%	108,708	6.6%	115,829	6.8%	241,929	13.4%	211,701	13.3%
Frontier ^{**}	12,019	0.7%	8,677	0.5%	52,120	3.0%	45,515	2.7%	23,557	1.4%
All Others ³	3,196	0.2%	14,345	0.9%	21,393	1.3%	25,702	1.5%	6,021	0.4%
Airport Total ⁴	1,682,284	100.0%	1,649,704	100.0%	1,694,781	100.0%	1,683,285	100.0%	1,714,706	100.0%

¹ US Airways and American Airlines completed their merger on December 9, 2013. The combined airline plans to operate under the name "American Airlines" by the end of 2014.

² As of October 1, 2010, United and Continental completed the merger of the two airlines. The combined airline operates under the name "United Airlines".

³ Consists of airlines boarding less than 3,000 passengers per year at the Airport, airlines no longer serving the Airport, and/or charter airlines.

⁴ Totals may not add due to individual rounding.

⁵ Continental/United - Fiscal Year 2012 and Fiscal Year 2013 enplanements combined.

** Frontier ceased service in August 2008 following its bankruptcy filing and resumed service in April 2010 after acquisition by Republic Airways.

Source: The Authority

Historical Landed Weight by Airline
(thousand pounds)

Airline	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	Landed Weight	Share								
UPS	10,006,751	80.2%	10,169,484	81.7%	10,594,951	81.7%	10,809,708	82.7%	10,912,304	82.3%
Southwest	735,314	5.9%	687,532	5.5%	682,728	5.3%	650,530	5.0%	760,026	5.7%
Delta Carriers	562,038	4.5%	487,235	3.9%	496,436	3.8%	487,002	3.7%	575,970	4.3%
US Airways Carriers ¹	284,147	2.3%	289,857	2.3%	299,121	2.3%	277,253	2.1%	241,301	1.8%
American Carriers ¹	243,590	2.0%	232,645	1.8%	229,392	1.8%	227,026	1.7%	235,713	1.8%
FedEx Cargo	194,182	1.6%	177,292	1.4%	176,755	1.4%	181,198	1.4%	183,674	1.4%
Continental Carriers ^{2,5}	171,531	1.4%	158,266	1.3%	163,110	1.3%	0	0.0%	0	0.0%
United Express ^{2,5}	123,561	1.0%	130,533	1.0%	150,479	1.2%	281,828	2.2%	243,539	1.8%
Frontier ^{**}	14,730	0.1%	9,944	0.1%	67,436	0.5%	53,724	0.4%	25,063	0.2%
All Others ³	<u>137,791</u>	<u>1.1%</u>	<u>98,595</u>	<u>0.8%</u>	<u>102,378</u>	<u>0.8%</u>	<u>110,338</u>	<u>0.8%</u>	<u>82,495</u>	0.6%
Airport Total⁴	12,473,635	100.0%	12,441,382	100.0%	12,962,785	100.0%	13,078,607	100.0%	13,260,085	100.0%

¹ US Airways and American Airlines completed their merger on December 9, 2013. The combined airline plans to operate under the name "American Airlines" by the end of 2014.

² As of October 1, 2010, United and Continental completed the merger of the two airlines. The combined airline operates under the name "United Airlines".

³ Consists of airlines boarding less than 3,000 passengers per year at the Airport, airlines no longer serving the Airport, other cargo carriers and/or charter airlines.

⁴ Totals may not add due to individual rounding.

⁵ Continental/United - Fiscal Year 2012 and Fiscal Year 2013 Landed Weight combined.

** Frontier ceased service in August 2008 following its bankruptcy filing and resumed service in April 2010 after acquisition by Republic Airways.

Source: The Authority

The table below shows historical data on passenger enplanements at the Airport and in the United States for the last seven Fiscal Years and for the interim periods ended March 31, 2013 and 2014.

Historical Enplanements

<u>Fiscal Year</u>	<u>Airport Enplanements¹</u>	<u>Change From Prior Year</u>	<u>U.S. Domestic Enplanements²</u>	<u>Change From Prior Year</u>	<u>Airport Market Share</u>
2007	1,839,166	(2.4%)	761,727,627	3.3%	0.24%
2008	1,956,868	6.4%	734,700,902	(3.6%)	0.27%
2009	1,682,284	(14.0%)	696,156,304	(5.3%)	0.24%
2010	1,649,704	(1.9%)	712,025,632	2.3%	0.23%
2011	1,694,781	2.7%	724,158,444	1.7%	0.23%
2012	1,683,285	(0.7%)	731,187,279	1.0%	0.23%
2013	1,714,706	1.9%			

Fiscal Year through March 31 Airport Enplanements

7/1/12 – 3/31/13	1,256,771	
7/1/13 – 3/31/14	1,229,721	(2.15%)

¹ Fiscal Year ending June 30.

² As reported by FAA on a Calendar Year ending December 31. Includes airports reporting 10,000 enplanements or more.

³ Based upon Authority's Fiscal Year and FAA's Calendar Year.

Sources: The Authority (Airport activity)
 FAA (U.S. activity) Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports.
http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/ (04-15-14)

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The table below shows historical air cargo volume handled at the Airport by UPS and all other airlines since Fiscal Year 2003.

Historical Air Cargo Volume

(thousand pounds)

<u>Fiscal Year</u>	<u>Airport Total</u>	<u>Change From Prior Year</u>	<u>UPS Total</u>	<u>UPS Share</u>
2003	3,438,277	6.2%	3,362,309	97.8%
2004	3,745,953	8.9%	3,665,029	97.8%
2005	3,839,629	2.5%	3,761,758	98.0%
2006	4,184,642	9.0%	4,109,937	98.2%
2007	4,571,237	9.2%	4,492,212	98.3%
2008	4,497,310	(1.6%)	4,410,604	98.1%
2009	4,197,140	(6.7%)	4,114,539	98.0%
2010	4,613,405	9.9%	4,513,947	97.8%
2011	4,798,200	4.0%	4,701,832	98.0%
2012	4,788,976	(0.2%)	4,697,207	98.1%
2013	4,803,584	0.3%	4,713,590	98.1%

Fiscal Year-to-Date

7/1/12 – 3/31/13	3,616,244	
7/1/13 – 3/31/14	3,729,867	3.1%

Source: The Authority

United Parcel Service, Inc.

The following information has been furnished by United Parcel Service, Inc. Accordingly, the Authority does not and cannot make representations concerning these matters.

United Parcel Service, Inc., through its subsidiaries, including United Parcel Service Co. (or UPS Airlines), has its primary air operations located at the Airport which serves as the central connection point for UPS' Next Day and Second Day delivery to locations worldwide.

UPS Airlines integrates small packages and heavy freight in its daily network of over 1,900 flight legs that reach more than 700 airports in over 220 countries and territories worldwide. UPS was founded in 1907 as a private messenger and delivery service in the Seattle, Washington area. Over the past 106 years, UPS has expanded from a small regional parcel delivery service into a global company. UPS serves 9.4 million customers each day with 7.9 million deliveries and 1.5 million package pick-ups. Total revenue in 2013 was \$55.4 billion. UPS focuses on the movement of goods, information and funds, and seeks to position itself as the world's premier logistics provider. UPS is the largest package delivery company in the world, in terms of both revenue and volume.

UPS provides domestic air delivery throughout the United States and has domestic services in 20 major countries throughout the world. UPS domestic air products include: UPS Next Day Air® Early A.M.®, UPS Next Day Air®, UPS Next Day Air Saver®, UPS 2nd Day Air A.M.®, UPS 2nd Day Air and 3 Day Select®. UPS delivers international shipments to more than 220 countries and territories worldwide, and provides guaranteed overnight delivery to the world's major business centers. UPS offers a complete portfolio of import, export and domestic services. UPS international services include UPS

Worldwide Express (SM), UPS Worldwide Express Plus (SM), UPS Express Saver, UPS Worldwide Expedited (SM), UPS Standard, and UPS (SM).

UPS serves 381 domestic airports and 346 international airports with approximately 949 domestic daily flight segments and approximately 982 international daily flight segments.

UPS' aircraft are operated in a hub and spoke system in the United States. UPS' principal air hub in the U.S. is located at the Airport, with regional air hubs in Columbia, South Carolina; Dallas, Texas; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. These hubs house facilities for the sorting, transfer and delivery of packages. UPS' European air hub is located in Cologne, Germany, and Asia-Pacific air hubs in Shanghai, Shenzhen and Hong Kong. UPS' regional air hub in Canada is located in Hamilton, Ontario. UPS' South America hub is located in Miami, Florida.

During 2013, UPS took delivery of 8 aircraft. As of January 31, 2014, UPS does not have any additional aircraft on order. UPS maintains an inventory of spare engines and parts for each aircraft and the primary Aircraft Materials Distribution Center is located at the Airport.

UPS has operated its primary air hub at the Airport for shipments since 1981. The Airport was selected to serve in this capacity due to, among other factors, its geographical location. The UPS air hub at the Airport is its only "all points" hub, sorts the largest number of parcels, and is the central hub for UPS' cargo shipment for Europe and the Far East. The average daily volume for UPS Air services at the Airport is approximately 1.6 million parcels and documents. The average number of daily flights at the Airport for UPS is 266 total arrivals and departures. UPS accounted for 98% of total air cargo volume at the Airport in Fiscal Year 2013. In Fiscal Year 2013, fees paid by UPS represented 82% of all landing fees paid to the Authority and 26% of operating revenues of the Authority.

In April 2010, UPS completed a two phased, \$1 billion expansion of its sorting facilities at the Airport known as "UPS Worldport (SM)". This project significantly increased UPS' sorting facilities, as well as the related aircraft parking areas. The project increased the size of the sorting complex from 4 million to 5.2 million square feet and automated the express package sorting process with advanced customized technology. The expansion increased the hub's sorting capacity to 416,000 packages per hour — or more than 84 packages every second. The expanded capacity and automated sorting translate to greater reliability and faster transit times for customers. An \$82.5 million, 654,000 square-foot heavy freight facility was added to UPS' existing facilities in June 2006.

At the end of calendar year 2013, UPS' facilities at the Airport occupied approximately 607 acres of UPS owned property with more than 5.2 million square feet under roof and approximately 300 acres of aircraft ramp space to accommodate 135 aircraft parking positions. UPS owned facilities also include a dedicated fuel farm, the only aircraft maintenance hangar in the UPS system, maintenance and flight training facilities, a heavy freight facility and the UPS Global Operations Center. Through the end of calendar year 2013, UPS estimates that it has invested more than \$2.4 billion in facilities at the Airport, including its investment in UPS Worldport (SM), as described above.

UPS Supply Chain Solutions, Inc., which offers a consultative service to develop customized solutions for a shipper's distribution needs, has its largest operation in Louisville. UPS Logistics Group, which includes several subsidiaries of UPS, operates a logistics campus near the Airport. The campus is approximately 121 acres and currently includes ten buildings with a total of 3.8 million square feet. UPS provides logistics services at this campus for over 120 companies in the High Tech and Health Care sectors which benefit from the "end of runway" capability due to its location close to the Airport and UPS Worldport facility. In addition, UPS has a 400,000 square-foot Logistics and Technology Center in Elizabethtown, Kentucky, 50 miles from the Airport.

UPS estimates that it owns over 1,100 acres at or near the Airport which provides space for current operations and include approximately 200 acres available for future expansion.

AGREEMENTS WITH THE AIRLINES

The Airline Agreements

The Authority has entered into separate agreements with various airlines to govern the use of (1) the Airfield Area ("Airfield Agreement") and (2) the Landside Terminal Building Area, the Airside Terminal Building Area and the Terminal Apron Area ("Terminal Agreement"). The Airfield Agreement and the Terminal Agreement are referred to collectively as the "Airline Agreements". All terms used but not defined in this Section shall have the meanings ascribed to them in **APPENDIX B**.

The Authority has entered into Airfield Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet), Chautauqua Airlines, Delta Air Lines, ExpressJet (two separate agreements), Federal Express, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, United Airlines, UPS, US Airways and Vision Airlines. The Airfield Agreements expire on June 30, 2021.

The Authority has entered into Terminal Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet), Chautauqua Airlines, Delta Air Lines, ExpressJet, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, US Airways and Vision Airlines. The Terminal Agreements expire on June 30, 2015.

The Airline Agreements define the following cost centers to be used in accounting for Revenues and costs at the Airport and in calculating and adjusting certain airline rentals, fees and charges: (1) Landside Terminal Building Area, (2) Airside Terminal Building Area, (3) Airfield Area, (4) Terminal Apron Area, (5) Ground Transportation Area, and (6) all Other Areas of the Airport. The Airfield Area is regulated by the Airfield Agreements. The Landside Terminal Building Area, the Airside Terminal Building Area and the Terminal Apron Area are regulated by the Terminal Agreements. Other cost centers are operated by the Authority on a compensatory basis based upon uniform schedules of rates and charges determined by the Authority for services and facilities rendered to users.

The Airline Agreements require the Signatory Airlines to pay fees with respect to certain facilities whose costs are reflected in the particular cost center or centers used by the Signatory Airline in an amount sufficient to enable the Authority to meet its Rate Covenant.

Under the Terminal Agreements, rental rates charged to Signatory Airlines for both the Landside and Airside Terminal Building Areas are determined by a rate methodology in which total costs, taking into account debt service coverage, operating and maintenance expenses, amortization of capital improvements and reserves allocable to each of the two buildings, are divided by total usable space to derive a square foot rental rate. Annual signatory airline rental rates effective as of July 1, 2013, are \$32.50 per square foot for the Landside Terminal and \$48.60 per square foot for the Airside Terminal and \$63.93 per square foot for the Preferential Use Holdroom.

Under the Airline Agreements, fees for the Airfield and Terminal Apron Areas are determined by a "residual cost" rate methodology in which certain non-airline Revenues are credited to the cost center and the residual costs remaining are divided by the unit of measurement to determine the required rate per unit of activity, taking into account debt service coverage, operating and maintenance expenses, amortization of capital improvements and maintenance of reserves. In the Airfield Area, the unit of measurement is landed weight and in the Terminal Apron Area, the unit of measurement is the linear footage of apron fronting the terminal. The signatory airline landing fee effective as of July 1, 2013, is

\$1.409 per 1,000 pound unit. Annual rental rate effective as of July 1, 2013, is \$900.99 per linear foot for the Apron Areas.

The Airline Agreements authorize the Authority to issue Bonds under the Resolution for capital projects at the Airport allocable to (1) the Landside Terminal Building Area, (2) the Airside Terminal Building Area, (3) the Terminal Apron Area and (4) the Airfield Area and, subject to obtaining any required Majority-in-Interest approval, to include the debt service thereon in the applicable cost center for calculation of the Signatory Airlines' fees and charges.

The Airline Agreements provide that in the event of conflicts between the Airline Agreements and the Resolution, the Resolution shall govern and that the Airline Agreements are subject and subordinate to the Resolution, including specifically, the obligation of the Authority to establish and collect rates, fees, rentals, and other charges so as to comply with the Rate Covenant in each Fiscal Year. For additional information regarding the Airline Agreements, see **APPENDIX B — "SUMMARY OF THE AIRLINE AGREEMENTS."**

SELECTED FINANCIAL INFORMATION

Financial Results

Financial statements were audited by Crowe Horwath LLP, Certified Public Accountants, to the extent and for the periods indicated in their report, which also is included in **APPENDIX D**. See **APPENDIX D — "FINANCIAL STATEMENTS OF THE AUTHORITY AND INDEPENDENT ACCOUNTANT'S REPORT OF CROWE HORWATH LLP, AS OF, AND FOR THE YEARS ENDED, JUNE 30, 2013 AND 2012"** hereto.

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The following Statement of Revenues and Expenses for the Authority's Fiscal Years 2011 through 2013 has been derived from the Authority's audited financial statements. See Note 4 regarding FY 2011, 2012 and 2013 audited presentation. The Statement of Revenues and Expenses for the interim periods ending March 31, 2013 and March 31, 2014 has been derived from the Authority's internal financial records.

Statement of Revenues and Expenses

	<u>FY 2011*</u>	<u>FY 2012*</u>	<u>FY 2013*</u>	<u>Unaudited 9-Month Period Ending</u>	
				<u>March 31, 2013</u>	<u>March 31, 2014</u>
<u>Operating Revenue</u>					
Airfield Area ²	\$18,940,731	\$18,502,809	\$19,241,191	\$14,730,653	\$14,462,164
Terminal Apron Area	2,169,824	2,015,649	2,144,080	1,607,412	1,817,593
Terminal Area	9,602,631	9,437,654	9,663,876	7,260,698	6,904,804
Ground Transportation Area	22,084,267	22,482,342	23,252,002	17,119,462	17,596,930
Other Areas	5,434,358	6,063,770	5,444,735	4,088,345	4,219,657
Bowman Field	1,722,982	1,690,720	1,625,518	1,210,974	1,248,057
Total Operating Revenues⁴	59,954,793	60,192,944	61,371,402	46,017,544	46,249,205
<u>Non-operating Revenue</u>					
Interest Income	1,156,827	1,226,439	1,175,015	259,023	327,196
PFCs ³	5,888,853	6,697,614	6,823,983	5,016,064	4,883,973
Gain (Loss) on Sale of Assets	(18,100,046)	(1,895,415)	3,501,318	133,141	138,783
Other Revenues	0	15,000	503	498	111,067
Total Non-operating Revenues	(11,054,366)	6,043,638	11,500,819	5,408,726	5,461,019
Total Revenues	48,900,427	66,236,582	72,872,221	51,426,270	51,710,224
<u>Expenses¹</u>					
Airfield Area	9,550,172	10,210,885	10,385,747	7,753,891	8,391,377
Terminal Apron Area	1,445,455	1,371,253	1,313,406	942,867	1,245,829
Terminal Area	9,124,952	9,151,808	9,200,057	6,832,132	6,982,655
Ground Transportation Area	4,447,543	4,366,913	4,296,447	3,178,105	3,467,286
Other Areas	1,096,423	1,616,569	1,973,847	1,381,879	1,377,531
Bowman Field	1,581,342	1,823,971	1,664,420	1,124,758	1,738,237
Total Expenses⁴	27,245,887	28,541,399	28,833,924	21,213,632	23,202,915
Net Revenues	\$21,654,540	\$37,695,243	\$44,038,297	\$30,212,638	\$28,507,309

* Fiscal Year ends June 30.

¹ By Cost Center, exclusive of depreciation and amortization expense and other operating revenue (expenses). The figures are net of any adjustments due to rebilling of tenants for utilities, airline gate security and certain other miscellaneous charges.

² Includes payments by United Parcel Service Co. under a surcharge agreement.

³ PFCs are not "Revenues" under the Resolution.

⁴ The 2011, 2012 and 2013 financial information above was excerpted from audited financial statements. The Total Operating Revenues and Total Expenses agree to the audited financial statements. The remaining information presented in this schedule has been presented for additional detail.

The following table sets forth the Authority's revenue by category for the Authority's Fiscal Years 2011 through 2013, and the interim period ending March 31, 2013 and March 31, 2014. See Note 3 regarding FY 2011, 2012 and 2013 audited presentation.

Authority Statement of Revenue by Category

<u>Operating Revenue</u>	<u>FY 2011*</u>	<u>FY 2012*</u>	<u>FY 2013*</u>	<u>Unaudited 9-Month period Ending</u>	
				<u>March 31, 2013</u>	<u>March 31, 2014</u>
Airfield Area					
Passenger Signatory	\$2,573,190	\$2,442,846	\$2,675,795	\$1,998,740	\$1,886,611
Passenger Non-Signatory	439,694	327,109	251,067	198,341	324,323
Total Passenger Airlines	3,012,884	2,769,955	2,926,862	2,197,081	2,210,934
Cargo Airlines					
Cargo Signatory ¹	15,300,451	15,134,467	15,728,642	12,076,749	11,770,155
Cargo Non-Signatory	391,729	353,623	347,700	289,376	295,598
Total Cargo Airlines	15,692,180	15,488,090	16,076,342	12,366,125	12,065,753
Other Airfield Revenue	235,667	244,764	237,987	167,446	185,478
Total Airfield	18,940,731	18,502,809	19,241,191	14,730,652	14,462,164
Apron Area	2,169,824	2,015,649	2,144,080	1,607,412	1,817,593
Terminal Area					
Space Rent – Airlines	6,967,401	6,646,526	6,636,564	5,113,439	4,748,583
Other Terminal	587,639	696,090	764,447	573,902	561,422
Total Terminal	7,555,040	7,342,616	7,401,011	5,687,341	5,310,005
Concessions					
Parking Lots	14,645,698	14,810,264	15,199,044	11,201,004	11,472,020
Rental Cars	7,196,898	7,425,523	7,765,485	5,721,199	5,925,808
Food & Beverage	938,873	897,012	1,009,964	711,692	752,246
News & Gifts	885,002	864,040	879,667	609,988	611,791
Advertising	321,453	433,230	464,388	327,161	320,159
Taxis & Limos	241,671	246,555	287,473	197,258	199,102
Other Concessions	136,286	139,601	148,757	107,489	80,798
Total Concessions	24,365,881	24,816,225	25,754,778	18,875,791	19,361,924
Land, Building & Other					
Hangar & Cargo Building Leases	2,622,047	2,674,972	2,742,590	2,020,135	2,085,813
Service & Other Buildings	473,012	517,265	431,628	365,226	323,519
Land Leases and Others	2,105,276	2,632,688	2,030,606	1,520,012	1,640,130
Total Land, Building & Other	5,200,335	5,824,925	5,204,824	3,905,373	4,049,462
Total Standiford Field	58,231,811	58,502,224	59,745,884	44,806,569	45,001,148
Bowman Field	1,722,982	1,690,720	1,625,518	1,210,975	1,248,057
Total Operating Revenues³	59,954,793	60,192,944	61,371,402	46,017,544	46,249,205
Non-operating Revenue					
Interest Income	1,156,827	1,226,439	1,175,015	259,023	327,196
PFCs ²	5,888,853	6,697,614	6,823,983	5,016,064	4,883,973
Gain (Loss) on Sale of Assets	(18,100,046)	(1,895,415)	3,501,318	133,141	138,783
Other Non-operating Revenues		15,000	503	498	111,067
Total Non-operating Revenues	(11,054,366)	6,043,638	11,500,819	5,408,726	5,461,019
Total Revenues	\$48,900,427	\$66,236,582	\$72,872,221	\$51,426,270	\$51,710,224

* Fiscal Year ends June 30.

¹ Includes payments by United Parcel Service Co. under a surcharge agreement.

² PFCs are not "Revenues" under the Resolution.

³ The 2011, 2012 and 2013 financial information above was excerpted from audited financial statements. The Total Operating Revenues agree to the audited financial statements. The remaining information presented in this schedule has been presented for additional detail.

Cash and Investment Balances

The Resolution requires the Authority to reserve certain funds for designated purposes. The remaining cash and investments are available for any legal purpose (including repayment of debt). **APPENDIX D** reflects cash balances by primary source and the number of days of cash available to pay operating expenses as of the end of each of the last two fiscal years and the nine months ended March 31, 2014 and 2013.

Management Discussion of Operations

The Authority's revenues are derived primarily from landing fees, terminal apron rentals, terminal space rentals, parking lot operations and concession revenues from rental cars, food and beverage, news and gift and other commercial tenants. Other revenues are received from Airport tenants that lease land, from users and tenants of Bowman Field, from investment income and from PFCs. Revenues from the airfield area, parking operations and concessions historically have accounted for a substantial portion of the Authority's revenues and are discussed below. See "**Authority Statement of Revenue by Category**" above.

Total Airport System Revenue for Fiscal Year 2013 was approximately \$72.8 million, an increase of approximately \$6.6 million or 10% from Fiscal Year 2012. Total Net Revenue for Fiscal Year 2013 was \$44.0 million, an increase of approximately 16.8% over Fiscal Year 2012. Major reasons for the increase in total Net Revenue were increases in rental car revenues, parking revenues and PFCs.

Total enplaned passengers for Fiscal Years 2012 and 2013 were approximately 1.7 million respectively. Fiscal Year 2014 year-to-date enplanements through March 2014 were approximately 1.2 million which is a 2.2% decrease over the same time period in Fiscal Year 2013. The decrease is attributed to a general decrease in seat capacity. In Fiscal Years 2012 and 2013, total cargo was approximately 4.8 billion pounds. Through March 2014, air cargo volumes were approximately 3.7 billion pounds, which is 3.1% higher than during the same time period in Fiscal Year 2013.

The Authority began collecting a \$3.00 PFC in Fiscal Year 1997. In January 2011, the Authority implemented an increase in the PFC to \$4.50 which continued in Fiscal Years 2012 and 2013. PFC revenues are recorded as non-operating revenues. Their use is restricted to FAA approved projects and related debt service. PFCs revenues in Fiscal Year 2012 and 2013 were \$6.7 million and \$6.8 million respectively. PFC revenues were \$4.9 million and \$5.0 million for the first nine months of Fiscal Year 2014 and 2013 respectively, a decrease of 2.6%. The decrease is primarily related to a decrease in passenger traffic.

Total revenue for the nine months ended March 2014 was approximately \$51.7 million, an increase of \$0.3 million or 0.5% over the same time period in Fiscal Year 2013. Items that were the major contributors to the increase were improved parking revenues as well as growth in concessions, despite the decrease the increase in passenger traffic, and improved terms within new concession agreements.

For the first nine months of Fiscal Year 2014, expenses, excluding depreciation, were \$23.2 million, an increase of approximately \$1.9 million or 9.4% compared to the same period in Fiscal Year 2013. The major reason for this increase is a significant increase for snow removal.

Risk Management and Insurance

The Authority has purchased and maintains insurance covering the Airport System, insuring against loss or damage, and comprehensive liability insurance in such amounts and against such risks as

are usually insurable in connection with similar airports and are usually carried by public entities operating similar airports. The Authority has also procured and maintained adequate fidelity insurance or bonds on the positions of any person or persons handling or responsible for funds of the Authority related to the Airport System. Notwithstanding anything above to the contrary, the Authority may satisfy the above requirements through self-insurance. The Airport has an ongoing loss prevention program, a safety officer, property loss control and ongoing employee training programs. The Airport currently carries general liability insurance coverage of \$250 million, subject to no deductible per single occurrence. The general liability coverage also includes optional War Risks and Other Perils coverage of \$150 million and Terrorism Risk Insurance Act coverage of \$250 million. The Airport also carries commercial property insurance coverage for full replacement value up to \$500 million on all facilities at the Airport owned by the Authority, subject to a deductible of \$50,000 per single occurrence, a deductible of \$100,000 for earth movement and/or general flood related damages *provided that* flood related damages at the Airport are subject to a \$400,000 deductible. Additionally, tenants and contractors on all contracts are required to carry commercial general liability insurance in various amounts, naming the Airport as additional insured. The Airport carries a workers' compensation policy that carries no deductible and statutory required limits of liability. The Airport carries public officials' liability and employment practices liability coverage of \$10 million, subject to a deductible of \$150,000 per single occurrence for each wrongful act other than employment practices violations and of \$250,000 per occurrence for each employment practices violation. The Airport also carries insurance for auto/fleet, employee travel, public employee dishonesty, fiduciary liability, multi-media liability and unlicensed equipment liability that includes Airport fire and rescue vehicles and other equipment. The Authority pays from current Revenues the deductible portion of insured losses and losses from other uninsured risks.

Defined Benefit Pension Plans

All employees of the Authority hired after May 1, 2001, are required to participate in a defined benefit plan administered by the County Employees Retirement System of Kentucky ("CERS"), a cost-sharing multiple-employer public employee retirement system. All Authority employees as of May 1, 2001, who worked more than one hundred hours per month could elect to participate in either CERS or the Kentucky Public Employees Deferred Compensation Authority 401(k) Plan. For more information regarding the Authority's defined benefits plans, see **APPENDIX D — "FINANCIAL STATEMENTS OF THE AUTHORITY AND INDEPENDENT ACCOUNTANT'S REPORT OF CROWE HORWATH LLP, AS OF, AND FOR THE YEARS ENDED, JUNE 30, 2013 AND 2012."**

Louisville Renaissance Zone Corporation

In 2003, the Authority formed the Louisville Renaissance Zone Corporation ("LRZC"), a non-stock, non-profit public property corporation, as contemplated by KRS 65.490 through 65.499, Tax Increment Financing Legislation, to act as its agency and instrumentality for the purpose of identifying, developing, acquiring, financing and accomplishing certain projects in an area containing approximately 3,000 acres that is bordered at the north by Fern Valley Road, the east by I-65, the south by I-265, and the west by CSX railroad. This area can be developed for commercial or industrial uses. The LRZC has entered into an Interlocal Cooperation Agreement with the Louisville Metro Government and the Commonwealth whereby funding for the development of the area is provided by tax increment financing. The Authority's Board members serve, *ex officio*, as members of the LRZC's Board, which results in the Authority and the LRZC being related entities. The Authority, LRZC and the Commonwealth entered into a Grant Contract, pursuant to which the Commonwealth agreed that certain incremental tax revenues generated within the Renaissance Zone Area would be paid to the LRZC. A similar contract was entered into between the Authority, LRZC and Louisville Metro Government.

Within the Renaissance Zone Area is a smaller area called the Minors Lane Voluntary Relocation Area which consists of approximately 750 acres. During the mid-1990s, the Authority initiated, and has

undertaken, a program for the voluntary relocation of residents, and the acquisition of certain real properties, located in the Minors Lane Voluntary Relocation Area. Through this voluntary residential relocation program, the Authority has acquired the vast majority of the real properties located within the Minors Lane Voluntary Relocation Area and has subsequently sold that land to the LRZC. The Authority continues to extend offers to acquire the small number of remaining residential properties within the Minors Lane Voluntary Relocation Area and will transfer those properties to the LRZC once obtained.

Within the Minors Lane Voluntary Relocation Area, commonly known now as the Renaissance South Business Park, the LRZC has approximately 235 acres on the market for sale, which is prime commercial land conveniently located within two miles of the Airport, two interstate highways and a major rail line. Of the 235 acres, 25 acres are reserved for retail development with prime road frontage. Through its efforts to promote airport-compatible redevelopment the LRZC has made public infrastructure improvements, formed the Renaissance South Business Park, consisting of 540 acres and established the Renaissance South Business Park Owner's Association.

The Authority's Fiscal Year 2013 audited financial statements presented in this Official Statement provide separately the financial information for LRZC.

Certain Transactions with the Commonwealth

In 1998, the Authority and the Commonwealth entered into a Memorandum of Understanding (the "1998 MOU") pursuant to which the Authority agreed to transfer to the Commonwealth real property acquired under the Authority's Part 150 Voluntary Residential Relocation Program (the "Relocation Program") in return for funding provided or authorized by the Commonwealth to be expended to fund that program. Under this program, the Authority bought residential parcels, relocated the families and demolished the homes which were considered incompatible within close proximity to the Airport. The 1998 MOU provides that, in return for the transfers of real property to the Commonwealth, the Authority will receive credit against the funding provided by the Commonwealth. The total funding by the Commonwealth for the Relocation Program as recognized by the 1998 MOU was \$30.2 million. The Authority continues to acquire real property for transfer to the Kentucky State Fair Board ("KSF"), an instrumentality of the Commonwealth, to meet its obligations under the 1998 MOU. The Authority has transferred to the KSF real property for which it is entitled to a credit of \$29,475,177. The Authority is currently in negotiations with KSF for land transfers to meet its obligations under the 1998 MOU for the remainder \$2,524,823.

The transfer of the land includes the attachment of aviation easements, airport servitudes and other deed restrictions on the property which severely restrict the use and consequently the value of the property and give the Authority these rights in perpetuity.

THE CAPITAL IMPROVEMENT PROGRAM

The Authority has developed and approved a Capital Improvement Program (the "CIP") for the Airport System, which is updated periodically and last was approved in January, 2014. The CIP is planned to be undertaken through the end of Fiscal Year 2019 at a total estimated cost of \$148 million. Projects in the current CIP include significant improvements to the airfield at the Airport, as well as other improvements and equipment for the Airport, continuation of the Relocation Program and Sound Insulation Program, new facilities at the Airport, and improvements to the facilities located at Bowman Field. Anticipated funding sources for the CIP include federal grants, PFCs, proceeds of land sales, and other available funds of the Authority. Capital project expenditures for Fiscal Year 2014 are budgeted at a total estimated cost of approximately \$54.8 million, for which funding sources have been identified and the Authority believes can be secured. Capital projects planned for fiscal years 2015 through 2019 will be

subject to annual budgetary approval and funding availability. The approved CIP anticipates no additional debt being required.

Federal grants provide one of the funding sources for some of the projects included in the CIP. These grants consist primarily of Airport Improvement Program ("AIP") grants from the FAA. Apportionment of certain AIP grant funds is based upon an airport classification system. Under the airport classification system set forth in FAA Order 5100.38C, during Fiscal Year 2014, the Airport is classified as a Commercial Service, Primary, Small Hub Airport. This means it is a publicly owned airport that receives scheduled passenger service and has more than 0.05%, but less than 0.25%, of all annual passenger boardings within the United States. Historically, the Authority's percentage of annual passenger boardings has been above the 0.25% Medium Hub/Small Hub threshold in some years and below it in others. When the Airport's boardings exceed this threshold, its status changes to that of a Medium Hub.

A PFC of \$4.50 has been imposed at the Airport. Under FAA Order 5500.1, AIP funds apportioned to Large Hub and Medium Hub airports that impose a PFC of \$1.00, \$2.00 or \$3.00 must be reduced by the lesser of (i) 50% of the projected Fiscal Year revenues from the PFC, or (ii) 50% of the passenger entitlements otherwise due the airport. The AIP funds apportioned to Large Hub and Medium Hub airports that impose a PFC greater than \$3.00 must be reduced by the lesser of (i) 75% of the projected Fiscal Year revenues from the PFC, or (ii) 75% of the passenger entitlements otherwise due the airport. These reductions do not apply to Small Hub airports. Additionally, federal AIP grants at Large Hub airports and Medium Hub airports are funded at 75% of the eligible costs for capital improvement projects and at 80% of eligible costs for noise program implementation projects. The federal share of such projects at Small Hub airports has historically been 90/95%.

Although a majority of the Authority's entitlement grant dollars are from cargo, not passenger entitlements, reclassification of the Airport as a Medium Hub airport could impact the Authority's implementation of certain projects included in the CIP. If the Airport were reclassified as a Medium Hub airport, the AIP passenger entitlement funds apportioned to it would be reduced by the lesser of (i) 50% of the projected Fiscal Year revenues from the PFC (75% if the PFC were then above \$3.00), or (ii) 50% of the passenger entitlements otherwise due the airport (75% if the PFC were then above \$3.00). Additionally, federal participation in certain projects included in its CIP would decrease from 90% to 75% (80% for noise projects). Consequently, the Authority would have to obtain other federal or local funds for these projects and/or delay their implementation. The Authority believes any delay resulting from such a change in hub status would not exceed one year. Cargo entitlements are not affected by small or medium hub status. Finally, the availability of grant funds is subject to appropriation of those funds by the U.S. Congress.

CERTAIN INVESTMENT CONSIDERATIONS

The 2014 Series Bonds may not be suitable investments for all persons and prospective purchasers should evaluate the risks and merits of an investment in any Series of the 2014 Series Bonds before considering any purchase of the 2014 Series Bonds. The information set forth below describes certain aviation-related risk factors that could affect the payment of and security for the 2014 Series Bonds. The discussion herein is not meant to be an exhaustive list of the risks associated with the purchase of the 2014 Series Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the risk factors along with all other information contained in this Official Statement. Each prospective purchaser of any 2014 Series Bond should read this Official Statement in its entirety and consult their own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the 2014 Series Bonds.

Factors Affecting the Airline Industry General Overview

Information contained under this heading was obtained from sources believed by the Authority to be reliable, but the Authority has not independently verified such information.

The Authority's revenues are derived primarily from landing fees, terminal apron rentals, terminal space rentals, parking lot operations and concession revenues from rental cars, food and beverage, news and gift and other commercial tenants. The financial strength and stability of the airlines serving the Airport are a key determinant of future airline traffic and the Authority's operating revenues. There is no assurance that the Airport, despite the current level of airline service and operations, will continue to maintain such levels in the future. The Authority makes no representation with respect to the continued viability of any of the airlines serving the Airport.

The terrorists attacks of September 11, 2001, the downturn of the national economy and certain other instabilities in international economic and political conditions, including conflicts in the Middle East and North Africa, have seriously disrupted the air transportation industry, resulting in severe financial instability in the airline industry. Numerous airlines have filed for bankruptcy protection, consolidated and/or have formed alliances. According to Airlines for America (the "AFA"), the industry trade group of the principal U.S. airlines, formerly known as the Air Transport Association, the airline industry suffered an estimated \$2.5 billion loss in 2009, bringing the cumulative deficit of U.S. passenger and cargo airlines to a reported \$58 billion from 2001 to 2009.

Air Transportation Industry Factors

Demand for air travel and air cargo is influenced by factors such as population trends, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area, the state of the general economy, and the price of air travel. The price of air travel is, in turn, affected by the number of passenger airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the passenger airlines serving an airport, the willingness of competing airlines to enter into a market, the cost of operating at an airport, the price of fuel, and any operating constraints (whether due to capacity, environmental issues, security procedures or other factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Air traffic levels and, consequently, the financial performance of passenger airlines are highly sensitive to general economic conditions. Weakness in the economy, similar to that experienced in 2009, will usually result in a decline in vacation, personal and other discretionary travel. Economic downturns also result in a reduction in business air travel. As a result, financial performance of a passenger airline can fluctuate dramatically from one period to the next.

As a result of these and other factors, many airlines have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, consolidating connecting activity and replacing small regional jets with larger, more fuel efficient aircraft.

Geopolitical Risks

The terrorist attacks of September 11, 2001, the conflicts in Iraq and Afghanistan and the threat of more terrorist attacks generally decreased passenger traffic levels at the Airport and nationally. It should be expected that the airline industry will continue to be adversely affected, both financially and operationally, by continuing conflicts in the Middle East and North Africa, the continuing threat of terrorism, increases in the cost of fuel and the expansion of low-fare carriers. The Authority cannot

predict the likelihood of future incidents or air transportation disruptions or the impact on the Authority or the airlines operating at the Airport from such incidents or disruptions.

Cost of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to the AFA, fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant increases and fluctuations in the price of fuel.

Any increase in fuel prices causes an increase in airline operating costs. According to the AFA, a one-dollar per barrel increase in the price of crude oil equates to approximately \$445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. The cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world. Oil prices reached an all-time record high of \$145.29 per barrel in July 2008, but have since declined. Significant fluctuations and prolonged increases in the cost of aviation fuel have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. The federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and delays at airports. All add to the costs of air travel and make air travel less attractive relative to ground transportation, especially to short-haul destinations. Certain airlines have imposed excess baggage fees for extra pieces of baggage or for baggage that exceeds certain size and weight limits. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as teleconferencing and videoconferencing.

Recent and Possible Airline Consolidations and Mergers

In response to competitive pressures, the U.S. airline industry continues to consolidate. In October 2008, Delta and Northwest merged. In October 2010, United and Continental completed the merger of the two airlines. In May 2011, Southwest Airlines, while still maintaining separate systems, completed its acquisition of AirTran Airways. On December 9, 2013, American Airlines and US Airways completed the merger of the two airlines; however, the merged airline has yet to obtain a single operating certificate from the FAA.

Further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merged airlines. The Authority cannot predict what impact these recent or possible consolidations and mergers may have on the Airport.

Passenger Facility Charges

On May 1, 1997, the airlines began collecting PFCs on qualifying enplaning passengers at the Airport on behalf of the Authority. PFC's are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, fund noise mitigation at the Airport, or furnish opportunities for enhanced competition between or among air carriers. Both the fee imposed and intended uses must be reviewed and approved by the FAA.

For PFC revenues for Fiscal Years 2011 through 2013 and for the interim periods ending March 31, 2013 and March 31, 2014, see "**SELECTED FINANCIAL INFORMATION — Authority Statement of Revenues By Category.**"

Effect of Bankruptcy on Airline Agreements and PFC Collections

An airline that has an Airline Agreement or other executory contract with the Authority and seeks protection under the bankruptcy laws must assume or reject (a) its Airline Agreement within a certain time period after the filing, and (b) its other executory contracts with the Authority prior to the confirmation of a plan of reorganization. In the event of assumption and/or assignment of any agreement to a third party, an airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other executory contract will give rise to an unsecured claim of the Authority for damages, the amount of which is limited by the bankruptcy laws. However, the amount ultimately received in the event of a rejection of an Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under these laws. Certain amounts unpaid as a result of a rejection of an Airline Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs, would become the obligation of the remaining airlines under their respective Airline Agreements, thereby increasing such airlines costs, although there can be no assurance that such other airlines would be financially able to absorb the additional costs.

In addition, payments made by an airline in bankruptcy within 90 days of filing for bankruptcy could be deemed a preference under bankruptcy laws and thus subject to recapture by the debtor or its trustee in bankruptcy. In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the Authority may not be able to enforce any of its remedies under the agreements with a bankrupt airline.

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services provided to the debtor airline by the Authority, including accrued rent and landing fees.

PFC Collections

Pursuant to the PFC Act, the Authority is authorized to require the airlines to collect and remit to the Authority a \$4.50 PFC on each enplaning revenue passenger at the Airport.

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such arrangements, and the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Act, however, requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

Availability of Funding For Future Airport Development Plans Government Grants-in-Aid

Federal grants provide one of the funding sources for some of the projects listed in the CIP. The grants consist primarily of AIP grants from the FAA. The Airport, for Fiscal Years 2011 through 2013, had government grant revenue ranging from \$8 million to \$13 million annually. Grant revenue is not earned until the work has been performed and the expense paid, so the annual amount of revenue fluctuates depending upon the projects that are initiated and the actual expenses that are incurred each year.

Transportation Security Administration Grants

The Authority received grants from the TSA in Fiscal Years 2011, 2012 and 2013 for various TSA approved projects consisting of (i) National Explosives Detection Canine Team - \$714,000 and (ii) law enforcement officers at TSA checkpoint - \$354,000.

FAA Reauthorization

The current FAA reauthorization became law in 2012 following a five-year period of 23 short-term extensions, and is in effect until September 30, 2015.

General Information

Certain airlines serving the Airport and the parent of UPS, United Parcel Service, Inc., are subject to the information reporting requirements of the Securities Exchange Act of 1934, and, in accordance therewith, file reports and other information with the SEC. Information, including financial information, concerning such Signatory Airlines or their parent corporations, including United Parcel Service, Inc., is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C., and at the SEC's regional offices at the Northwestern Atrium Center, 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois and at 233 Broadway, The Woolworth Building, New York, New York. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0380. Copies of such reports and statements can be obtained from the SEC at prescribed rates or can be viewed and downloaded at the SEC's website: www.sec.gov. The Authority takes no responsibility for the accuracy of information contained in such filings.

In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. These reports can be inspected at the Department of Transportation, Data Requirements and Public Records Division, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, S.W., Washington, D.C., and copies of such reports can be obtained from the Department of Transportation at prescribed rates. The Authority takes no responsibility for the accuracy of information contained in such filings.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule, the Authority will enter into a Continuing Disclosure Undertaking with the Trustee and has covenanted to provide or cause to be provided, to the Municipal Securities Rulemaking Board (<http://emma.msrb.org>) ("EMMA"), certain annual financial information and operating data, as further described in **APPENDIX G — "FORM OF CONTINUING DISCLOSURE UNDERTAKING"** hereto.

The Authority has, in the Continuing Disclosure Undertaking, reserved the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Authority, provided that any such modification will be consistent with the Rule.

Other than as described below, the Authority has complied in all material respects with its continuing disclosure undertakings in the past 5 years. The Authority recently determined that it did not provide all of its EMMA filings related to bond insurer ratings downgrades. The Authority has taken steps to ensure that all future filings will be filed in a timely manner.

LITIGATION

There is no litigation pending in any court or administrative tribunal or, to the best of the knowledge of the Authority, threatened, questioning the existence of the Authority, or which would restrain or enjoin the issuance or delivery of the 2014 Series Bonds, or which concerns the proceedings of the Authority taken in connection with the 2014 Series Bonds or the pledge or application of any Net Revenues provided for their payment, or which contests the powers of the Authority with respect to the foregoing.

The Authority is not aware of any dispute with the individual airlines serving the Airport over any existing rates and charges. See "**SECURITY AND SOURCE OF PAYMENT**".

The Authority from time to time defends litigation arising from employment actions taken by it. There was a previous claim against the Authority. The summary judgment decision in that matter is being appealed by the claimant. The Authority anticipates a confirmation of the previous decision, and anticipates that its insurance coverage will be sufficient to pay any liability that may arise from any actions. In the opinion of the Authority's management, this claim will not have a material adverse effect upon the Authority.

The Authority from time to time receives inquiries from the FAA relating to complaints made by Airport tenants other than the commercial airlines. During 2013, the FAA contacted the Authority regarding one such complaint. In the complaint, the complaining party alleged that the Authority's conduct was in non-compliance with 49 CFR Section 23.53(f)(1). The FAA requested and the Authority provided the FAA certain information. The FAA has notified the Authority that no further action is required with respect to the inquiry and stated the case was closed.

TAX MATTERS

2014 Series A Bonds and 2014 Series B Bonds

Federal tax law contains a number of requirements and restrictions which apply to the 2014 Series A Bonds and the 2014 Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2014 Series A Bonds and the

2014 Series B Bonds to be excludible from the gross income of the owners thereof for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2014 Series A Bonds and the 2014 Series B Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2014 Series A Bonds and the 2014 Series B Bonds.

Subject to the compliance by the Authority with the above referenced covenants, under present law, in the opinion of Bond Counsel, (i) interest on the 2014 Series A Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, except for the interest on any 2014 Series A Bond for any period during which such 2014 Series A Bond is owned by a person who is a substantial user of the facilities refinanced with the proceeds of the 2014 Series A Bonds or any person considered to be related to such person within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), but the interest on the 2014 Series A Bonds is included, however, as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations; and (ii) interest on the 2014 Series B Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but the interest on the 2014 Series B Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority with respect to certain material facts within the knowledge of the Authority. The opinion Bond Counsel represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion, and is not a guarantee of result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the alternative minimum taxable income ("AMTI"), which is the taxable income of the corporation with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of the "adjusted current earnings" of the corporation over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the 2014 Series B Bonds.

Ownership of the 2014 Series A Bonds and 2014 Series B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the 2014 Series A Bonds and the 2014 Series B Bonds is the price at which a substantial amount of such maturity of the 2014 Series A Bonds and the 2014 Series B Bonds is first sold to the public. The Issue Price of a maturity of the 2014 Series A Bonds or the 2014 Series B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page of this Official Statement.

If the Issue Price of a maturity of the 2014 Series A Bonds or the 2014 Series B Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2014 Series A Bonds or the 2014 Series B Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludible from the gross income of the owner thereof for federal income tax purposes (except, in the case of the 2014 Series A Bonds, for any period during which such 2014 Series A Bond is owned by a person who is a substantial user of the facilities refinanced with the proceeds of the 2014 Series A Bonds or any person considered to be related to such person within the meaning of Section 147(a) of the Code); (b) such owner will not realize taxable capital gain or market discount upon the payment of such OID Bond at its stated maturity; (c) in the case of the 2014 Series A Bonds, such original issue discount is included, however, as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code; (d) in the case of the 2014 Series B Bonds, such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (e) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year.

Owners of the 2014 Series A Bonds and the 2014 Series B Bonds who dispose of such Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase 2014 Series A Bonds or the 2014 Series B Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2014 Series A Bonds or the 2014 Series B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2014 Series A Bonds or the 2014 Series B Bond is purchased at any time for a price that is less than the stated redemption price of such Bond at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased such Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income, and is recognized when such a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bonds. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2014 Series A Bonds and the 2014 Series B Bonds.

An investor may purchase a 2014 Series A Bond or a 2014 Series B Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium," and must be amortized by an investor on a constant yield basis over the remaining term of such Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the basis of the investor in such Bond. Investors who purchase a 2014 Series A Bond or a 2014 Series B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of such Bond for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Bond.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2014 Series A Bonds and the 2014

Series B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2014 Series A Bonds and the 2014 Series B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2014 Series A Bonds or the 2014 Series B Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the owners of such Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2014 Series A Bonds or the 2014 Series B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of the interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2014 Series A Bonds and the 2014 Series B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner of a 2014 Series A Bond or a 2014 Series B Bond who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a 2014 Series A Bond or a 2014 Series B Bond who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

2014 Series C Bonds

Interest on the 2014 Series C Bonds is includible in gross income for federal income purposes. Ownership of the 2014 Series C Bonds may result in other federal income tax consequences to certain taxpayers. Owners of the 2014 Series C Bonds should consult their tax advisors with respect to the inclusion of the interest on the 2014 Series C Bonds in gross income for federal income tax purposes and any collateral tax consequences.

The Issuer may deposit moneys or securities in escrow in such amount and manner as to cause the 2014 Series C Bonds to be deemed to be no longer outstanding under the Resolution (a "defeasance"). A defeasance of the 2014 Series C Bonds may be treated as an exchange of the 2014 Series C Bonds by the owners thereof, and may therefore result in gain or loss to such owners. Owners of the 2014 Series C Bonds should consult their own tax advisors about the consequences if any of such a defeasance. The Authority is required to provide notice of defeasance of the 2014 Series C Bonds as a material event under its Continuing Disclosure Agreement. The Authority is also required to provide notice of defeasance to the owners of the 2014 Series C Bonds.

2014 Series C Bonds may be sold with original issue discount. Generally, original issue discount is taxed as it accrues. Bondholders should consult their tax advisors concerning the computation of original issue discount accruing in each tax year.

State Tax Treatment

Under the laws of the Commonwealth, as presently enacted and construed, it is also the opinion of Bond Counsel that (i) interest on the 2014 Series Bonds is exempt from the individual income tax imposed under Section 141.020 of the Kentucky Revised Statutes, (ii) interest on the 2014 Series A

Bonds and the 2014 Series B Bonds is exempt from the corporate income tax imposed under Section 141.040 of the Kentucky Revised Statutes, and (iii) the 2014 Series Bonds are exempt from the Kentucky property tax imposed under Section 132.190 of the Kentucky Revised Statutes. Bond Counsel expresses no opinion with respect to any other taxes imposed by the Commonwealth or any political subdivisions the Commonwealth. Ownership of the 2014 Series Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2014 Series Bonds. Prospective purchasers of the 2014 Series Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the "Report") included as **APPENDIX A** to this Official Statement contains certain assumptions and forecasts. The Report should be read in its entirety for a discussion of historical and forecast results of the Airport and the assumptions and rationale underlying the forecasts. As noted in the Report, any forecast is subject to uncertainties. There may be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the forecasts contained in the Report are not necessarily indicative of future performance, and neither the Airport Consultant nor the Authority assumes any responsibility for the failure to meet such forecasts. In addition, certain assumptions with respect to future business and financing decisions of the Airport are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2014 Series Bonds are cautioned not to place undue reliance upon the Report or upon any forecasts or requirements for forecasts. If actual results are less favorable than the results forecast or if the assumptions used in preparing such forecasts prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the 2014 Series Bonds may be materially adversely affected. Accordingly, neither the Airport Consultant nor the Authority makes any warrant with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. See "**PROSPECTIVE FINANCIAL INFORMATION.**"

Neither the Authority's independent accountants, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability.

APPROVAL OF LEGAL PROCEEDINGS

Certain matters regarding the authorization, sale and issuance of the 2014 Series Bonds are subject to the approval of Chapman and Cutler LLP, Bond Counsel to the Authority, who has been retained by, and acts as, Bond Counsel to the Authority. Bond Counsel has not been retained or consulted on disclosure matters, and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the 2014 Series Bonds, and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Authority, reviewed only those sections of this Official Statement involving the description of the Bonds, the security for the Bonds, and the description of the federal tax exemption of interest on the 2014 Series A Bonds and 2014 Series B Bonds. This review was undertaken solely at the request and for the benefit of the Authority, and did not include any obligation to establish or confirm factual matters

set forth herein. The forms of the opinions of Bond Counsel is included as **APPENDIX F**. Certain legal matters will be subject to the approval of by Ice Miller, LLP, Special Counsel for the Authority. Certain legal matters will be passed upon by the Underwriters' Counsel, Squire Patton Boggs (US) LLP, Washington, DC.

INDEPENDENT ACCOUNTANTS

The audited financial statements of the Authority as of June 30, 2013 and June 30, 2012, and for the years then ended, included herein as a part of **APPENDIX D**, have been audited by Crowe Horwath LLP.

PROSPECTIVE FINANCIAL INFORMATION

The Report of the Airport Consultant was prepared by the Airport Consultant and contains prospective financial information. Other prospective financial information included in this Official Statement, (See "**SELECTED FINANCIAL INFORMATION**") including summaries of prospective financial information from the Report of the Airport Consultant, has been prepared by, and is the responsibility of, the Authority's management. The prospective financial information was not prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The Authority and its management believe that the budget information (See "**SELECTED FINANCIAL INFORMATION**") has been prepared on a reasonable basis, reflecting best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Authority's expected course of action. The prospective financial information is subject to uncertainty, and such information should not be relied on as necessarily indicative of future results.

FINANCIAL ADVISOR

The Authority has retained the services of Public Financial Management, Inc., Memphis, Tennessee as Financial Advisor, in connection with the issuance of the 2014 Series Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION AGENT

Causey, Demgen & Moore P.C. will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules as of the delivery date of the 2014 Series Bonds to determine that the anticipated receipts from the securities and cash deposits to be held in escrow will be sufficient to pay, when due, the principal and interest with respect to the Refunded Bonds. The independent certified public accountants will express no opinion on the assumptions provided to them.

UNDERWRITING

Morgan Stanley & Co. LLC, as representative of itself and the underwriters listed in the Bond Purchase Agreement (the "Bond Purchase Agreement") dated June 11, 2014 (collectively, the "Underwriters") entered into the Bond Purchase Agreement to purchase the 2014 Series A Bonds at the aggregate purchase price of \$133,575,944.56, representing the principal amount of the 2014 Series A Bonds plus a net original issue premium of \$14,329,336.20 and less an Underwriters' discount of \$338,391.64, the 2014 Series B Bonds at the aggregate purchase price of \$3,711,182.53, representing the principal amount of the 2014 Series B Bonds plus an original issue premium of \$435,511.05 and less an

Underwriters' discount of \$9,328.52, and the 2014 Series C Bonds at the aggregate purchase price of \$125,914,605.28, representing the principal amount of the 2014 Series C Bonds less an Underwriters' discount of \$345,394.72. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2014 Series Bonds, if any are purchased.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, and underwriter of the 2014 Series Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution agreement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2014 Series Bonds.

Citigroup Global Markets Inc., an underwriter of the 2014 Series Bonds, has entered into a distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2014 Series Bonds.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Authority, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The obligation of the Underwriters to pay for the 2014 Series Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the delivery of specified opinions of counsel and of a certificate of the Authority that there has been no material adverse change in its condition (financial or otherwise) from that set forth in this Official Statement.

RATINGS

Standard & Poor's Ratings Services and Fitch, Inc. have assigned the 2014 Series Bonds underlying ratings of "A+" and "A+", respectively. Such ratings reflect only the respective views of such organizations and any explanation of the significance of such ratings should be obtained from Standard & Poor's Ratings Services and Fitch, Inc. respectively. 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 revisions or withdrawal of such ratings could have an adverse effect on the market price of the 2014 Series Bonds.

MISCELLANEOUS

This Official Statement has been duly authorized and approved by the Board of the Authority and duly executed and delivered on its behalf by the official signing below.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

/s/ Philip J. Lynch

Philip J. Lynch, Chairman

APPENDIX A
REPORT OF THE AIRPORT CONSULTANT

Appendix A

REPORT OF THE AIRPORT CONSULTANT
on the proposed issuance of
LOUISVILLE REGIONAL AIRPORT AUTHORITY
AIRPORT SYSTEM REVENUE REFUNDING BONDS,
2014 SERIES A, 2014 SERIES B, AND 2014 SERIES C

Prepared for
Louisville Regional Airport Authority
Louisville, Kentucky

Prepared by
LeighFisher, Inc.
Cincinnati, Ohio

June 2, 2014

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June 2, 2014

Mr. Philip J. Lynch
Chairman of the Board

Mr. C.T. "Skip" Miller, A.A.E.
Executive Director

Louisville Regional Airport Authority
P.O. Box 9129
Louisville, KY 40209-0129

Re: **Report of the Airport Consultant
Louisville Regional Airport Authority
Airport System Revenue Refunding Bonds, 2014 Series A-C**

Dear Mr. Lynch and Mr. Miller:

LeighFisher is pleased to submit this Report of the Airport Consultant in connection with the proposed issuance by the Louisville Regional Airport Authority (LRAA, or the Authority) of Airport System Revenue Refunding Bonds, Series A-C. This letter and the accompanying attachment and financial exhibits constitute our Report.

The Authority owns and operates Louisville International Airport at Standiford Field, (SDF, or the Airport) and Bowman Field (LOU). The Authority proposes to issue the Airport System Revenue Refunding Bonds, 2014 Series A, 2014 Series B, and 2014 Series C (collectively, the 2014 Bonds). The 2014 Bonds, along with other available funds, will be used to refund and legally defease all outstanding Airport System Revenue Bonds (collectively, the Refunded Bonds), as follows:

- Airport System Revenue Bonds, 1998 Series A
- Airport System Revenue Bonds, 2001 Series A-B
- Airport System Revenue Bonds, 2002 Series A-B
- Airport System Revenue Bonds, 2003 Series B-C
- Airport System Revenue Bonds, 2005 Series A
- Airport System Revenue Bonds, 2008 Series A
- Airport System Revenue Bonds, 2011 Series A-B

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

Upon delivery of the 2014 Bonds, the Authority will enter into an escrow agreement that creates an irrevocable escrow fund which will be applied to the payment of the principal and interest on the Refunded Bonds on their respective maturity and redemption dates. Additionally, the Authority will fund from the 2014 Bonds the Debt Service Reserve Fund with respect to the 2014 Bonds, and pay costs of issuance of the 2014 Bonds.

There is no additional bonds test for the 2014 Bonds since it is the first series of Bonds being issued under the Master Bond Resolution herein after described. The proposed 2014 Bonds are the only Bonds the Authority plans to issue during Fiscal Year 2015 through Fiscal Year 2019 (the Forecast Period). The Authority's Fiscal Year (FY) starts July 1 of each Calendar Year and ends on the immediately succeeding June 30.

Master Bond Resolution

The Authority issued the Refunded Bonds pursuant to a resolution adopted on March 16, 1983, and from time to time supplemented and amended, which will be defeased and discharged with the issuance of the 2014 Bonds, and therefore is not described in this Report. The Authority will issue the 2014 Bonds and any Bonds issued on a parity therewith under the Master Bond Resolution that was adopted on May 14, 2014 (the Resolution).

This Report relies primarily upon the Resolution as a basis for presentation. Except as otherwise defined herein, capitalized terms in this Report are used as defined in the Resolution or Airline Agreements (See the chapter "Financial Analysis" and caption "Airline Agreements"). Therefore, references to certain terms such as Operating Expenses and Revenues have meanings that are defined under the Resolution, unless otherwise defined herein. A more detailed description of the Resolution is contained in the Report and Appendix C of the Official Statement. The Resolution should be read in its entirety for an understanding of the defined terms as references in this Report do not purport to be comprehensive. The proposed 2014 Bonds are to be secured by a pledge of the Net Revenues of the Authority and, in the case of the 2014 Series C Bonds, certain Other Moneys Available Moneys for Debt Service.

Capital Improvement Program

As reflected in Exhibit A, the Authority has developed a 5-year Capital Improvement Program (CIP) to provide \$148 million of Capital Improvements at the Airport and LOU during the Forecast Period. The CIP, including listed projects, estimated costs, and funding sources, is preliminary and subject to change. This long-term planning document is subject to annual review and adjusted to reflect activity levels, asset condition, changes in safety and security requirements, airport and tenant requests, and

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
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availability of funding. Authority management reviews planned projects as part of the annual budgeting process and will consider the affordability of each project prior to proceeding.

Projects in the CIP are expected to be funded through a combination of LRAA funds, grants-in-aid from the Federal Aviation Administration (FAA), and Passenger Facility Charges (PFCs). At this time, no additional Bonds are anticipated to fund in whole or in part any project in the CIP. Therefore for the purposes of this Report, the 2014 Bonds are the only series assumed to be issued during the Forecast Period.

Security for the 2014 Bonds and Rate Covenant Requirement

Under the Resolution, the 2014 Bonds are special, limited obligations of the Authority secured by a pledge of Net Revenues, certain funds and accounts established by the Resolution and, in the case of the 2014 Series C Bonds, certain Other Moneys Available for Debt Service.

In Section 6.12 of the Resolution (referred to as the Rate Covenant Requirement), the Authority "covenants and agrees to establish, fix, prescribe, continue and collect (directly or through the Airport Use Agreements and other leases, use agreements, licenses or ordinances) rates, fees, rentals and other charges for the use of the Airport System services furnished by the Authority which, together with other income, are reasonably expected to yield for the forthcoming Fiscal Year: (1) Net Revenues that, together with any Rolling Coverage Amount, are at least equal to (A) 125% of the Aggregate Debt Service which will be due and payable during the forthcoming Fiscal Year, excluding amounts payable on the Repayment Obligations during such Fiscal Year, plus (B) 100% of the Repayment Obligations, if any, which will be due and payable during the forthcoming Fiscal Year; and (2) Net Revenues that, together with the Rolling Coverage Amount, are at least equal to 100% of all deposits and payments required to be made pursuant to this Bond Resolution from the Net Revenues during the forthcoming Fiscal Year."

For the purposes of demonstrating compliance with the Rate Covenant Requirement, Aggregate Debt Service excludes principal and interest on Bonds to the extent there is an escrow available to pay such principal and interest. Additionally, Aggregate Debt Service excludes principal and interest on Bonds when payments will be made from moneys that are designated as Other Moneys Available for Debt Service (e.g., PFCs).

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

Airline Agreements

The Authority has entered into Airfield Agreements and Terminal Agreements (together, Airline Agreements) with Signatory Airlines serving the Airport. Pursuant to the Airline Agreements, the Authority sets airline fees and charges annually. In setting airline fees and charges, recoverable costs include debt service and coverage, operating and maintenance expenses, amortization of capital improvements and maintenance of reserves. The methodology for setting the Landing Fee for use of the Airfield Area is defined in the Airfield Agreements. The methodology for setting various fees for the aeronautical use of the terminal and apron is defined in the Terminal Agreements.

The Airline Agreements require the Signatory Airlines to pay fees with respect to certain facilities whose costs are reflected in the particular cost center or centers used by the Signatory Airline in an amount sufficient to enable the Authority to meet its obligations in the Resolution, including the Rate Covenant Requirement.

In certain circumstances the Signatory Airlines have majority in interests rights with respect to the CIP (See the chapter "Financial Analysis" and caption "Airline Agreements" and subsection "Capital Costs and Majority in Interest Approvals"). However, the Signatory Airlines have no approval or disapproval rights with respect to the 2014 Bonds.

The Authority has entered into Airfield Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet Airlines), Chautauqua Airlines, Delta Air Lines, ExpressJet Airlines (two separate agreements), Federal Express, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, United Airlines, UPS, US Airways and Vision Airlines. The Airfield Agreements expire on June 30, 2021.

The Authority has entered into Terminal Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet Airlines), Chautauqua Airlines, Delta Air Lines, ExpressJet Airlines, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, US Airways and Vision Airlines. The Authority considers affiliates of Signatory Airlines to also be Signatories. American Eagle (now known as Envoy Air), PSA Airlines, Piedmont Airlines, Shuttle America, Republic Airlines, SkyWest Airlines and AirTran Airways are each currently considered a Signatory by Affiliation. The Terminal Agreements expire on June 30, 2015 but no major changes to the existing rate methodology are assumed during the Forecast Period.

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

UPS

The Airport is the largest air hub for UPS, the world's largest package courier. SDF is home to UPS's Worldport sorting facility and serves as UPS's central connection point for its next-day and second-day delivery to locations worldwide. UPS has invested over \$2.4 billion in Worldport and other facilities supporting its airline operations to make it the largest automated parcel sortation system in the world. UPS's Global Operations Center, which tracks all UPS air-cargo flights in real time, is adjacent to the Airport and UPS's largest Supply Chain Solutions (SCS) campus in the world, which provides more than 120 companies with warehousing, storage, and distribution space, is located less than two miles from the Airport.

Scope of Report

The purpose of this Report is to evaluate the ability of the Authority to generate Net Revenues sufficient to satisfy the requirements of the Rate Covenant Requirement, taking into account Aggregate Debt Service on the 2014 Bonds, the only Bonds planned to be in effect through the Forecast Period.

The section of this Report entitled "Aviation Activity Analysis" describes the existing facilities at the Airport and LOU, the Authority, the region served by the Airport, the economic base for aviation activity at the Airport, trends in aviation activity, and forecasts of enplaned passengers and landed weight, including the assumptions supporting the forecasts. The section of this Report entitled "Financial Analysis" provides a discussion of the legal and contractual framework governing the financial operation of the Authority, the CIP, revenues and expenses, a reconciliation of historical operating results, the application of Revenues under the Resolution, and debt service coverage, including compliance with the Rate Covenant Requirement.

In preparing the Report, we analyzed:

- Future enplaned passenger and cargo demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region, historical trends in airline service and traffic, the roles of the Airport in airline route systems, and other key factors that may affect future aviation activity.
- Estimated plan of refunding and Aggregate Debt Service for the 2014 Bonds. Additionally, we evaluated the allocation of Aggregate Debt Service for the 2014 Bonds by cost center as used in the calculation of airline rentals, fees, and charges. The Plan of Refunding, Aggregate Debt Service and allocation of Aggregate Debt Service for the 2014 Bonds issuance was provided by Public

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

Financial Management, Inc., the Authority's Financial Advisor, and is based upon what they believe to be conservative expectations of 2014 Series pricing levels relative to published municipal market rates as of May 16, 2014.

- Historical and forecast PFC Revenues and the use of such PFC Revenues to fund escrow deposits, pay Aggregate Debt Service, and fund portions of projects in the Capital Improvement Program.
- Historical relationships among revenues, expenses, and aviation activity at the Airport and LOU.
- Budgeted and year-to-date revenues and expenses for FY 2014, the Authority's preliminary projections and plans for FY 2015, expected staffing requirements, contractual services, and other factors that may affect future revenues and expenses.
- The Authority's policies and agreements relating to airline use and occupancy of the Airport, including the calculation of airline rentals, fees, and charges under the Airline Agreements.
- The Authority's policies and contractual agreements relating to the operation of other services and concessions at the Airport, including public parking, rental car concessions, terminal concessions, and the leasing of buildings and grounds.

We also identified key factors upon which the future financial results of the Authority depend, formulated assumptions about those factors, and on the basis of those assumptions, assembled the financial forecasts presented in the exhibits at the end of the Report. Estimates of Aggregate Debt Service were provided by the sources noted in the Report. The refunding plan is summarized in Exhibit B at the end of the Report. Estimates of Aggregate Debt Service are summarized in Exhibit C.

Forecast Debt Service Coverage

As shown in the following tabulation and Exhibit H, the Net Revenues of the Authority are forecast to be sufficient to meet the requirements of the Rate Covenant Requirement in each year of the Forecast Period.

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

FORECAST COMPLIANCE WITH RATE COVENANT REQUIREMENT

Louisville International Airport

(for the 12 months ended June 30, 2013; in thousands except debt service coverage)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	2015	2016	2017	2018	2019
Total Revenues	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587
Operating Expenses	26,737	27,328	27,950	28,587	29,317
Net Revenues	\$ 35,243	\$ 35,459	\$ 35,349	\$ 33,623	\$ 34,269
Rolling Coverage Amount	6,770	6,864	6,990	6,457	6,459
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Aggregate Debt Service	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835
Less: Other Moneys Available for Debt Service (PFCs)	(2,596)	(2,632)	(2,684)	-	-
Aggregate Debt Service (net)	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835
Less: Repayment Obligations	-	-	-	-	-
Aggregate Debt Service net of Repayment Obligations	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835
<u>Rate Covenant Requirement</u>					
Section 6.12(a)(1)					
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Less: Aggregate Debt Service net of Repayment Obligations x 125%	(30,603)	(31,030)	(31,595)	(32,285)	(32,294)
Less: Repayment Obligations	-	-	-	-	-
Total (Must be >=0)	\$ 11,410	\$ 11,293	\$ 10,744	\$ 7,795	\$ 8,434
Section 6.12(a)(2)					
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Less: Required deposits to Debt Service Fund (Debt Service (net))	(24,483)	(24,824)	(25,276)	(25,828)	(25,835)
Less: Required deposits to the Debt Service Reserve Fund	-	-	-	-	-
Less: Required deposits to the Operation and Maintenance Reserve Fund	-	-	-	-	-
Less: Required deposits to the Renewal and Replacement Fund	-	-	-	-	-
Total (Must be >=0)	\$ 17,530	\$ 17,499	\$ 17,063	\$ 14,252	\$ 14,893
<u>Debt Service Coverage Ratio</u>	1.72	1.70	1.68	1.55	1.58

Source: LeighFisher.

Note: Totals may not add due to rounding.

Mr. Philip J. Lynch and Mr. C.T. "Skip" Miller, A.A.E.
June 2, 2014

Assumptions Underlying the Financial Forecasts

The financial forecasts presented in this Report are based on information and assumptions that were provided by or reviewed with and agreed to by Authority management as being appropriate for the Report's purpose. The forecasts reflect management's expected course of action during the Forecast Period and in management's judgment, present fairly the expected financial results of the Authority. Those key factors and assumptions that are significant to the forecasts are set forth in the Report, which should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any financial forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Accordingly, LeighFisher makes no warranty with respect to the forecasts and nothing in the Report shall be deemed to create or imply the creation of any third-party beneficiary status for any person with regard to the forecasts. We have no responsibility to update the Report for events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as Airport Consultant for the Authority's proposed financing.

Respectfully submitted,


LEIGHFISHER

Attachment

BACKGROUND, ASSUMPTIONS, AND
RATIONALE FOR THE FINANCIAL FORECASTS

Louisville Regional Airport Authority
Louisville, Kentucky

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Figure 1
AIRPORT AND AIRFIELD



Sources: Google Earth Pro, accessed April 2014; Louisville Regional Airport Authority.

AVIATION ACTIVITY ANALYSIS

AIRPORT FACILITIES

Passenger Facilities

Louisville International Airport (SDF, or the Airport) occupies about 1,500 acres of land and is located less than eight miles southwest of downtown Louisville. A graphic of the Airport, airfield, and surrounding areas is shown in Figure 1. The passenger terminal complex is accessed through the interstate highway system via I-264, with connections to I-65 located less than two miles from the terminal building.

The passenger terminal complex consists of connected landside and airside buildings. The landside terminal building is approximately 238,000 square feet in size. It accommodates passenger ticketing, airline and tenant offices, and concessions on an upper level, and baggage claim facilities and rental car counters on the lower level. The airside terminal building is approximately 176,000 square feet and includes a two-level "Y" shaped pier with airline operations offices on the ground level and 23 passenger boarding bridges, passenger holdrooms, and concessions on the passenger level.

A four-level parking garage is located north of the terminal. It contains 4,127 spaces and is linked to the landside terminal building by two corridors under the arrival roadway. The parking garage includes 391 short-term parking spaces on the base level and 3,736 long-term spaces on the remaining floors. A surface lot adjacent to the garage has 1,442 spaces, and there are 390 additional spaces in a credit card lot east of the terminal. In addition to these public parking spaces, there are 699 rental car spaces in a surface lot adjacent to the terminal, with direct access to baggage claim.

Airfield Facilities

The Airport has three runways and a connected system of taxiways and aircraft aprons. Two of the runways are parallel and oriented north-south, with the third crosswind runway oriented approximately east-west. The north-south runways, 17R/35L and 17L/35R, are separated by 4,900 feet and are 11,890 and 8,580 feet long, respectively. The crosswind runway, 11/29, is 7,250 feet long. All three runways are 150 feet wide with sufficient width and pavement strength to accommodate Group VI (e.g., Boeing-747-8) aircraft. Taxiway A is currently being extended to the full length of 17R/35L. This new taxiway has increased separation distance to accommodate simultaneous operations of Group VI aircraft on Taxiway A and Runway 17R/35L. The airfield contains more than 62,000 linear feet of taxiways.

The two parallel runways are equipped with full instrument landing systems at both ends. Runways 35L and 35R are certified for Category II and III instrument approach and landing operations, which would allow the majority of the world's narrow-body and wide-body cargo fleet to take-off and land in limited visibility conditions. The Airport is equipped with an approved Surface Movement Guidance System that

provides routing, guidance and surveillance for the control of aircraft and vehicles to required safety standards in all weather conditions.

UPS Air Cargo Facilities

United Parcel Service (UPS) facilities at the Airport occupy more than 607 acres and include more than 5.2 million square feet of building, hangar and operations space. This UPS owned area includes the Worldport sorting facility, approximately 300 acres of aircraft ramp space, and 135 aircraft parking positions. The property is located on an area between the parallel taxiways at the Airport that is approximately the size of 90 football fields, (see Figure 1). The facility also includes a fuel farm, training facilities, UPS's only aircraft maintenance hangar, and a 654,000 square-foot heavy air freight facility. Through FY 2013, UPS has invested over \$2.4 billion in Worldport and other facilities supporting its airline operations to make it the largest automated parcel sortation system in the world. Worldport includes three sort facilities and has the capacity to handle approximately 416,000 packages per hour. There are 70 aircraft docks, 325 unload positions, and 1,520 load positions.

Other Cargo Facilities

In addition to the cargo facilities UPS owns above, the Airport owns cargo facilities leased by FedEx, as well as a multi-tenant cargo building. On the west side of the airfield, FedEx leases an approximately 85,200-square-foot air cargo building along Crittenden Drive. The facility has two aircraft parking positions on 36,000 square feet of apron. The multi-tenant cargo building consists of 54,600-square-feet and is located to the west of the passenger terminal complex. The multi-tenant cargo building facility also includes a 295,000- square-foot apron that is used by both passenger carriers and freight forwarders transporting, among other things, horses and parts for the two Ford Motor Company plants.

USPS owns a facility on a 10-acre site leased from the airport on the southwest quadrant of the interchange of I-264 and Crittenden Drive. This facility has access to the airfield via a secure tug road and tunnel under the old Crittenden Drive. The USPS facility includes a public service center and a mail sort and transfer facility.

General Aviation Facilities

Atlantic Aviation, the Airport's only fixed-base operator, leases a comprehensive facility that is made up of a 20,000-square-foot terminal, three hangars that total almost 70,000 square feet, and approximately 313,600 square feet of apron. This facility includes complete line service, aircraft storage, and aircraft maintenance.

The Airport leases approximately 620,580 square feet of land in the general aviation area, comprising six single-tenant hangar facilities owned by the tenants and consisting of approximately 145,000-square-feet of hangar space.

Military Facilities

The Kentucky Air National Guard's 123rd Airlift Wing leases 82 acres of land on the east side of the airfield, adjacent to I-65. Their facility includes a maintenance hangar, motor pool, and apron parking for up to 12 C-130 aircraft, as well as administrative and engineering support buildings. Currently, five groups consisting of 14 squadrons carry out the unit's mission by providing administrative and logistical support, airlift operations, combat control, pararescue, contingency response, maintenance, supply, transportation, contracting, communications, civil engineering, personnel, base services, security forces, and medical functions.

AIRPORT AUTHORITY

The Louisville Regional Airport Authority (LRAA, or the Authority) was established under Kentucky Statute 183 as an Aviation Board to own, operate, and develop the Airport, defined by the Federal Aviation Administration (FAA) as a small-hub airport, and Bowman Field (LOU), a general aviation airport. The Authority is an autonomous municipal corporation, and is managed by an 11-member board comprised of the Mayor of Louisville, seven mayoral appointees, and three gubernatorial appointees.

LOUISVILLE RENAISSANCE ZONE CORPORATION

A related entity to the Authority is the Louisville Renaissance Zone Corporation (LRZC), a non-stock, non-profit corporation. The LRZC was formed by the Authority in 2003 for the purpose of identifying, developing, acquiring, financing, and accomplishing certain projects in an area comprising approximately 3,000 acres to the south of the Airport, referred to as the Renaissance Zone Area. The LRZC has approximately 235 acres of land on the market for sale within an area of the Renaissance Zone known as the Renaissance South Business Park.

BOWMAN FIELD

Bowman Field occupies 426 acres at a site five miles southeast of downtown Louisville and is one of the longest continuously running publicly owned airports in the country. There are 41 building structures at LOU which include an FAA air traffic control tower, two fixed base operators, nine aircraft hangars, 217 T-Hangar units, and a historic art deco administration building that was built in 1929.

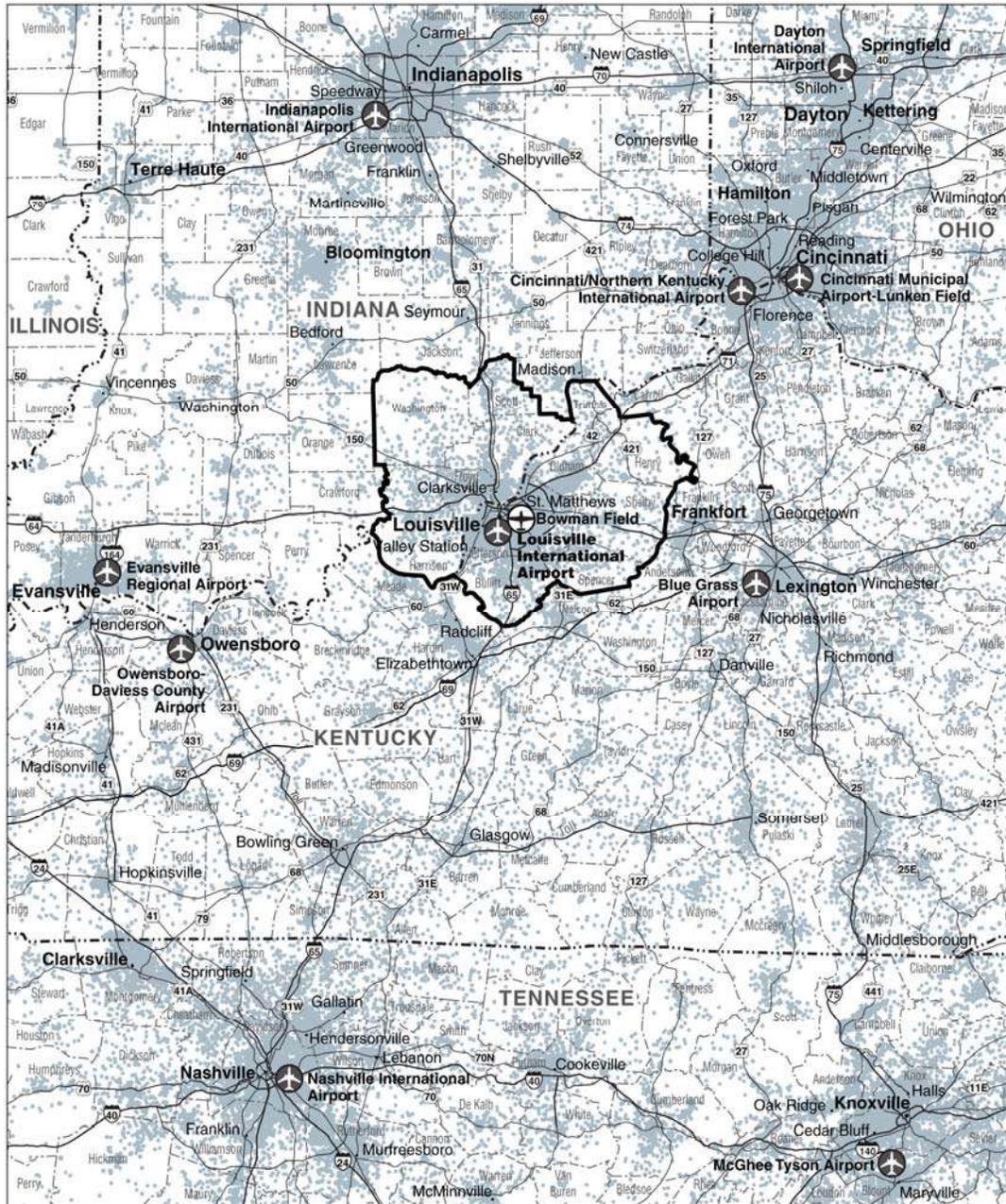
Bowman Field has two intersecting runways that are 4,356 feet and 3,579 feet, and has been designated by the FAA as a reliever airport to SDF.

AIRPORT SERVICE REGION

The primary Airport service region that supports aviation demand is the Louisville/Jefferson County Metropolitan Statistical Area (the MSA) and consists of Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble counties in Kentucky, and Clark, Floyd, Harrison, Scott, and Washington counties in Indiana. Figure 2 shows the Airport service region and the surrounding area, including Bowman Field and other

nearby commercial service airports. Drive times are listed for major commercial service airports within approximately a 2.5-hour drive from downtown Louisville.

Figure 2
METROPOLITAN STATISTICAL AREA



LEGEND
 Airport service region
 - - - - State boundary
 - - - - County boundary
 Population density:
 1 dot represents 100 people
✈ Passenger air carrier service airport
✈ General aviation airport
 Source: U.S. Census data, 2010.



ECONOMIC AND DEMOGRAPHIC BASIS FOR AVIATION DEMAND

The population and economic strength of a MSA are important determinants for projecting future aviation demand. This section presents a discussion of the current and future key economic and demographic elements relative to the Louisville/Jefferson County Metropolitan Statistical Area (the MSA).

Population Trends

The MSA had a population of 1.3 million residents in 2013, the latest estimate available by the U.S. Department of Commerce, Census Bureau. Jefferson County, the home of the City of Louisville, accounted for 60.0% of the MSA's total population (see Table 1).

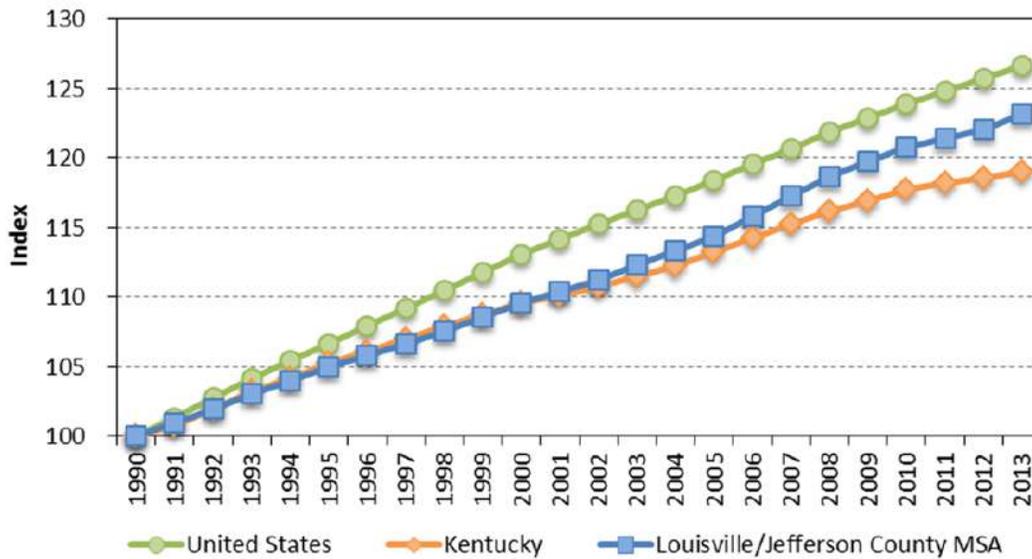
Table 1
POPULATION BY COUNTY
Louisville/Jefferson County MSA
(2013)

County	Population	Percent of total
Jefferson, KY	756,832	60.0%
Clark, IN	112,938	8.9
Bullitt, KY	76,854	6.1
Floyd, IN	76,244	6.0
Oldham, KY	62,364	4.9
Shelby, KY	44,216	3.5
Harrison, IN	39,163	3.1
Washington, IN	27,780	2.2
Scott, IN	23,972	1.9
Spencer, KY	17,637	1.4
Henry, KY	15,445	1.2
Trimble, KY	8,816	0.7
	<u>1,262,261</u>	

Source: U.S. Department of Commerce, Bureau of the Census website, accessed March 2014, www.census.gov.

Between 1990 and 2013, the population in the MSA increased at an average annual rate above that of Kentucky, but below that of the nation (see Figure 3). From 1990 through 2000, population in the MSA and in Kentucky increased at an average annual rate of 0.9% compared to 1.2% for the nation. Between 2000 and 2013, the population in the MSA increased at average annual rate of 0.9% the same rate as the entire United States but above the level for the rest of Kentucky (0.6%).

Figure 3
COMPARATIVE INDEX OF POPULATION TRENDS
 (1990 = 100)



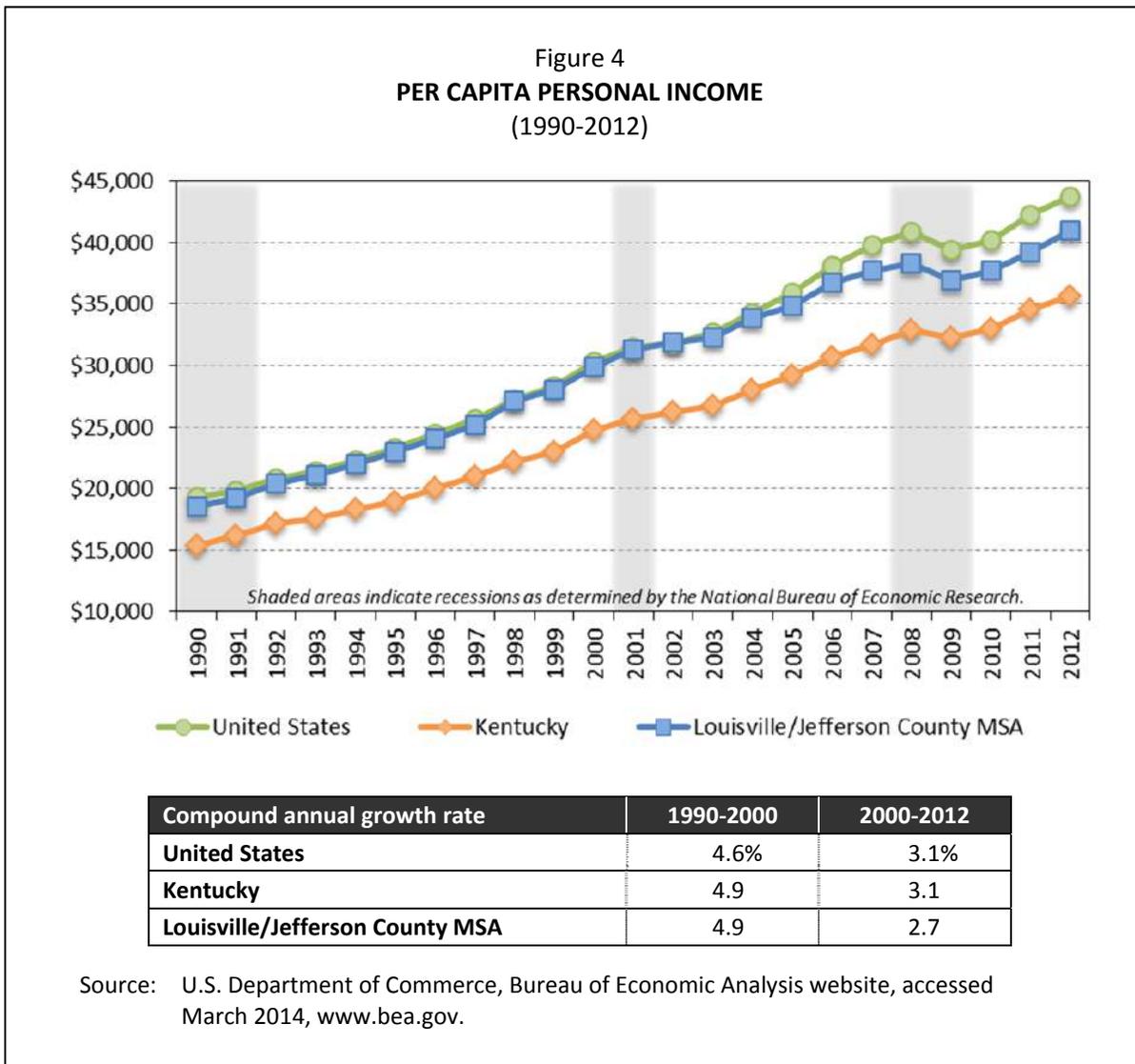
Compound annual growth rate	1990-2000	2000-2013
United States	1.2%	0.9%
Kentucky	0.9	0.6
Louisville/Jefferson County MSA	0.9	0.9

Source: U.S. Department of Commerce, Bureau of the Census, website, accessed April 2014, www.census.gov.

Income and Trends

According to the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), in 2012, the MSA ranked 135th out of the 381 U.S. metropolitan statistical areas in terms of per capita personal income (PCPI) levels. In 2012, the latest year for which comparable data is available, the MSA had a PCPI of \$40,970, higher than that of Kentucky (\$35,643) but lower than the nation (\$43,735), according to the BEA (see Figure 4).

PCPI growth in the MSA has generally mirrored the pattern of nationwide growth, although the MSA was hit slightly harder by the 2008-2009 economic recession. However, growth in PCPI in the MSA has since rebounded due in part to growth in health care and medical science industries.

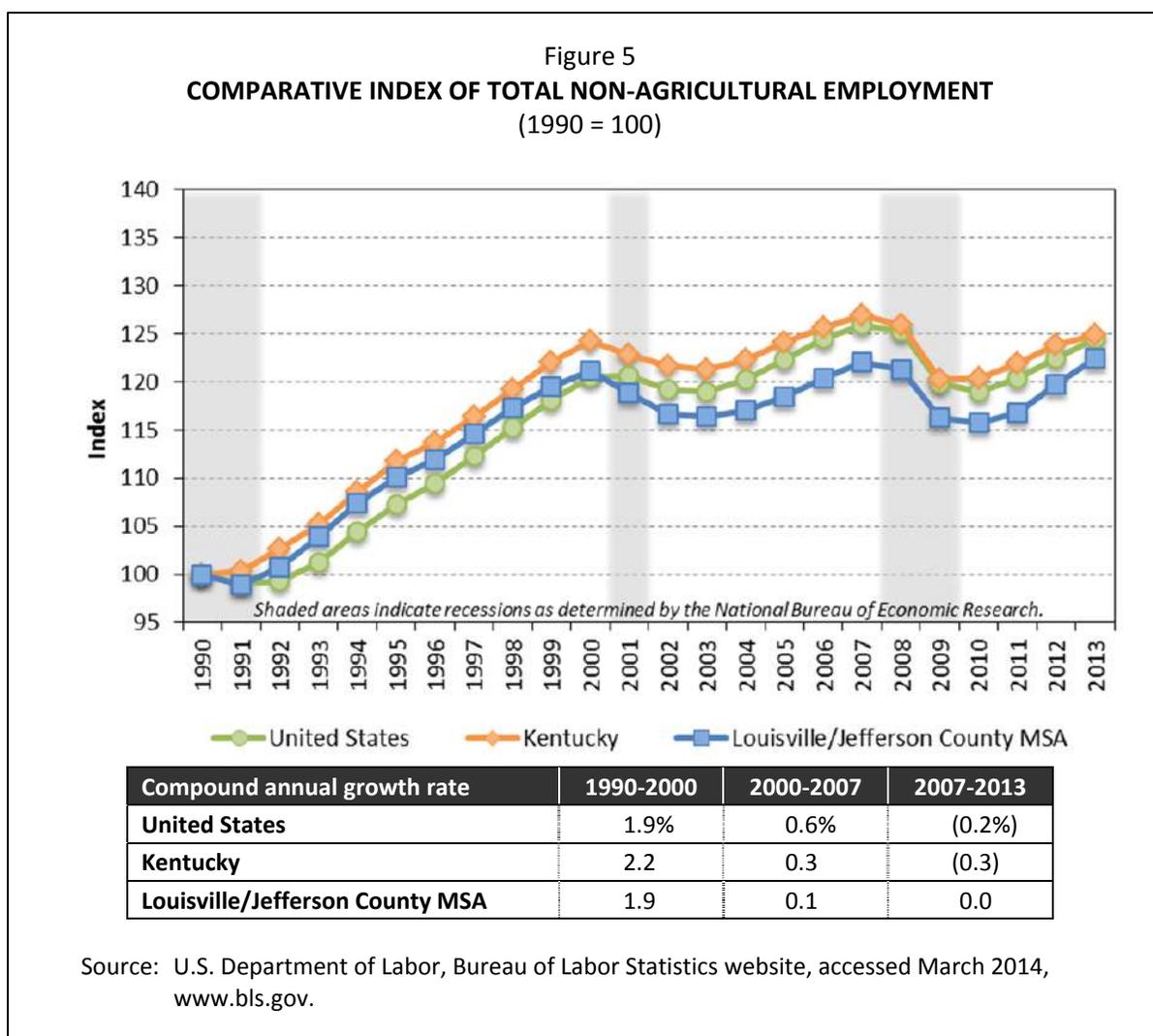


Employment Trends

Growth in nonagricultural employment for the MSA followed a trend similar to that for Kentucky and the nation. From 1990 to 2000, employment in the MSA increased at approximately the same average annual rate as the nation (1.9%), but was below that of the state (2.2%) (see Figure 5).

For the period 2000 to 2007, average annual employment growth for the MSA was 0.1%, trailing that of both Kentucky (0.3%) and the United States (0.6%). The 2001 global economic recession saw employment decrease within the MSA through 2003, with employment levels shrinking more than in the Commonwealth of Kentucky and the country as a whole. In line with the rest of the nation, the MSA experienced an increase in employment through 2007, before the start of another economic recession.

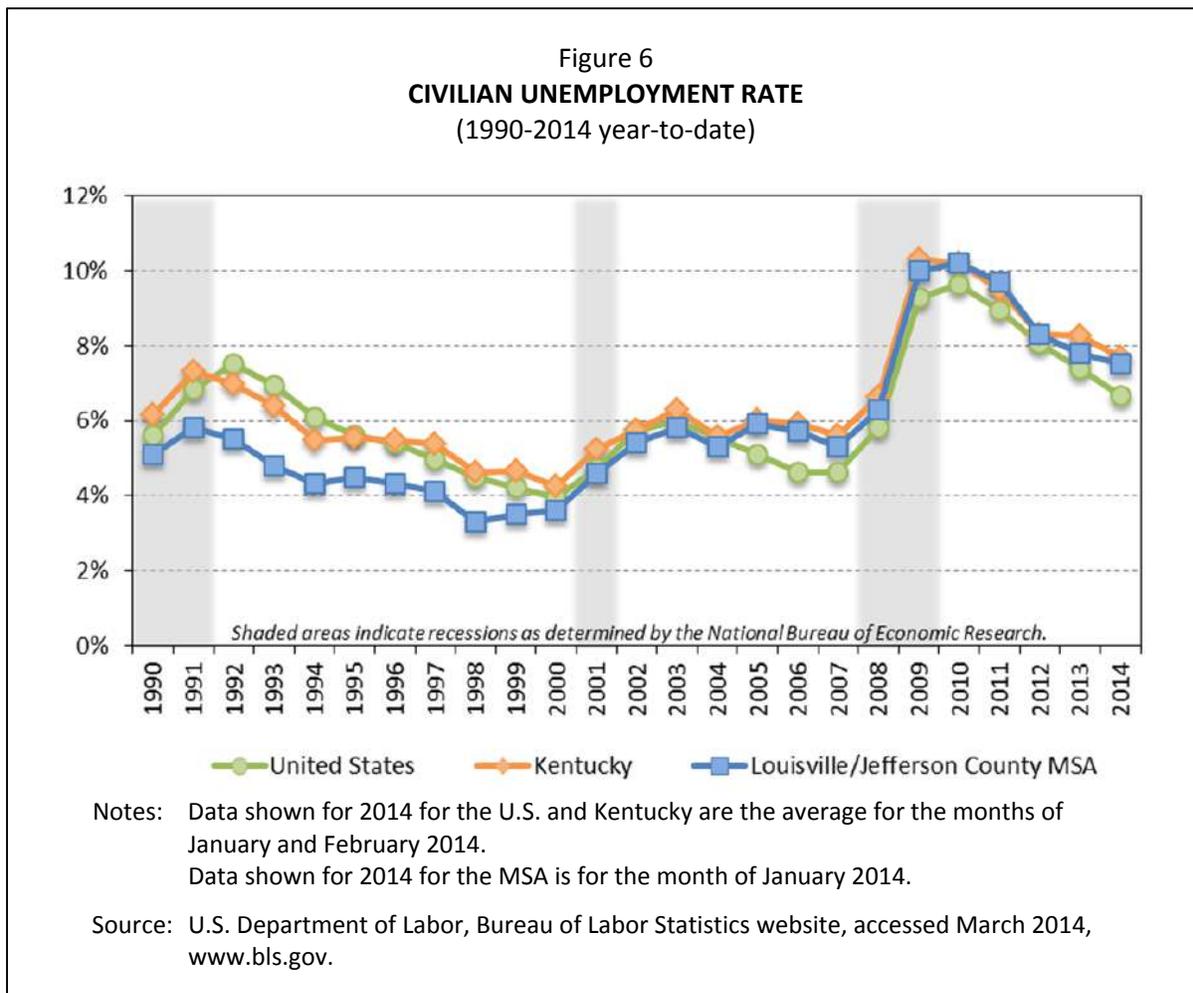
This recession saw reductions in employment through both 2008 and 2009 before leveling out in 2010 and then recovering through 2013. Employment in the MSA returned to 2007 pre-recession levels by 2013, unlike the state and the United States as a whole, which are still below 2007 levels.



Unemployment

Unemployment rates serve as one indicator of an area's current economic health, which in turn, affects near-term aviation demand. In general, the unemployment rate in the MSA followed a trend similar to that for Kentucky and the U.S. (see Figure 6). Between 1990 and 2005, the MSA's unemployment rate was consistently lower than that of both the state and nation. From 2005 through 2012, the MSA's unemployment rate has remained similar to that of Kentucky, which was higher than the rest of the nation.

In 2013 and 2014 year-to-date, the MSA's unemployment rate dropped to 7.8% and 7.5% respectively, compared to 8.3% and 7.7% respectively for Kentucky, and 7.4% and 6.7% for the nation as a whole.



Shares of Nonagricultural Employment by Sector

Table 2 presents data on the percentage distribution of nonagricultural employment by industry sector in 2000 and 2013. Employment in the MSA is supported by a well-diversified group of industries.

	MSA		Kentucky	US
	2000	2013	2013	2013
Trade, transportation, and utilities	23.1%	21.6%	20.1%	20.0%
Education and health	10.7	13.7	14.1	11.6
Government	12.5	13.4	18.3	15.8
Professional and business services	10.5	12.5	10.9	12.7
Manufacturing	15.6	11.8	12.4	13.1
Leisure and hospitality	9.5	10.4	9.7	9.0
Financial activities	6.1	6.9	4.8	5.9
Mining, logging, and construction	5.5	4.1	4.6	5.1
Other services	4.7	4.1	3.5	3.9
Information	1.9	1.5	1.4	2.8
	100.0%	100.0%	100.0%	100.0%

Note: Columns may not add to totals shown due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, website, accessed March 2014, www.bls.gov.

Trade, Transportation and Utilities. The MSA's largest employment sector is trade, transportation and utilities, which accounted for 21.6% of total employment in 2013 (see Table 2). This sector includes many of the employees based at the Airport, the primary transportation and logistics hub in the MSA, and home to UPS's Worldport. The MSA is also a hub for surface transportation, with key trucking, rail, and river transport routes running through the area. Three major interstate highways pass directly through Louisville: I-64, I-65, and I-71. Interstate 64 stretches 960 miles from Chesapeake, Virginia to Wentzville, Missouri, and is one of the nation's primary east-west highways. Interstate 65 is 890 miles in length, running from Mobile, Alabama to Gary, Indiana, including Nashville to the south and Indianapolis to the north of the City of Louisville. Interstate 71 is 345 miles long and runs from Louisville to Cleveland, Ohio. Although I-71 is considered a north-south highway locally, it also acts a major east-west route for shipments to or from the northeast of the country. The MSA is served by six railroad companies and also has an inland port located on the Ohio River. The Port of Louisville's facilities include a coal-storage terminal, which is the only coal terminal served directly by three major eastern railroads: CSX, Norfolk Southern, and Paducah and Louisville Railroad.

Education and Health. The MSA has become a center for advanced health care services and related industries over the last decade. There are numerous hospitals and healthcare providers in the MSA, including two of the nation's 25 largest hospitals, ranked by number of beds: Northern Hospital, ranked 15th, and Jewish Hospital, ranked 23rd. Jewish Hospital is a national leader in hand surgery, microsurgery, and heart transplant surgery. The MSA is also home to the nation's 4th largest health insurance provider, Humana. Humana is the 2nd largest private-sector employer in the MSA, after UPS (see Table 3) with \$37 billion in annual revenues. The education sector, with providers including Jefferson County Public Schools and University of Louisville, are also major employers in the region, with over 20,000 staff members in 2013 (see Table 3).

Government. Major government employers in the MSA include Louisville/Jefferson County Metro, the Commonwealth of Kentucky, the U.S. Government, U.S. Census Bureau, and U.S. Postal Service. While the Kentucky Air National Guard has a presence at the Airport, there are not significant numbers of military facilities or personnel within the MSA.

Manufacturing. Between 2000 and 2013, employment in the manufacturing sector decreased at an average rate of 2% per year. The Ford Motor Company was one employer affected by the 2008-2009 recession, reducing the size of its Louisville operations in 2010 with the closure of the Ford Explorer SUV model assembly line. However, in 2012, the company completed a \$600 million refurbishment of the Louisville Assembly Plant, one of two Ford assembly plants in Louisville, reopened the facility, and started producing the mid-sized Escape SUV. Employment at this facility has recovered to about 4,500 employees with the implementation of a third shift. Across town, the Kentucky Truck Plant in eastern Louisville makes Ford F-series Super Duty pickups as well as the Expedition and Navigator sport utility vehicles. With about 4,000 people at this location, Ford is the largest manufacturer in the MSA with almost 8,500 employees.

Major Employers

Table 3 lists the largest employers in the Louisville/Jefferson County MSA, ranked by number of employees. This list illustrates the importance of UPS, as well as the health care, education, and government industries with respect to employment in the region. Three Fortune 500 Companies (Humana, Kindred Healthcare, and Yum! Brands) are headquartered within the City of Louisville.

Amazon, an international electronic commerce provider and the world's largest online retailer, has two fulfillment centers in the Louisville area. In addition to the full-time jobs these facilities provide, Amazon hires roughly 5,000 seasonal employees in the MSA to fulfill the high volumes of holiday orders in mid-November through December.

Table 3
TOP EMPLOYERS
Louisville/Jefferson County MSA
(as of July 2013)

Company	Employment	Type of Business
United Parcel Services Inc.	20,047	Logistics, distribution, package delivery
Jefferson County Public Schools	14,269	Education
Humana Inc.	11,235	Health insurance
Norton Health Care Inc.	9,666	Healthcare
KentuckyOne Health Inc.	8,893	Healthcare
Ford Motor Co.	8,347	Automotive manufacturer
University of Louisville	6,187	Higher education
GE Appliances	6,000	Home appliance manufacturer
Louisville-Jefferson County Metro Government	5,651	Government service
The Kroger Co.	5,152	Retail
Baptist Health	4,854	Healthcare
Kentucky State Government	4,161	Government service
U.S. Postal Service	2,509	Mail and shipping
Catholic Archdiocese of Louisville	2,345	Education, churches, related activities
U.S. Government	2,191	Government service
LG&E and KU Energy LLC	2,131	Utility
Kindred Healthcare Inc.	2,130	Healthcare
Robley Rex VA Medical Center	1,799	Healthcare
Floyd Memorial Hospital & Health Services	1,711	Healthcare
New Albany-Floyd County School Corp.	1,640	Education

Source: Business First of Louisville, July 2013.

TOURISM

According to a 2012 study commissioned by the Louisville Convention & Visitors Bureau and conducted by the University of Louisville's Urban Studies Institute, the MSA had 12.7 million visitors in 2011 and generated \$1.4 billion in direct economic impact supporting 22,100 hospitality-related jobs. Over 70% of the visitors to the MSA were visiting friends and relatives or travelling for leisure, 10% travelled to the area for conventions, and the remainder were travelling for business purposes.

The MSA attracts tourists to its various recreational and cultural locales, including Churchill Downs, the home of the internationally renowned Kentucky Derby. Churchill Downs, located less than three miles from the Airport, has a permanent seating capacity of approximately 52,000, but has accommodated upwards of 160,000 visitors on Derby Day.

Collegiate sports are also a popular pastime in the MSA. Both men's and women's teams from the University of Louisville enjoy a strong fan base, and the Louisville Cardinals men's basketball team has made 10 Final Four appearances in the NCAA Tournament and won their third national title in 2013. Louisville Cardinal basketball games are housed in the KFC YUM! Center, a 22,000 seat multi-purpose arena recently opened in the downtown area. The University's football team, whose stadium seats 55,000, went undefeated at home in 2001 (6-0), 2005 (6-0), and 2006 (6-0) and experienced a 20 game at-home winning streak from 2004 to 2007. In July 2014, the University of Louisville joins the Atlantic Coast Conference after previous affiliations with Conference USA, the Big East Conference, and most recently the American Athletic Conference. This will see the school compete against new rivals including Miami (FL), Florida State, Clemson, and Boston College.

Louisville has four minor-league and semi-professional sports teams. These include the Louisville Bats (the minor league affiliate of the MLB's Cincinnati Reds), who play at the Louisville Slugger Field, as well as indoor and outdoor soccer teams, and an indoor lacrosse team.

Located one hour's drive to the north-east of Louisville is the recently upgraded Kentucky Speedway. The Sparta, KY race track was recently expanded to accommodate 117,000 fans, and since 2011 has hosted NASCAR's Quaker State 400, along with NASCAR Nationwide and IZOD IndyCar series races.

Louisville also has many museums, performing groups, and outdoor attractions that draw visitors. The Speed Art Museum is the oldest and largest visual arts museum in Kentucky and houses a collection that spans over 6,000 years. For performing arts, Louisville is home to the Kentucky Center for the Performing Arts, which features performances of Broadway shows, opera, the orchestra, children's theater, and Kentucky's ballet company. Louisville also hosts the Kentucky Shakespeare festival, the longest continuously running celebration of Shakespeare in the country, and the Kentucky Bluegrass Music Festival. In addition, visitors can enjoy many outdoor activities, such as Jefferson Memorial Forest, the U.S.'s largest municipal urban forest,

and riverboat cruises down the Ohio River on the Belle of Louisville, a National Historic Landmark. The city of Louisville also boasts more than 120 parks in the metro area alone.

The government of the MSA is proactively marketing to increase tourism. The Louisville Convention & Visitors Bureau, one of the organizations responsible for this marketing effort, plans to host NCAA tournaments and increase occupancy of the City of Louisville's convention facilities as part of 2013 and 2014 initiatives.

ECONOMIC OUTLOOK

Sustained strong economic growth, both nationally and regionally, will depend on, among other factors:

- Recovery in the national housing market
- The effectiveness of monetary stimulus
- The health of the financial and credit markets
- The strength of the U.S. dollar versus other currencies
- Stable or lower energy prices
- The ability of the federal government to reduce historically high fiscal deficits
- The rate of inflation remaining within the range targeted by the Federal Reserve
- The economic health of U.S. trading partners

Air traffic activities at the Airport depend on economic activity in the United States, Kentucky, and the MSA. The following sections describe more detailed outlook for the national, state, and MSA economies.

National Economy

The U.S. economy has grown at a slow-to-moderate pace since the 2008-2009 economic recession. According to its baseline economic forecast (February 2014), the Congressional Budget Office (CBO) estimated muted economic growth in 2013, with a real gross domestic product (GDP) increase of 1.7%. This decrease from the 2.8% growth experienced in 2012 is largely a result of the Budget Control Act of 2011 (commonly referred to as sequestration) which took effect on March 1, 2013. However, the CBO projects that economic activity will grow at an average real rate of between 2.7% and 3.4% per year for the period 2014-2017, at an average of 3.1%. By the second half of 2017, the CBO projection of real GDP growth is expected to slow down as the gap between potential GDP and realized GDP narrows. Unemployment is also expected to continue to decrease to 5.9% by 2017.

Table 4
U.S. ECONOMIC INDICATORS
 Calendar Years 2012-2024

	Actual 2012	Estimated 2013	Forecast				Projected CAGR 2018-2024
			2014	2015	2016	2017	
GDP growth							
Real	2.8%	1.7%	2.7%	3.3%	3.4%	3.0%	2.2%
Nominal	4.6	3.2	4.2	5.1	5.3	4.9	4.2
Inflation growth							
PCE price index	1.8%	1.1%	1.3%	1.7%	1.8%	1.8%	2.0%
Consumer price index	2.1	1.5	1.7	2.0	2.1	2.2	2.4
Unemployment rate	8.1%	7.4%	6.8%	6.5%	6.1%	5.9%	5.5% (a)
Interest rates (percent)							
10-Year treasury note	1.8%	2.3%	3.1%	3.7%	4.3%	4.8%	5.0% (a)
3-Month treasury bill	0.1	0.1	0.2	0.4	1.8	3.3	3.7 (a)

GDP = Gross Domestic Product.
 PCE = Personal Consumption Expenditures
 CAGR = Compound Annual Growth Rate

(a) Level in 2024

Source: Congressional Budget Office, The Budget and Economic Outlook, February 2014.

Kentucky Economy

The economy of Kentucky is expected to improve in line with the national economic growth. The January 2014 Quarterly Economic and Revenue Reports published by the Kentucky Government's Office of State Budget Director provides growth forecasts for the second half of 2014 compared to a year earlier. Kentucky resident income is projected to grow at 3.7% in the second half of 2014, below the projected rate for the nation as a whole (4.5%). Wages and salaries for Kentucky are forecast to grow 2.7% in 2014 from the year earlier. All non-farm employment is projected to grow at 1.0%, somewhat less than growth for the nation as a whole (1.6%). Projections show a 0.7% average annual state-wide population growth between 2010 and 2050.

Louisville/Jefferson County MSA Economy

Economic and demographic projections for the MSA are prepared by Indiana University's Kelley School of Business. The school's 2014 report predicts job growth close to 3% in 2014. This is equivalent to nearly 20,000 additional jobs in the MSA and would decrease the unemployment rate to approximately 7% from the 7.5% reported in January 2014.

A favorable long-term economic outlook for the MSA is supported by its steady job growth, popularity as a tourist destination, and strong competitive position in the four key industry sectors described earlier in Shares of Nonagricultural Employment by Sector.

Recent Development in the LRZC

There have been numerous recent developments in the LRZC that impact the airport service region:

- In 2008, UPS located its regional ground-sorting operation, Centennial Hub, on 60 acres in the Renaissance South Business Park. Currently, approximately 1,100 employees work at the facility and it houses approximately 180 delivery vehicles and trucks.
- In June 2012, UPS Supply Chain Solutions purchased 117 acres in the park adjacent to its existing campus to provide for immediate and future expansion needs.
- In 2012, Ford Motor Company leased approximately 15 acres in the park to support its Louisville assembly plants. A 1,400-vehicle storage-and-staging lot and a new thoroughfare to the lot's entrance have been constructed. In October 2013, Ford Motor Company expanded their original 15-acre vehicle storage-and-staging lot to 18 acres.
- In June 2013, SJ Paris Properties purchased five acres in the park and subsequently built a 50,000-square-foot warehouse/distribution facility for its subsidiary company, Ground Freight Expeditors.
- In January 2014, Dermody Partners purchased 18 acres in the park, on which they plan to build and complete a 315,000-square-foot warehouse/distribution facility in the fourth quarter of 2014.

Air Cargo and Recent UPS Performance

When measured by System Revenue Freight Ton Miles (SRFTMs) which represent a single ton of goods that is transported for one mile, the U.S. air cargo industry has seen declines each year since 2011. Although there was a strong recovery from the recession between 2009 and 2010, the years since have seen an average decline in SRFTMs of 1.8% per year (see Table 5).

While UPS's business is considered part of the U.S. air cargo industry, it should be noted that shipping of traditional "air freight" is only a small component of its operations. With the majority of its revenues derived from overnight and second day delivery of packages, UPS's core business is that of express and expedited shipping.

Table 5
SYSTEM REVENUE FREIGHT TON MILES
(in millions)

Calendar year	All U.S. cargo airlines						UPS only
	Domestic	Atlantic	America	Pacific	International	Total	
2008	13,747	6,255	2,204	8,305	32,265	62,775	6,865
2009	12,027	5,971	1,855	7,116	27,812	54,781	6,457
2010	12,540	7,018	1,933	8,712	34,829	65,032	7,207
2011	12,134	7,204	1,839	8,909	34,574	64,659	7,473
2012	12,367	6,921	1,849	8,506	32,781	62,425	7,371
2013	12,427	6,712	1,793	8,165	32,427	61,525	7,458
Average annual increase (decrease)							
2008-2009	(12.5%)	(4.5%)	(15.8%)	(14.3%)	(13.8%)	(12.7%)	(5.9%)
2010-2013	(0.3)	(1.5)	(2.5)	(2.1)	(2.4)	(1.8)	1.1

Note: Rows may not add to totals shown due to rounding.

Source: Air Cargo Summary data, United States Bureau of Transportation Statistics, accessed April 2014.

Table 6
UPS OPERATIONS SUMMARY
(financial results in millions; package volume in thousands)

	2009	2010	2011	2012	2013	Average annual increase
Financials results						
Revenue						
U.S. domestic package	\$ 28,158	\$ 29,742	\$ 31,717	\$ 32,856	\$ 34,074	4.9%
International package	9,699	11,133	12,249	12,124	12,429	6.4
Supply chain & freight	7,440	8,670	9,139	9,147	8,935	4.7
Total revenue	45,297	49,545	53,105	54,127	55,438	5.2
Operating expenses						
Compensation and benefits	25,933	26,557	27,575	33,120	28,557	2.4%
Other	15,856	17,347	19,450	19,682	19,847	5.8
Total operating expenses	41,789	43,904	47,025	52,802	48,404	3.7
Operating profit						
U.S. domestic package	1,919	3,238	3,764	459	4,603	24.4%
International package	1,279	1,831	1,709	869	1,757	8.3
Supply chain & freight	310	572	607	15	674	21.4
	3,508	5,641	6,080	1,343	7,034	19.0
Average daily package volume	15,064	15,574	15,797	16,295	16,938	3.0%

Notes: Decline in operating profit in 2012 is due to increase in indirect staff cost related to UPS's attempt to acquire TNT Express, a major European parcel carrier.

Columns may not add to totals shown due to rounding.

Source: UPS 10-K Reports, 2011, 2012, and 2013.

While Table 5 illustrates a decline in the general air cargo business, UPS has seen growth between 2010-2013 that to some extent has been attributed to the development of global online retail along with other fast growing sectors such as healthcare and high-tech industries. In 2009, UPS's SRFTMs decreased by 5.9%, faring better than the industry as a whole that decreased by 12.7% during the recession. UPS SRFTMs grew at an average rate of 1.1% per year 2010-2013 compared to a decline of 1.8% for the industry as a whole. UPS maintains a positive outlook on the future growth potential of its operations, and has commenced a \$500 million, two-year facility expansion program at its international facilities across Europe, Latin America and Asia.*

UPS is the world's largest package courier and generated \$46.5 billion or 83.9% of its \$55 billion 2013 revenue from domestic and international package delivery services (see Table 6).

UPS's international package segment has grown at an average rate of 6.4% per year since 2009. The international segment now comprises 22% of total revenues, an increase from 17% from a decade ago, illustrating the growing demand for UPS's services around the world. In 2013, this segment generated an operating profit of \$1.7 billion on \$12.4 billion of revenue.

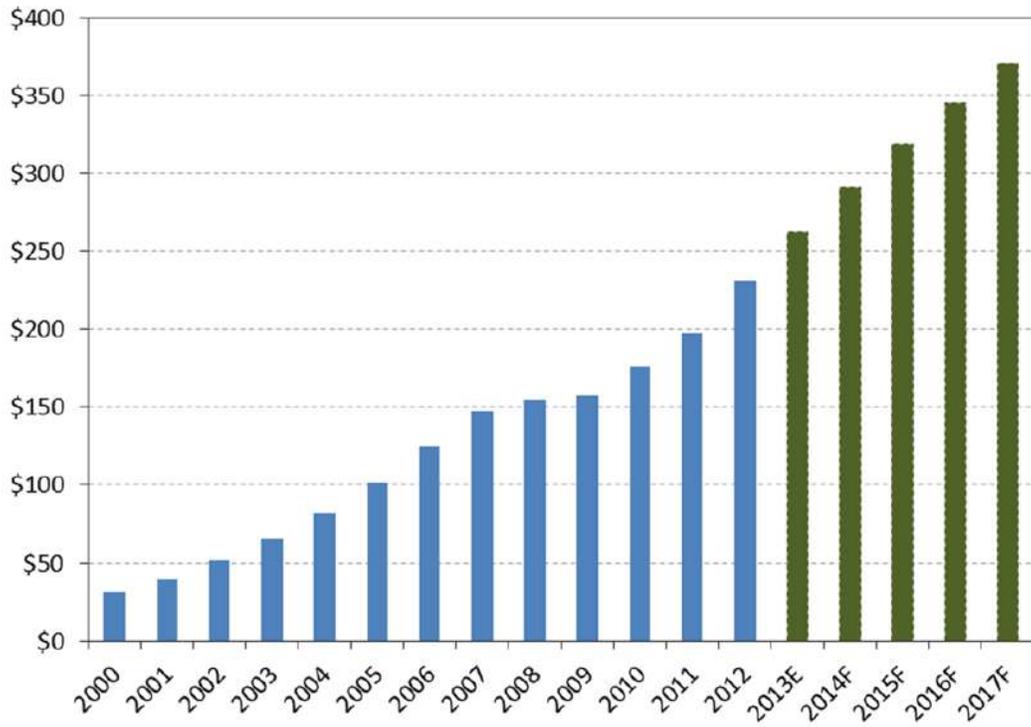
The U.S. domestic segment saw revenue increase 3.7% from 2012, continuing a growth trend that has averaged 4.9% since 2009.

In FY 2013, UPS delivered an average of 16.9 million packages each day, a 4.0% increase on the prior year with average annual increases of 3.0% since 2009. During the peak season between Thanksgiving and Christmas, UPS experienced a record number of orders. This surge in volume overwhelmed some of UPS's systems and caused numerous delays in shipments and deliveries. One of the larger investments UPS will make to alleviate these delays is to expand the area available for trucking deliveries and storage adjacent to the Worldport facility. This is part of a projected \$50 million in investments that UPS plans to make at and around the Airport in the near future.

According to Forrester Research, a prominent research firm specializing in technology and retail industries, U.S. spending on online retail is expected to grow at an average annual rate of 7.9% between now and 2017. (Refer Figure 7) At this rate of growth, on-line retail sales could grow from the current estimate of \$260 billion to more than \$500 billion by 2020.

*UPS metrics sourced from 2013 10-K reports.

Figure 7
ONLINE RETAIL SALES
(current U.S. dollars, in billions)



Source: LeighFisher analysis based on U.S. Department of Commerce and Forrester Research.

AIRLINE TRAFFIC ANALYSIS

The Airport is classified as a small-hub by the Federal Aviation Administration (FAA).* In the calendar year (CY) 2012, the Airport was the 6th largest of the 74 small-hub airports in terms of enplaned passengers. Although Southwest is the largest airline serving the Airport (accounting for one-third of all passengers at the Airport), SDF is only the 54th largest airport in the Southwest system, as ranked by scheduled departing seats for June 2014.

The following table shows historical aircraft landed weight (including cargo) and enplaned passengers at the Airport. In the first nine months of Fiscal Year 2014 (July 2013 - March 2014), landed weight increased 0.9% from the same period of the previous year, while the number of enplaned passengers declined 2.2%.

Table 7 HISTORICAL AIRCRAFT LANDED WEIGHT AND ENPLANED PASSENGERS Louisville International Airport (for Fiscal Years ended June 30)				
Fiscal Year	Landed weight (in millions of pounds)		Enplaned passengers	
	Average annual		Average annual	
	Total	increase (decrease)	Total	increase (decrease)
2003	11,094		1,699,616	
2008	12,928		1,956,868	
2009	12,474	(3.5%)	1,682,284	(14.0%)
2010	12,441	(0.3)	1,649,704	(1.9)
2011	12,963	4.2	1,694,781	2.7
2012	13,079	0.9	1,683,285	(0.7)
2013	13,260	1.4	1,714,706	1.9
FYTD (Jul-Mar)				
2013	9,976		1,256,771	
2014	10,068	0.9%	1,229,721	(2.2%)

Source: Louisville Regional Airport Authority.

*The FAA defines a small-hub as an airport accounting for at least 0.05%, but less than 0.25%, of total annual passengers enplaned at U.S. airports.

LOUISVILLE INTERNATIONAL’S ROLE IN THE UPS NETWORK

In FY 2013, UPS accounted for 47% of commercial landings, 82% of airline landed weight, and 98% of air cargo tonnage at the Airport (see Table 8).

	UPS	Share of total	Airport total
Commercial operations (a)	63,530	47.0%	135,258
Landed weight (millions)	10,912	82.3%	13,260
Air cargo tonnage	2,356,795	98.1%	2,401,792

(a) Includes operations on passenger and all-cargo airlines.
 Source: Louisville Regional Airport Authority.

The Airport serves as UPS’s central connection point for its next-day and second-day delivery to locations worldwide. UPS first established its operation at the Airport in 1982, employing 135 staff to sort approximately 2,000 packages in its first night. In April 2010, UPS completed a two phased, \$1 billion expansion of its sorting facilities and through FY 2013, has invested over \$2.4 billion dollars at the Airport developing state-of-the-art sorting, loading, and unloading facilities. In June 2006, a new \$82.5 million, 686,000-square-foot heavy freight facility was added to the existing operations at SDF.

Worldport is also located less than two miles from UPS’s largest Supply Chain Solutions (SCS) campus in the world, comprising 10 separate buildings and 3.8 million square feet of space. The SCS facility provides more than 120 companies with warehousing, storage, and distribution space, with convenient access to UPS’s air and ground shipping services. These SCS facilities are largely operated by UPS employees, and provide logistics services to manufacturers, wholesalers and retailers. UPS plans to construct additional SCS facilities within the LRZC.

Adjacent to the Airport, UPS has its Global Operations Center which tracks all UPS air-cargo flights in real time. UPS owns more than 1,100 acres at or near the Airport which provides space for current operations as well as for future expansion.

The Airport is UPS’s largest air hub and ranks third in the nation for air cargo tonnage handled (see Table 9). Worldwide, the Airport ranks seventh for air cargo tonnage handled.

Table 9
RANKING OF U.S. AIRPORTS BY TOTAL AIR CARGO TONNAGE
 (calendar year 2013)

Rank	City(-Airport)	Cargo tonnage (a)
1	Memphis	4,137,938
2	Anchorage (b)	2,418,762
3	Louisville	2,216,079
4	Miami	1,945,013
5	Los Angeles	1,744,101
6	Chicago-O'Hare	1,527,655
7	New York-Kennedy	1,286,561
8	Indianapolis	991,953
9	New York-Newark	649,421
10	Atlanta	617,714

Note: Cargo data obtained from ACI-NA may differ from cargo data reported by the airlines to the airports.

(a) Includes total loaded and unloaded freight and mail on scheduled and nonscheduled (i.e., charter) flights.

(b) Includes transit freight.

Source: ACI-NA, *2013 North American Airport Traffic Summary – Preliminary Results*.

In addition to its operation at the Airport, UPS also operates regional air hubs in Columbia, South Carolina; Dallas, Texas; Miami, Florida; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. The size and capacity of these facilities is shown in Table 10, and as compared to Louisville, are smaller in terms of size, sorting capacity, and daily flights.

UPS operates hubs in Germany, China, and Canada. In addition to the investments UPS has made in Louisville in recent years, a \$200 million expansion project was recently completed in Cologne. The hub now has a sorting capacity of 190,000 packages per hour. In 2008, UPS opened an international hub at Shanghai Pudong International Airport in China, becoming the first wholly-owned foreign express carrier in that country. UPS opened a second regional hub at Shenzhen Bao'an International Airport to serve intra-Asia traffic. Table 10 presents the current size and capacity of UPS's major facilities.

Table 10
SIZE AND CAPACITY OF UPS AIR OPERATIONS FACILITIES

United States		<u>Sort facility</u>	<u>Sort capacity</u>	<u>Average</u>
<u>State</u>	<u>City</u>	<u>(square feet)</u>	<u>(per hour) (a)</u>	<u>daily</u>
				<u>flights</u>
Kentucky	Louisville	5,200,000	416,000	252
California	Ontario	778,837	67,000	40
Pennsylvania	Philadelphia	681,000	95,000	42
Illinois	Rockford	586,000	121,000	26
Texas	Dallas	323,000	46,000	24
South Carolina	Columbia	281,000	41,000	10
Florida	Miami	36,000	6,500	24
International				
<u>Country</u>	<u>City</u>			
China	Shanghai	1,000,000	17,000	9
	Shenzhen	958,100	18,000	17
	Hong Kong	44,089	4,800	11
Germany	Cologne/Bonn	1,130,000	190,000	72
Canada	Hamilton	31,382	6,000	20

(a) Includes packages and documents.

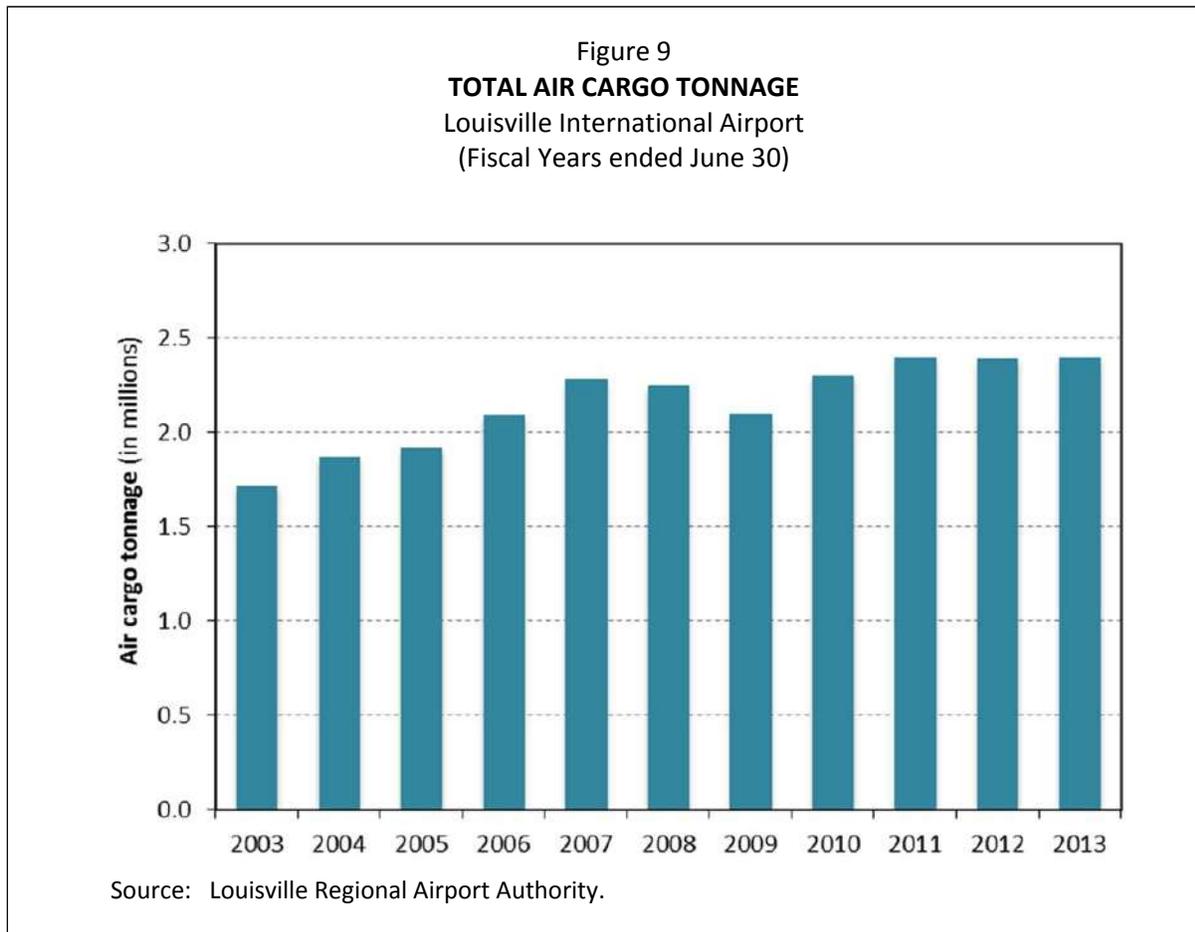
Source: United Parcel Service, www.ups.com.

UPS operates one of the largest aircraft fleets in the United States. According to the company's 2013 10K report, UPS currently operates 625 aircraft, 237 of which are owned or capital leased and the remaining 388 are on short-term lease or chartered from others.

As of April 2014, UPS served 95 cargo destinations nonstop from the Airport, as shown in Figure 8.

HISTORICAL AIR CARGO TONNAGE

Total cargo tonnage enplaned and deplaned at the Airport increased from approximately 1.7 million tons in FY 2003 to 2.4 million tons in FY 2013, which equates to an average annual growth of 3.4% (see Figure 9). From FY 2003 to FY 2008, total cargo tonnage increased at an even higher annual rate of 5.5%, but from FY 2008 to FY 2009 total cargo tonnage declined by approximately 6.7% as a result of weak national and global economic conditions. Air cargo tonnage rebounded in FY 2010 and 2011, growing nearly 7% per year, on average, but then remained flat through FY 2013. In the first nine months of FY 2014, air cargo tonnage increased 3.1% over the previous year.



Over the past 10 years, UPS has consistently accounted for 98% of total air cargo tonnage at the airport. Because of this, trends in air cargo tonnage handled by UPS closely mirror the Airport’s overall air cargo tonnage trends, as shown in Table 11.

Air cargo tonnage on other airlines at the airport, including cargo carried by other all-cargo airlines, such as FedEx, and belly-hold cargo carried by passenger airlines, grew at an average annual rate of 1.7% per year from FY 2003 through FY 2013.

Fiscal Year	UPS	All other airlines	Total	UPS share of total
2003	1,681,155	37,984	1,719,139	97.8%
2008	2,205,302	43,353	2,248,655	98.1%
2009	2,057,270	41,301	2,098,570	98.0
2010	2,256,974	49,729	2,306,702	97.8
2011	2,350,916	48,184	2,399,100	98.0
2012	2,348,603	45,885	2,394,488	98.1
2013	2,356,795	44,997	2,401,792	98.1
FYTD (Jul-Mar)				
2013	1,774,057	34,065	1,808,122	98.1%
2014	1,829,268	35,665	1,864,933	98.1
<u>Average annual increase (decrease)</u>				
2003-2008	5.6%	2.7%	5.5%	
2008-2013	1.3	0.7	1.3	
2012-2013	0.3	(1.9)	0.3	
2003-2013	3.4	1.7	3.4	
FYTD2013-2014	3.1%	4.7%	3.1%	

Source: Louisville Regional Airport Authority.

PASSENGER AIRLINE SERVICE

The Airport is a true “spoke” in the route networks of the airlines serving it. Nonstop air service is offered to those airlines’ hub airports and focus cities. Table 12 lists the

passenger and all-cargo airlines that provided service at the Airport during the first nine months of Fiscal Year 2014: July 2013 – March 2014.*

Table 12
AIRLINES SERVING THE AIRPORT
 Louisville International Airport
 (Fiscal Year-to-date: July 2013-March 2014)

<u>Mainline airline brands</u>	<u>Low-cost carriers</u>
American	Southwest
Delta	
United (a)	
US Airways (a)	
	<u>All-cargo airlines</u>
<u>Regional affiliates</u>	Air Cargo Carriers
Air Wisconsin (US)	Ameriflight
Envoy (AA)	Fed Ex
Chautauqua (AA, DL, UA)	IFL Group
Compass (DL)	Kalitta
Endeavor (DL)	UPS
ExpressJet (DL, UA)	USA Jet
Mesa (US)	
PSA (US)	
Republic (US)	
SkyWest (DL, UA)	

(a) All service was offered by regional affiliates.

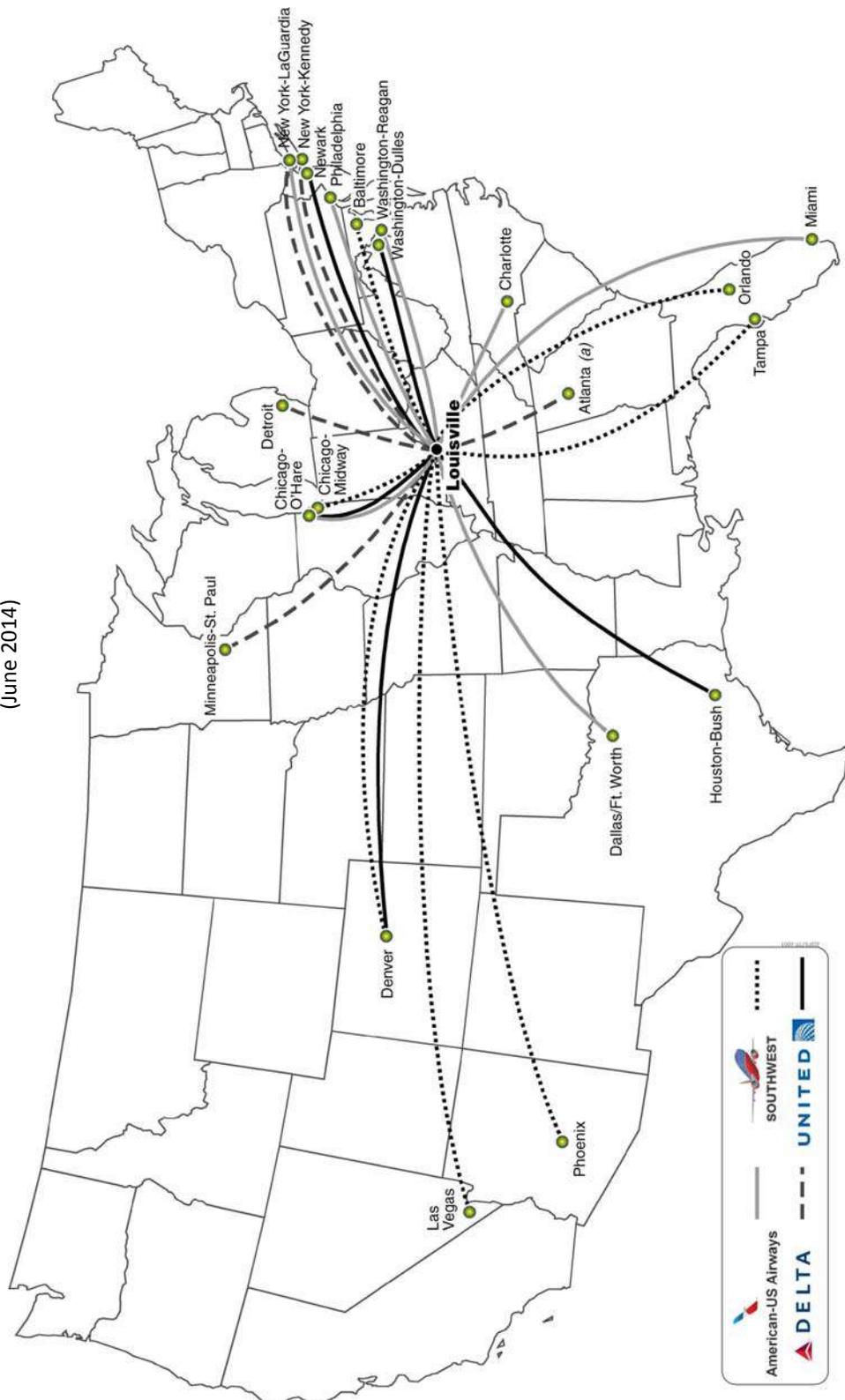
Notes: Passenger airlines shown enplaned at least 1,000 passengers during the period shown.
 A=American Airlines, DL=Delta Air Lines,
 UA=United Airlines, US=US Airways.

Source: Louisville Regional Airport Authority.

Figure 10 shows the destinations with daily scheduled nonstop service from SDF in June 2014. As mentioned previously, all are hub airports or focus cities of the airlines serving the Airport. SDF has scheduled nonstop service to 21 destinations in June 2014, down from 24 destinations served in June 2003. In June 2014, Southwest is ceasing service to Atlanta; however Delta will continue to offer eight daily flights to Atlanta from SDF. The Airport does not currently have any scheduled international service.

*In all discussions of airline service and passenger traffic by airline in this report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American; Northwest Airlines with Delta; Continental Airlines with United; Midwest Airlines with Frontier Airlines; and AirTran Airways with Southwest).

Figure 10
AIRPORTS SERVED BY DAILY SCHEDULED ROUNDTRIP NONSTOP PASSENGER FLIGHTS
 Louisville International Airport
 (June 2014)



(a) Southwest is ceasing service to Atlanta June 8, 2014.
 Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2014.

The number of scheduled departing seats declined 18% at the Airport between June 2003 and June 2013 and is scheduled to decline another 6% between 2013 and 2014.* Similarly, the number of scheduled departures declined 20% between June 2003 and June 2013 and another 10% is expected by June 2014. Of the 28 daily flights lost between 2003 and 2014, network airlines accounted for 21 and low-cost carriers (LCCs) for 7 (see Table 13). Despite the loss of seats and flights, passenger activity in June 2013 was 1.6% higher than in June 2003, the result of better aircraft utilization by the airlines.

Largely as a result of airline consolidation and the resulting downsizing of focus cities and hubs, SDF lost service to seven destinations between June 2003 and June 2014: Cleveland, Cincinnati, Memphis, Pittsburgh, St. Louis, Birmingham, and Milwaukee. However, over this same time period, the Airport gained new service to Denver, Washington-Dulles, New York-Kennedy, and Miami airports.**

Southwest, the only LCC currently serving the Airport, accounted for one-fifth of departing flights and one-third of departing seats in June 2014, nearly the same as in June 2003. Network airlines, along with their regional affiliates, accounted for the remaining flights and seats. Among the network airlines, regional affiliates accounted for 44% of seats and 66% of flights in 2014, up from 38% and 61%, respectively, in 2003.

Although flights and seats declined between June 2003 and June 2014, the average number of seats per flight increased from 80 to 85. Over this period, the average number of seats per flight on network airlines increased from 67 to 71, driven by an increase on mainline aircraft from 123 to 137 and an increase on regional affiliate aircraft from 50 to 57. LCCs' average seats per flight also increased between 2003 and 2014, from 128 to 142.

As mentioned above, over the past 11 years the number of departing flights at the Airport has declined, while the average number of seats per flight has increased. This reflects a shift to larger aircraft as airlines retire and replace small regional jets with larger, more fuel efficient aircraft.

In June 2003, eight airlines offered scheduled nonstop passenger service at the Airport, as shown in Table 13. By June 2014, primarily due to airline consolidation, the Airport was only served by 4 airlines (counting US Airways and American as one airline).

*According to OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2014.

**United has served Denver continuously since December 2009. Southwest initiated Denver service in November 2012. Frontier ceased its single daily flight to Denver in January 2013.

Table 13
AVERAGE DAILY SCHEDULED DEPARTING FLIGHTS AND SEATS

Louisville International Airport
(for June of years noted)

	2003	2008	2013	2014	Share of total			
					2003	2008	2013	2014
Average daily departures								
Delta	37	26	23	19	36.1%	27.6%	27.4%	25.9%
<i>Delta</i>	25	16	23	19				
<i>Northwest</i>	12	10	--	--				
American-US Airways	29	30	25	27	28.2	31.8	30.6	36.1
<i>American</i>	12	14	12	13				
<i>US Airways</i>	17	16	14	13				
United	15	17	16	14	14.6	18.5	20.0	18.3
<i>United</i>	5	6	16	14				
<i>Continental</i>	10	12	--	--				
Frontier	2	4	--	--	1.5	3.9	--	--
<i>Frontier</i>	--	2	--	--				
<i>Midwest</i>	2	2	--	--				
Southwest	<u>20</u>	<u>17</u>	<u>18</u>	<u>15</u>	<u>19.5</u>	<u>18.2</u>	<u>22.0</u>	<u>19.8</u>
Total	102	94	82	74	100.0%	100.0%	100.0%	100.0%
<i>Annual percent increase (decrease)</i>		(7.8)%	(12.6)%	(9.9)%				
Average daily departing seats								
Delta	2,881	1,815	1,855	1,636	35.3%	25.0%	27.7%	26.0%
<i>Delta</i>	1,950	1,096	1,855	1,636				
<i>Northwest</i>	931	719	--	--				
American-US Airways	1,733	1,844	1,473	1,848	21.2	25.4	22.0	29.4
<i>American</i>	972	879	710	1,015				
<i>US Airways</i>	761	966	763	833				
United	793	923	823	732	9.7	12.7	12.3	11.6
<i>United</i>	286	348	823	732				
<i>Continental</i>	507	575	--	--				
Frontier	30	330	--	--	0.4	4.6	--	--
<i>Frontier</i>	--	245	--	--				
<i>Midwest</i>	30	85	--	--				
Southwest	<u>2,719</u>	<u>2,347</u>	<u>2,543</u>	<u>2,080</u>	<u>33.3</u>	<u>32.3</u>	<u>38.0</u>	<u>33.0</u>
Total	8,156	7,260	6,694	6,296	100.0%	100.0%	100.0%	100.0%
<i>Annual percent increase (decrease)</i>		(11.0)%	(7.8)%	(5.9)%				
Average seats per departure								
Network airlines								
Mainline airlines	123	132	142	137				
Regional affiliates	50	53	52	57				
Total	67	62	65	71				
Low-cost carriers	128	129	140	142				
Total	80	77	81	85				

Note: Columns may not add to totals shown due to rounding.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2014.

Nearby Commercial Service Airports

Table 14 shows the scale and composition of scheduled passenger service at the four other major nearby airports (within approximately a 2.5-hour drive), namely, Nashville International Airport, Indianapolis International Airport, Cincinnati/Northern Kentucky International Airport, and Lexington Blue Grass Airport. The only other airports offering commercial service and located within a 2-hour drive of SDF are Owensboro-Daviess County Regional Airport, Evansville Regional Airport and Cincinnati Municipal Airport - Lunken Field. All three airports have limited passenger service, offering an average of 100, 600, and 60 scheduled departing seats per day, respectively, in June 2014, and are not considered to be competitors of SDF.

Of the competing airports in the region, Nashville, Indianapolis, and Cincinnati airports all offer substantially greater volume and breadth of service relative to SDF. However, airfares at SDF are lower than those offered at Cincinnati and Lexington airports and similar to those at Indianapolis. Lexington airport, the closest of the major nearby airports, is nearly a 1.5-hour drive from Louisville, and Nashville airport, the farthest, is more than a 2.5-hour drive.

PASSENGER TRAFFIC

Total enplaned passenger traffic at the Airport has grown at an average annual rate of approximately 2.4% over the period FY 1991 through FY 2013 (see Figure 11). Over the same period, total passenger traffic in the United States increased at a slower annual rate of 1.9% and with generally less year-to-year variability.

Southwest began service at SDF in FY 1993, offering an average of 11 daily flights to three destinations. Over the next three years, Southwest expanded its service to 20 daily flights to six destinations. During this period, the Airport experienced three consecutive years of strong growth in enplaned passengers, averaging 21.0% growth per year. Over the same period, the number of passengers in the U.S. grew at an average annual rate of 5.8%. Passenger traffic at SDF grew 1.9% per year, on average from FY 1995 through FY 2001, lagging behind the national average annual growth rate of 3.3%. Over the next two years, following the terrorist attacks of September 11, 2001, and the 2001 economic recession, the number of enplaned passengers at SDF declined an average of 7.4% per year, compared to a nationwide decline of 5.1% per year.

Between FY 2003 and FY 2008, passenger traffic at the Airport grew 2.9% per year, on average, slower than national growth of 3.8% per year. From FY 2008 through FY 2010, primarily as a result of the 2008-2009 economic recession, the number of enplaned passengers at the Airport declined at an average annual rate of 8.2%, compared to an average decline of 4.0% per year nationally. Although passenger traffic growth at SDF has grown an average of 1.3% per year since then, only slightly behind national growth (+1.6% per year, on average), FY 2013 enplaned passenger levels at the Airport remain below the FY 2002 level.

Table 14
DOMESTIC AIRLINE SERVICE AND AVERAGE AIRFARES AT REGIONAL AIRPORTS
 Louisville International, Nashville International, Indianapolis International,
 Cincinnati/Northern Kentucky International, and Lexington Blue Grass Airports
 (for June of years noted, unless otherwise noted)

	Drive distance (in miles) from Louisville (a)	Number of destinations served nonstop (b)			Average daily departing seats			Average one-way fare (c)		
		2008	2014	Change	2008	2014	Change	2008	2013	Change
By airport										
Louisville	5	23	16	(7)	7,260	6,296	(964)	\$149.12	\$185.66	\$36.54
Nashville	180	38	40	2	19,253	20,056	803	139.75	171.76	32.01
Indianapolis	122	36	27	(9)	16,473	13,256	(3,217)	144.47	185.35	40.88
Cincinnati	96	101	43	(58)	25,499	10,212	(15,287)	221.85	230.54	8.69
Lexington	72	12	15	3	2,084	2,276	192	190.92	200.65	9.74
By airline type										
Low-cost carriers										
Louisville		10	8	(2)	2,678	2,080	(597)			
Nashville		28	31	3	11,306	12,098	792			
Indianapolis		14	12	(2)	5,366	4,421	(945)			
Cincinnati		--	6	6	--	515	515			
Lexington		--	5	5	--	465	465			
All other airlines										
Louisville		16	13	(3)	4,582	4,216	(367)			
Nashville		19	18	(1)	7,947	7,958	11			
Indianapolis		33	23	(10)	11,108	8,835	(2,273)			
Cincinnati		101	38	(63)	25,499	9,697	(15,802)			
Lexington		12	10	(2)	2,084	1,811	(273)			
By aircraft type										
Large jet										
Louisville		13	9	(4)	3,706	3,531	(174)			
Nashville		34	35	1	15,235	16,203	968			
Indianapolis		21	19	(2)	10,684	8,393	(2,291)			
Cincinnati		23	18	(5)	8,721	3,611	(5,109)			
Lexington		1	6	5	150	646	496			
Regional jet and turboprop										
Louisville		17	11	(6)	3,554	2,765	(790)			
Nashville		17	15	(2)	4,017	3,853	(164)			
Indianapolis		25	17	(8)	5,790	4,863	(927)			
Cincinnati		90	27	(63)	16,779	6,601	(10,178)			
Lexington		12	10	(2)	1,935	1,630	(304)			

Note: Columns may not add to totals shown due to rounding.

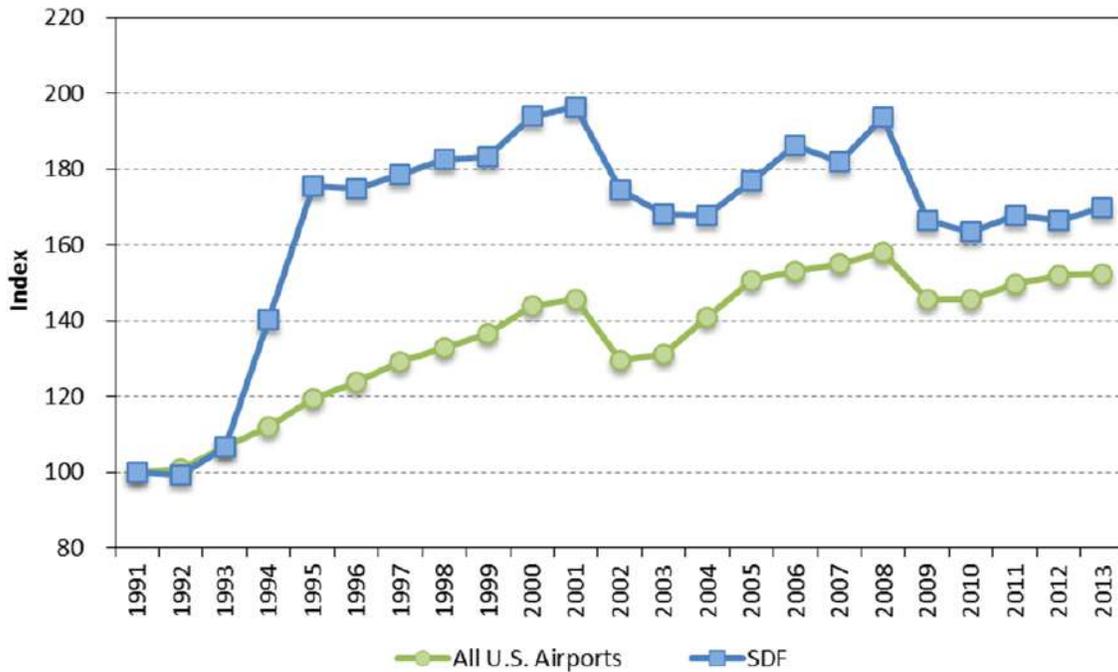
(a) Estimated driving distance from downtown Louisville to each airport, as provided by Google Map online service.

(b) Some destinations are served by more than one airport and some airports are served by more than one airline type or aircraft type. Includes only destinations with an average of at least 1 flight per week.

(c) Data is for the 12 months ended June 30 of each year shown. Excludes taxes, fees, PFCs, and ancillary fees charged by the airlines.

Sources: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2014; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Figure 11
INDEX OF HISTORICAL ENPLANED PASSENGERS
 Louisville International Airport and All U.S. Airports
 (for 12 months ended June 30, index 1991 = 100)



Sources: Louisville Regional Airport Authority; U.S. DOT, Schedules T100 and 298C T1.

Airline Market Share

Table 15 shows that four airlines (Southwest, American-US Airways, United, and Delta), including their regional affiliates, accounted for more than 98% of all enplaned passengers at the Airport in FY 2013. Southwest, the largest airline at SDF, accounted for 33.6% of total enplaned passengers at the Airport in FY 2013, followed by Delta (28.0%), American-US Airways (24.3%), and United (12.3%). Over the past 10 years, Southwest and American-US Airways increased their share of passengers at the Airport, while Delta’s share declined. United’s share of enplaned passengers remained virtually unchanged.

In the first nine months of FY 2014, passenger traffic at the Airport declined 2.2% from 1.26 million to 1.23 million enplaned passengers. Both Southwest and American-US Airways experienced increases in their shares of enplaned passengers at the Airport, while United lost share and Delta’s share remained unchanged.

Table 15
AIRLINE MARKET SHARES OF ENPLANED PASSENGERS
 Louisville International Airport
 (Fiscal Years ended June 30)

Airline (a)	Enplaned passengers (in thousands)									
	2003	2008	2009	2010	2011	2012	2013	FYTD: Jul-Mar		
								2013	2014	
Southwest	451	611	532	532	541	526	575	413	418	
Delta (and Northwest)	656	535	478	428	412	419	481	353	345	
American-US Airways	367	476	415	421	425	425	417	312	322	
<i>US Airways</i>	155	236	215	226	238	227	213	157	174	
<i>American</i>	212	240	200	195	186	197	204	155	148	
United (and Continental)	203	246	240	246	244	242	212	153	143	
Frontier (and Midwest)	--	68	14	19	56	46	24	24	--	
Other	<u>22</u>	<u>20</u>	<u>3</u>	<u>4</u>	<u>18</u>	<u>26</u>	<u>6</u>	<u>4</u>	<u>2</u>	
Total	1,700	1,957	1,682	1,650	1,695	1,683	1,715	1,257	1,230	
	Share of total									
Southwest	26.6%	31.2%	31.6%	32.2%	31.9%	31.3%	33.6%	32.8%	34.0%	
Delta (and Northwest)	38.6	27.3	28.4	25.9	24.3	24.9	28.0	28.1	28.1	
American-US Airways	21.6	24.3	24.7	25.5	25.1	25.2	24.3	24.8	26.1	
<i>US Airways</i>	9.1	12.1	12.8	13.7	14.1	13.5	12.4	12.5	14.1	
<i>American</i>	12.5	12.3	11.9	11.8	11.0	11.7	11.9	12.3	12.0	
United (and Continental)	12.0	12.6	14.3	14.9	14.4	14.4	12.3	12.2	11.6	
Frontier (and Midwest)	--	3.5	0.9	1.2	3.3	2.7	1.4	1.9	--	
Other	<u>1.3</u>	<u>1.0</u>	<u>0.2</u>	<u>0.2</u>	<u>1.0</u>	<u>1.5</u>	<u>0.4</u>	<u>0.3</u>	<u>0.2</u>	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Notes: Includes regional affiliates.

Columns may not add to totals shown due to rounding.

Source: Louisville Regional Airport Authority.

Passenger Trends by Segment

Table 16 shows that more than 85% of enplaned passengers at the Airport were domestic origin-destination (O&D) passengers (passengers originating or terminating their trip at SDF) in FY 2013. Of those passengers, approximately 54% were area residents (originating their trips at SDF), while the remaining 46% were visitors (originating their trips elsewhere). Less than 5% of enplaned passengers connected from one flight to another flight at the Airport. The remaining 10% of passengers consisted of O&D passengers traveling to or from international destinations via other domestic gateway airports, passengers on charter (i.e., nonscheduled) flights, nonrevenue passengers (such as airline employees), and US Department of Transportation O&D Survey sampling error.

Table 16
TRENDS IN ENPLANED PASSENGERS
 Louisville International Airport
 (Fiscal Years ended June 30)

Fiscal Year	Domestic O&D			All other passengers (a)	Total enplaned passengers
	Resident	Visitor	Total		
2003	867,087	669,913	1,537,000	162,616	1,699,616
2008	957,564	822,796	1,780,360	176,508	1,956,868
2009	836,384	691,316	1,527,700	154,584	1,682,284
2010	790,005	673,835	1,463,840	185,864	1,649,704
2011	804,632	673,978	1,478,610	216,171	1,694,781
2012	776,974	655,496	1,432,470	250,815	1,683,285
2013	797,893	671,857	1,469,750	244,956	1,714,706
Share of total					
2003	51.0%	39.4%	90.4%	9.6%	100.0%
2008	48.9	42.0	91.0	9.0	100.0
2013	46.5	39.2	85.7	14.3	100.0
Average annual increase (decrease)					
2003-2008	2.0%	4.2%	3.0%	1.7%	2.9%
2008-2013	(3.6)	(4.0)	(3.8)	6.8	(2.6)
2012-2013	2.7	2.5	2.6	(2.3)	1.9
2003-2013	(0.8)	0.0	(0.4)	4.2	0.1

(a) Includes passengers making connections at the airport and those who boarded domestic flights to another U.S. gateway city where they connected with flights to their international destinations. Also includes charter and nonrevenue passengers and O&D Survey sampling error.

Sources: Louisville Regional Airport Authority; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Domestic O&D Passengers and Average Fares

Figure 12 shows domestic O&D passenger volumes and average level of domestic airfares paid at the Airport in each year from FY 2003 to FY 2013.* The average nominal domestic one-way airfare paid at the Airport increased from \$126 to \$186 (48%) over the period. At least part of the fare increase could be explained by the increase in

*The fares that airlines report to the U.S. DOT are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and, given the rapid rise in such fees beginning in 2008, have increasingly understated the consumer's real cost of airline travel.

average trip distance over the same period (899 miles to 958 miles). Higher airfares, reduced service, and the effects of the 2008-2009 economic recession, among other factors, resulted in the number of domestic O&D passengers declining 4% over the 10-year period. However, over this same period, total enplaned passengers at the Airport increased slightly (see Other Passengers section).

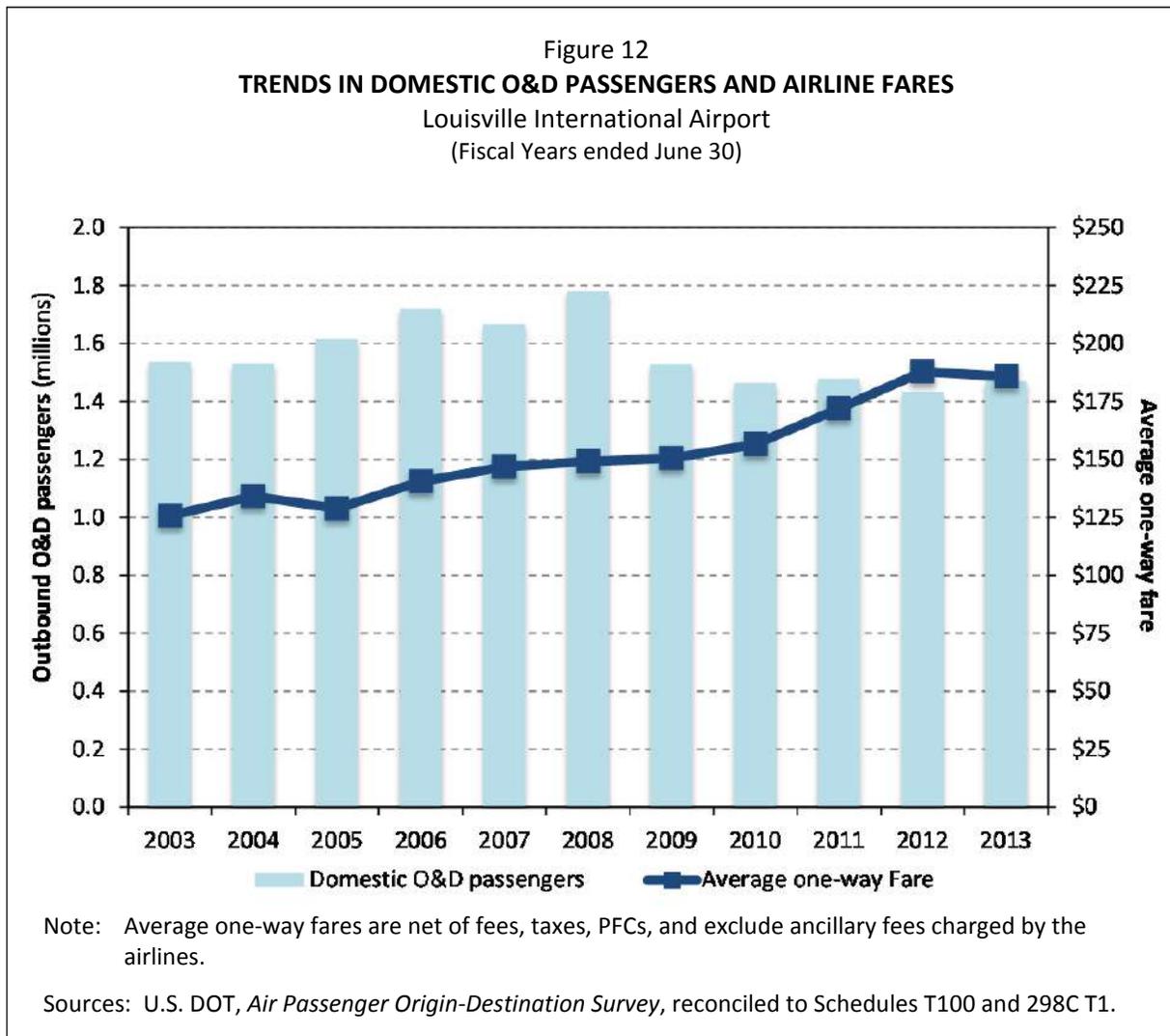


Table 17 ranks the Airport’s top domestic O&D passenger markets. The Airport’s top 20 markets together accounted for two-thirds of total domestic O&D passengers in FY 2013.

Between FY 2008 and FY 2013, domestic O&D passengers declined 17.4%. The number of O&D passengers in 15 of the top 20 markets declined over this period. Of the five markets that experienced increases, Atlanta (ATL) showed the largest increase (+124%), due to new service initiated in the market by Southwest in August 2012 (Southwest’s SDF-ATL service is being discontinued in June 2014, however Delta’s service continues).

Table 17
TOP 20 DOMESTIC O&D CITY MARKETS
 Louisville International Airport
 (Fiscal Years ended June 30)

Rank	City market	Nonstop mileage	Airlines offering nonstop service (a)	Outbound domestic O&D passengers		Average annual increase (decrease)	2013 as % of total
				2008	2013		
1	Wash. DC/Baltimore (b)	472	UA,US,WN	132,780	125,630	(5.4%)	8.5%
2	Chicago (c)	279	AA,UA,WN	120,800	99,030	(18.0)	6.7
3	New York (d)	652	AA,DL,UA	90,770	82,890	(8.7)	5.6
4	Atlanta	321	DL,WN	32,290	72,400	124.2	4.9
5	Orlando	720	DL,WN	92,960	64,430	(30.7)	4.4
6	Tampa	728	WN	61,300	58,260	(5.0)	4.0
7	Dallas/Fort Worth (e)	731	AA	65,620	57,170	(12.9)	3.9
8	Las Vegas	1,619	WN	58,650	55,130	(6.0)	3.8
9	Los Angeles (f)	--	--	65,860	52,470	(20.3)	3.6
10	Denver	1,020	UA,WN	37,990	45,770	20.5	3.1
11	Houston (g)	787	UA	49,520	35,790	(27.7)	2.4
12	Phoenix	1,501	WN	44,150	35,490	(19.6)	2.4
13	Philadelphia	575	US	38,840	34,930	(10.1)	2.4
14	San Francisco (h)	--	--	38,190	33,490	(12.3)	2.3
15	Minneapolis-St. Paul	602	DL	25,570	27,180	6.3	1.8
16	Charlotte	335	US	17,620	23,840	35.3	1.6
17	Boston	--	--	22,790	22,200	(2.6)	1.5
18	Miami	912	AA	17,270	20,220	17.1	1.4
19	Kansas City	--	--	31,110	19,080	(38.7)	1.3
20	Seattle	--	--	<u>23,570</u>	<u>18,900</u>	(19.8)	<u>1.3</u>
Total—top 20 markets				1,067,650	984,300	(7.8%)	67.0%
All other markets				<u>712,710</u>	<u>485,450</u>	(31.9)	<u>33.0</u>
Total—all markets				1,780,360	1,469,750	(17.4%)	100.0%

(a) As of June 2014. Airline legend: AA=American, DL=Delta, UA=United, US=US Airways, WN=Southwest. Southwest is ceasing service to Atlanta as of June 8, 2014.

(b) City market includes Dulles, Reagan, and Baltimore airports.

(c) City market includes O'Hare and Midway airports.

(d) City market includes Kennedy, Newark, and LaGuardia airports.

(e) City market includes Dallas/Fort Worth Airport and Love Field.

(f) City market includes Los Angeles, Burbank, Long Beach, Ontario, and Santa Ana airports.

(g) City market includes Bush and Hobby airports.

(h) City market includes San Francisco, San Jose, and Oakland airports.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2014.

Each of the Airport's top eight domestic O&D markets was served nonstop in June 2014. Three of the markets (Washington DC/Baltimore, Chicago, and New York) were served by three airlines, while an additional two markets were served by two airlines. Airline competition on a route tends to exert downward pressure on airfares charged.

Other passengers

Although domestic O&D passengers account for the majority of passengers at the Airport, other types of passengers comprise 14% of the total as shown in Table 16. These "other" passengers include passengers making connections at SDF, passengers who boarded domestic flights to another U.S. gateway city where they connected with flights to their international destinations, charter passengers, and nonrevenue passengers. Since FY 2003, these other passengers have increased at an average of 4.2% per year, offsetting the decline in domestic O&D passengers. Overall, the number of enplaned passengers at the Airport showed a small increase from FY 2003 levels.

AIRCRAFT OPERATIONS AND LANDED WEIGHT

Aircraft Operations

Aircraft operations (the sum of aircraft take-offs and landings) by type of aircraft at the Airport are presented in Table 18. Passenger and all-cargo airlines accounted for nearly 85% of operations at the airport in FY 2013.

Over the past 10 years, the number of passenger aircraft operations declined 2.2% per year, on average, compared to average growth in enplaned passengers of 0.9% per year.

All-cargo operations represent flights by airlines that are involved solely in the transportation of air cargo, such as UPS and FedEx. In FY 2013, 91% of all-cargo operations at SDF were performed by UPS. From FY 2003 to FY 2008, all-cargo operations increased by an average of 2.2% per year. The number of all-cargo operations declined an average of 0.6% per year, between FY 2008 and FY 2013.

The other operations categories are general aviation (GA) and other air taxi and military flight activity. GA and other air taxi includes all operations other than those by passenger and all-cargo airlines and the military. The majority of GA and other air taxi activity is comprised of personal or recreational flights by owners of small propeller-driven aircraft, business/corporate flights using larger turboprop or jet aircraft, for-hire charters, and fixed-base operators. The level of GA and other air taxi activity has declined an average of 6.5% per year since FY 2003.

Military activity at the Airport includes the operations of the Kentucky National Guard, which supports the mission of the 123rd Airlift Wing. The number of military operations at the Airport in FY 2013 was virtually unchanged from the FY 2003 level.

In the first nine months of FY 2014, total aircraft operations at SDF increased 0.4%, as compared to the same period of the previous year. All-cargo, GA, and military operations increased 1.2%, 7.4%, and 19.2%, respectively, over this period, while passenger airline operations declined 3.7%, more than the 2.2% decline in enplaned

passengers over the same period. This reflects the shift to larger, more fuel efficient aircraft by the passenger airlines.

Table 18
TOTAL AIRCRAFT OPERATIONS
 Louisville International Airport
 (Fiscal Years ended June 30)

Fiscal Year	Passenger airlines	All-cargo airlines			General aviation and other		Total
		UPS	All other	Total	air taxi	Military	
2003	70,642	57,548	6,768	64,316	38,418	2,843	176,219
2008	70,538	64,644	7,206	71,850	21,428	2,509	166,325
2009	59,698	60,952	6,468	67,420	20,427	2,782	150,327
2010	59,400	60,390	6,500	66,890	19,473	3,188	148,951
2011	60,086	63,808	6,716	70,524	21,203	2,764	154,577
2012	54,376	63,542	6,390	69,932	22,175	3,148	149,631
2013	56,292	63,530	6,280	69,810	19,583	2,811	148,496
FYTD (Jul-Mar)							
2013	41,610	47,944	4,730	52,674	13,890	1,908	110,082
2014	40,052	48,142	5,142	53,284	14,923	2,274	110,533
Share of total							
2003	40.1%	32.7%	3.8%	36.5%	21.8%	1.6%	100.0%
2008	42.4	38.9	4.3	43.2	12.9	1.5	100.0
2013	37.9	42.8	4.2	47.0	13.2	1.9	100.0
Average annual increase (decrease)							
2003-2008	(0.0%)	2.4%	1.3%	2.2%	(11.0%)	(2.5%)	(1.1%)
2008-2013	(4.4)	(0.3)	(2.7)	(0.6)	(1.8)	2.3	(2.2)
2012-2013	3.5	(0.0)	(1.7)	(0.2)	(11.7)	(10.7)	(0.8)
2003-2013	(2.2)	n.a.	n.a.	0.8	(6.5)	(0.1)	(1.7)
FYTD2013-2014	(3.7%)	0.4%	8.7%	1.2%	7.4%	19.2%	0.4%

n.a.=not available.

Source: Louisville Regional Airport Authority.

Aircraft Landed Weight

Landed weight is the sum of the FAA-certified maximum landed weight for each commercial aircraft landing at the Airport. Commercial aircraft operations include all passenger and all-cargo operations in commercial service. Other air taxi, GA, and military operations are not included in landed weight totals at SDF.

As shown in Table 19, total landed weight at the Airport has increased by an average annual rate of 1.8% from FY 2003 through FY 2013. All-cargo airlines account for the majority of SDF's landed weight and their share of the total has increased over the past 10 years, from 75.6% of the total in FY 2003 to 84.2% of the total in FY 2013. UPS accounted for 98% of total all-cargo landed weight over this same period. The passenger airlines accounted for the remaining share of total landed weight: 15.8% of total in FY 2013, down from 24.4% in FY 2003.

In the first nine months of Fiscal Year 2014, landed weight at SDF increased 0.9% over the same period of the previous year, driven by a 1.3% increase in all-cargo airline landed weight. During this period, passenger airline landed weight decreased 0.9%.

Table 19
TOTAL AIRCRAFT LANDED WEIGHT
 Louisville International Airport
 (Fiscal Years ended June 30; in millions of pounds)

Fiscal Year	Passenger airlines	All-cargo airlines			Total
		UPS	Other all- cargo	Total all- cargo	
2003	2,711	8,192	191	8,383	11,094
2008	2,478	10,178	272	10,450	12,928
2009	2,149	10,007	318	10,325	12,474
2010	2,027	10,169	245	10,415	12,441
2011	2,126	10,595	242	10,837	12,963
2012	2,021	10,810	248	11,057	13,079
2013	2,097	10,912	251	11,163	13,260
FYTD (Jul-Mar)					
2013	1,542	8,244	191	8,435	9,976
2014	1,528	8,316	224	8,540	10,068
Share of total					
2003	24.4%	73.8%	1.7%	75.6%	100.0%
2008	19.2	78.7	2.1	80.8	100.0
2013	15.8	82.3	1.9	84.2	100.0
Average annual increase (decrease)					
2003-2008	(1.8%)	4.4%	7.3%	4.5%	3.1%
2008-2013	(3.3)	1.4	(1.6)	1.3	0.5
2012-2013	3.7	0.9	1.4	1.0	1.4
2003-2013	(2.5)	2.9	2.8	2.9	1.8
FYTD2013-2014	(0.9%)	0.9%	17.5%	1.3%	0.9%

Note: Rows may not add to totals shown due to rounding.

Source: Louisville Regional Airport Authority.

KEY FACTORS AFFECTING FUTURE AIRLINE PASSENGER AND CARGO ACTIVITY

In addition to the population and economy of the Airport service region, as discussed earlier, key factors that will affect future passenger airline and cargo activity at the Airport include:

- Economic and political conditions
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances

The following factors impact both passenger and all-cargo airlines at the Airport:

Economic and Political Conditions

Historically, airline activity nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. For example, recessions in the U.S. economy in 1990-1991, 2001, and 2008-2009 and associated high unemployment reduced discretionary income and contributed to reduced airline passenger and cargo demand in those years.

With the globalization of business and the increased importance of international trade and tourism, the state of the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger and air cargo traffic at major U.S. airports. Sustained future increases in passenger and air cargo traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. In mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting

for between 30% and 40% of expenses for most airlines. Fuel prices fell sharply in the second half of 2008 as demand declined worldwide, but increased in 2010 and 2011 as global demand increased. In 2011 and 2012, political instability and conflicts in North Africa and the Middle East contributed to volatility in fuel prices. Average fuel prices decreased overall between 2011 and 2013, partly as a result of increased supply from U.S. domestic production.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to recent historical levels and will likely increase over the long term due to growth in global energy demand. Aviation fuel prices will continue to affect airfares, passenger numbers, the ability of airlines to provide service, airline profitability, and air cargo.

Additionally, airline and transportation industries produce certain greenhouse gas emissions due in part to the use of aviation fuel. Airline operating economics will be affected if regulatory costs are imposed on airline and transportation industries as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

Concerns about the safety of air travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected airline travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for several days because of the threat to flight safety related to the ash cloud from the eruption of a volcano in Iceland. In March 2011, airline travel to and from Japan decreased following a destructive earthquake and tsunami.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will depend on the provision of capacity to accommodate aircraft flights, passengers, and air cargo. The forecast is conditioned on the assumption that, during the Forecast Period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at the Airport.

The following factors mainly impact passenger airlines at the Airport:

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. passenger airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service.

Since deregulation of the airline industry in 1978, the passenger airlines have struggled to maintain consistent profitability. However in recent years financial positions have improved due to airline consolidation, retirement of older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes and hubs, laying off employees, reducing employee compensation, reducing other nonfuel expenses, increasing airfares, and imposing ancillary fees and charges. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately \$8 billion, in spite of sustained high fuel prices, by controlling

capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Over the four years 2009 to 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. Consolidation of the airline industry has resulted in four airlines (American, Delta, Southwest, and United) now accounting for approximately 90% of domestic capacity. Such consolidation is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Historically, the financial performance of the air cargo and cargo transportation industry experienced periods of growth and decline, but generally speaking the financial health and performance has been more stable and consistent than that of the U.S. passenger airline industry. Sustained profitability will depend on, among other factors, economic growth to support air cargo demand, continued growth in online retail sales, continued control over air package pricing, and stable fuel prices. For example, as noted earlier, UPS has recorded an operating profit of more than \$3.5 billion in four of the last five years and since 2009 and distributed more than \$20 billion to shareholders through dividends and share repurchases.

Airline Service and Routes

The Airport serves as a gateway to the Louisville/Jefferson County MSA. The number of origin and destination passengers at the Airport depends on the intrinsic attractiveness of the Airport service region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided at the Airport and at other airports. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport. Most legacy airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. The Airport serves almost exclusively O&D passengers and is not dependent on connecting passengers.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive “discretionary” travel. Demand for passenger airline activity is elastic and as the price to travel (including fares and other ancillary charges) increases then demand falls. This is particularly evident during weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence;

labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. passenger airline industry has consolidated. For example, in 2003 the Airport was served by eight network airlines with 102 daily departures. In 2014 the Airport is served by four network airlines with 74 daily departures. While industry consolidation has had a positive impact on passenger airline profits, the consolidation has negatively impacted consumers and aviation demand.

Alliances, joint ventures, and other business arrangements provide airlines with many of the advantages of mergers; all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on designated routes.

AIRLINE PASSENGER AND CARGO ACTIVITY FORECASTS

Forecasts of airline passenger and cargo activity at the Airport through FY 2019 (the Forecast Period) were developed on the basis of the economic outlook for the Airport service region, trends in historical airline traffic, and key factors likely to affect future traffic, all as discussed earlier in this report. Forecasts for the Airport included in the FAA's *Terminal Area Forecast* (TAF), issued in February 2014, were also reviewed.

In developing the forecasts in this report, it was assumed that, over the long term, airline passenger and cargo activity at the Airport will increase as a function of growth in the economy of the Airport service region. Furthermore, it was assumed that aviation activity at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, government policies or actions that restrict growth, or other factors listed previously.

The airline passenger and cargo activity forecasts for the Airport were developed on the basis of the assumptions that:

- Airline passenger and cargo activity levels at the Airport will increase as a function of: (1) increases in population, employment, and income in the MSA, (2) growth in visitor (business and leisure) demand for the MSA, and (3) the general economic health of the MSA and the nation, more broadly.
- The U.S. economy will experience slow growth during the remainder of 2014. Beginning in 2015 and through the Forecast Period, the U.S. economy will grow at a sustained rate of approximately 2.5% per year.

- The economy of the MSA will grow at a rate similar to that of the U.S. economy as a whole.
- The passenger airlines currently serving the Airport will be financially viable and, together with those airlines that may introduce service in the future, will provide the seat capacity required to accommodate additional demand at the Airport.
- There will be no material change in the airline service offered at the Airport as compared to service offered at other nearby competing airports (e.g., Lexington, Cincinnati, Nashville, and Indianapolis airports). As a result, the Airport will not lose or gain share of passengers to those nearby airports due to competition.
- Passenger load factors on flights at the Airport will increase in FY2015 and then remain flat through the remainder of the Forecast Period.
- A generally stable international political environment and enhanced passenger and baggage screening procedures will not impose unreasonable inconvenience or otherwise negatively impact future airline passenger and cargo activity.
- There will be no material disruption of airline service, passenger travel behavior, or air cargo as a result of extreme weather events, international hostilities or terrorist acts or threats, or global safety or health concerns.
- No passenger airline will establish a hub at the Airport during the Forecast Period.
- UPS will continue to operate its Worldport facility at the Airport in a manner that is similar in size and scope as it has recently. The facility will remain the primary global hub in the UPS network. National and global demand for air cargo will increase for the reasons noted earlier, including growth in the national and global economy, online retail sales, and other factors.

Enplaned Passenger Forecast

In the first nine months of FY 2014, the number of enplaned passengers at the Airport declined 2.2% as compared to the same period of the previous year (shown previously in Table 12). Year-to-date and advance schedule filings by the airlines indicate a 7.3% year-over-year decrease in the number of departing seats at SDF in the final four months of FY 2014, (compared with an estimated nationwide increase of 0.4%). On the basis of year-to-date passenger traffic reports and advance airline schedules, the number of enplaned passengers at the Airport is forecast to be 1.67 million for FY 2014, down 2.4% from the number in FY 2013.

The number of enplaned passengers at the Airport is forecast to decline 2.8% in FY 2015 due, in part, to advance schedule filings by the airlines, which indicate an 11.8%

decrease in the number of scheduled departing seats at SDF in the first four months of FY 2015. This reduction in seats reflects the cessation of service to St. Louis (by Southwest), Memphis (by Delta), and Cleveland (by United) as discussed earlier in the Passenger Airline Service section. Additionally, Southwest has ceased service to Atlanta but the destination continues to be served by Delta. In the final eight months of FY 2015, the number of scheduled departing seats at the Airport is forecast to decline 2.4% from the same period of the previous year. This results in an overall decline in the number of seats in FY 2015 of 5.8%.

Given the assumptions listed earlier, growth is forecast to resume in FY 2016. The number of enplaned passengers at the Airport is forecast to increase 1.0% in FY 2016 and thereafter. The enplaned passenger forecast for the Airport is displayed in tabular form in Table 20. The number of enplaned passengers is forecast to reach 1.69 million in FY 2019.

In the years FY 2016 through FY 2019, the number of enplaned passengers at the Airport is forecast to increase an average of 1.0% per year—lower than the average rate of growth forecast by the Federal Aviation Administration for the Airport over the same period in its February 2014 *Terminal Area Forecast* (+2.0% per year, on average).

Landed Weight Forecast

Passenger airline landed weight is forecast to decline 1.3% in FY 2014 and 5.8% in FY 2015, due in part to passenger airline reductions in departing seats and flights. Passenger airline landed weight is forecast to increase 1.0% per year, on average, between FY 2015 and FY 2019, the same as the 1.0% average annual increase in enplaned passengers forecast over the same period. Passenger load factors are forecast to remain unchanged from FY 2015 to FY 2019 and average seats per flight will increase only slightly.

All-cargo airline landed weight, 98% of which was accounted for by UPS in FY 2013, is forecast to grow an average of 1.9% per year, from FY 2013 through FY 2019. Airline landed weight at SDF is forecast to reach 14.6 billion pounds in FY 2019, up from 13.3 billion pounds in FY 2013 (see Table 20).

Table 20
FORECASTS OF ENPLANED PASSENGERS AND AIRLINE LANDED WEIGHT
 Louisville International Airport
 (Fiscal Years ended June 30)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Fiscal Year	Enplaned passengers	Landed weight (millions of pounds)					Total
		Passenger airlines	All-cargo airlines			All-cargo total	
			UPS	Other			
2010	1,649,704	2,026.6	10,169.5	245.3	10,414.8	12,441.4	
2011	1,694,781	2,126.0	10,595.0	241.8	10,836.8	12,962.8	
2012	1,683,285	2,021.4	10,809.7	247.5	11,057.2	13,078.6	
2013A	1,714,706	2,096.8	10,912.3	251.0	11,163.3	13,260.1	
2014F	1,674,200	2,069.2	11,005.5	295.6	11,301.1	13,370.4	
2015	1,626,670	1,948.8	11,507.1	298.4	11,805.5	13,754.4	
2016	1,642,900	1,968.0	11,688.0	301.2	11,989.2	13,957.2	
2017	1,659,300	1,987.2	11,869.1	304.0	12,173.1	14,160.3	
2018	1,675,900	2,006.6	12,050.4	307.6	12,358.1	14,364.7	
2019	1,692,700	2,026.0	12,232.0	311.3	12,543.3	14,569.3	
Average annual increase (decrease)							
2010-2013	1.3%	1.1%	2.4%	0.8%	2.3%	2.1%	
2013-2014	(2.4)	(1.3)	0.9	17.8	1.2	0.8	
2014-2015	(2.8)	(5.8)	4.6	0.9	4.5	2.9	
2015-2019	1.0	1.0	1.5	1.1	1.5	1.4	
2013-2019	(0.2)%	(0.6)%	1.9%	3.7%	2.0%	1.6%	

Notes: A=Actual; F=Forecast.

Rows may not add to totals shown due to rounding.

Sources: Actual—Louisville Regional Airport Authority.

Forecast—LeighFisher, May 2014.

Hypothetical Scenario

A hypothetical scenario was developed to provide the basis to test the Airport Authority's projected financial results if passenger and/or landed weight levels were below those envisioned in the base forecast.

Assumptions in the hypothetical scenario include:

- Enplaned passenger levels are 90% of those in the base forecast starting in FY 2016 (see Figure 13).
- Landed weight levels are 90% of those in the base forecast starting in FY 2016 (see Figure 14).

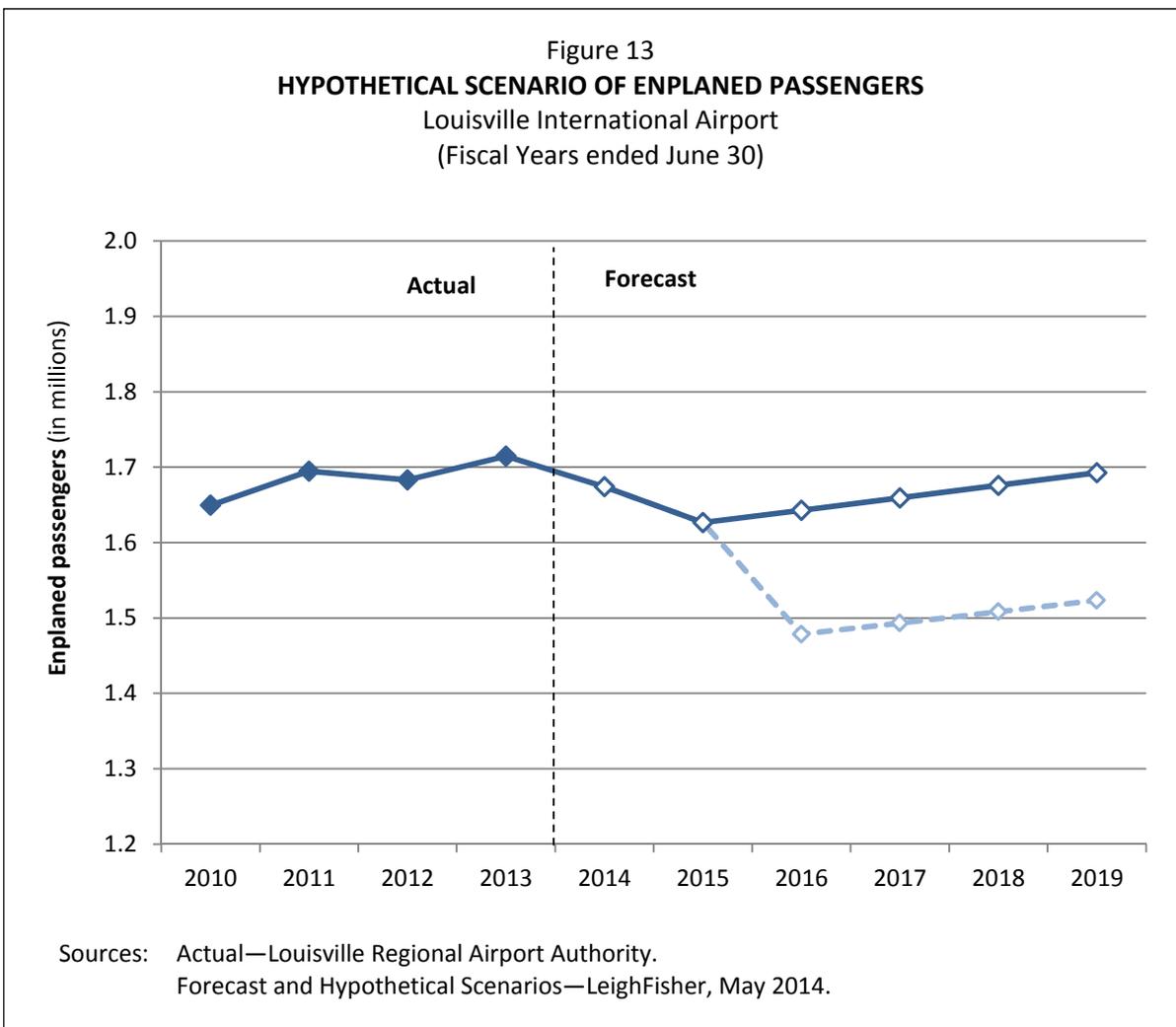
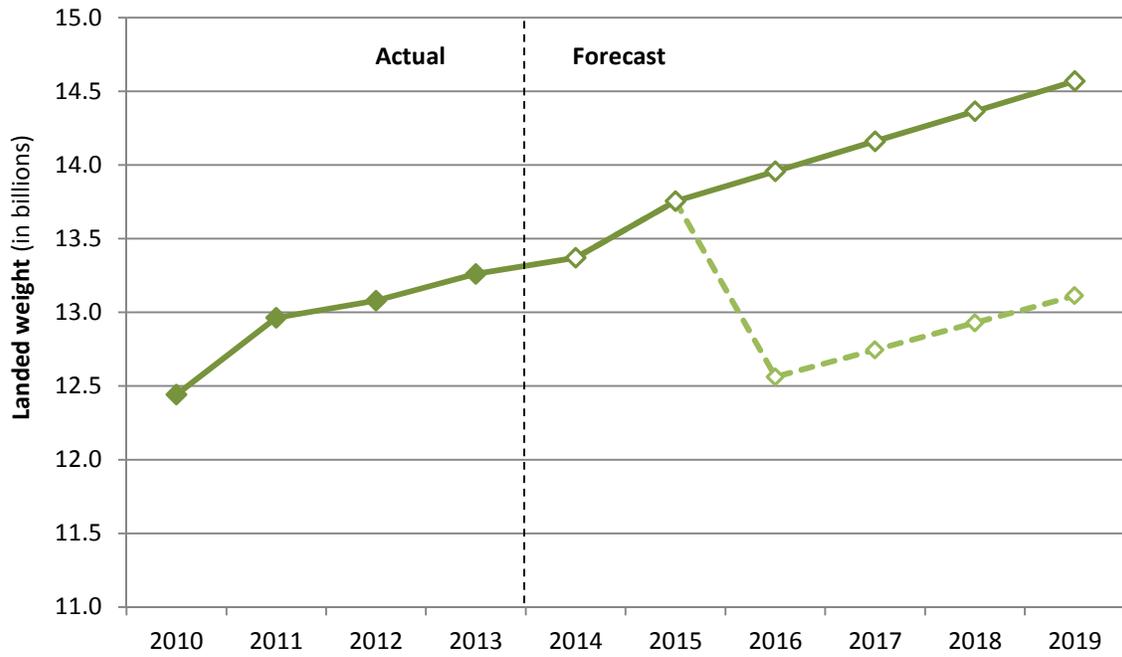


Figure 14
HYPOTHETICAL SCENARIO OF LANDED WEIGHT
 Louisville International Airport
 (Fiscal Years ended June 30)



Sources: Actual—Louisville Regional Airport Authority.
 Forecast and Hypothetical Scenarios—LeighFisher, May 2014.

FINANCIAL ANALYSIS

The purpose of the Report is to evaluate the ability of the Authority to satisfy the requirements of the Rate Covenant Requirement during the Forecast Period taking into account the proposed 2014 Bonds.

The Authority was established under Sections 183.132 through 183.165 inclusive of the Kentucky Revised Statutes, as supplemented and amended, as an Aviation Board to own, operate, and develop the Airport and LOU. The Authority has no taxing power, but does have the right to set appropriate fees and charges for the use of its facilities. Additionally, the Authority is permitted to issue airport revenue bonds.

The 2014 Bonds do not constitute an indebtedness of the Authority, Louisville Metro Government, the Commonwealth, any county, any city or any other political subdivision thereof. The 2014 Series Bonds are special limited obligations of the Authority payable solely from, and are equally and ratably secured by a parity lien on, the Net Revenues (as defined in the Resolution) derived by the Authority from the operation of the Airport and LOU, certain funds and accounts held under the Resolution, and in the case of the 2014C Bonds, certain Other Moneys Available for Debt service.

RECONCILIATION OF RESOLUTION TO GAAP FINANCIALS

The Authority reports its financial operations as a governmental enterprise activity in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities. GAAP and the Authority's audited financial statements serve as the foundation for accounting pursuant to the Resolution, however this Report relies primarily upon the Resolution as a basis for presentation. Therefore, references to certain terms such as Operating Expenses and Revenues, have meanings that are defined under the Resolution, which may be different than as set forth in GAAP. For example, in certain cases, for the purposes of debt service coverage and Rate Covenant Requirement, the Authority may rely upon Other Available Revenues and a Rolling Coverage Amount which essentially have impacts similar to revenues. Other Available Revenues may, for example, include grant funds, customer contract fees, and passenger facility charges that are not typically included as operating revenue under GAAP. Additionally, the Authority may rely upon Other Moneys Available for Debt Service for the purposes of debt service coverage and the Rate Covenant Requirement, which essentially reduce the amount of Debt Service.

Table 21 presents a summary and reconciliation of the historical financial results of the Authority between GAAP as used in the audited financial statements and the Resolution. It is worth noting that this reconciliation is demonstrative. A historical year of audited financials (2013) is used and reconciled to the Resolution that was adopted May 14, 2014 in connection with the issuance of the 2014 Bonds. The Resolution is described in more detail following the table.

Table 21
**RECONCILIATION OF HISTORICAL FINANCIAL RESULTS AND
 DEMONSTRATIVE RATE COVENANT REQUIREMENT CALCULATION**

Louisville Regional Airport Authority
 (For Fiscal Year ended June 30, 2013)

Total "Revenues" per Resolution		
Operating revenues per GAAP		
Louisville International Airport operating revenues		\$ 59,745,884
Bowman Field		<u>1,625,518</u>
Total operating revenues		\$ 61,371,402 (a)
Less: CCFs		<u>(1,518,550)</u>
Subtotal		\$ 59,852,852
Plus: investment earnings, net		1,175,015 (a)
Plus: "Other Available Revenues" per Resolution (CCFs)		<u>1,518,550</u>
Equals: total "Revenues" per Resolution	[A]	\$ 62,546,417
Total "Operating Expenses" per Resolution		
Total operating expenses per GAAP		
Less: depreciation and amortization		(28,496,851) (a)
Less: major maintenance		<u>(4,028,012) (a)</u>
Equals: total "Operating Expenses" per Resolution	[B = \sum above]	\$ 24,805,912
"Net Revenues" per Resolution	[C = A - B]	\$ 37,740,505
Reconciliation of "Net Revenues" per Resolution to change in Net Position per GAAP		
Change in Net Position per GAAP		
		\$ 16,481,430 (a)
Adjustments:		
Plus: depreciation		28,496,851 (a)
Plus: interest expense		12,457,213 (a)
Less: passenger facility charges		(6,823,983) (a)
Less: net gain (loss) on disposal of assets		(3,501,318) (a)
Plus: other expenses		177,837 (a)
Plus: major maintenance		4,028,012 (a)
Less: capital contributions		<u>(13,575,537) (a)</u>
"Net Revenues" as defined in Master Bond Resolution	[C = \sum above]	\$ 37,740,505
Demonstrative Rate Covenant Requirement calculation (c)		
Total revenue bond debt service	[D]	\$ 31,937,546
Less: "Other Moneys Available for Debt Service" per Resolution	[E]	<u>(4,504,206) (b)</u>
Equals: "Debt Service" per Resolution	[F = D + E]	\$ 27,433,340
Debt service coverage ratio (before Rolling Coverage Amount)	[C / F]	1.38
"Rate Covenant Requirement" per Resolution		
Net revenues	[= C]	\$ 37,740,505
Plus: "Rolling Coverage Amount" per Resolution	[G]	<u>7,984,387</u>
Net revenues plus Rolling Coverage Amount	[H = C + G]	\$ 45,724,892
Debt service coverage ratio (including Rolling Coverage Amount)	[H / F]	1.67

(a) Authority June 30, 2013 Annual Report -- Statements of Revenues, Expenses, and Changes in Net Position (page 13). Please refer to the Authority's Annual Report, accompanying notes, and management discussion and analysis for additional comments.

(b) PFCs are applied to Series 2011 eligible debt service.

(c) The calculation of Rate Covenant Requirement is for demonstration purposes only, relying upon historical financial results for the Authority's fiscal year ending June 30, 2013 and the Master Bond Resolution that was adopted May 14, 2014 in connection with the issuance of the 2014 Bonds.

Source: Louisville Regional Airport Authority.

MASTER BOND RESOLUTION

The Resolution was adopted May 14, 2014 in connection with the issuance of the 2014 Bonds. The Resolution should be read in its entirety for an understanding of the defined terms as references in this Report do not purport to be comprehensive. Text in quotation marks are verbatim from the Resolution.

Certain Defined Terms

Certain defined terms used in the Resolution are summarized below.

Revenues. Revenues includes “all revenues, fees, income, rents and receipts derived by the Authority from or attributable to the Airport System or any lease or other contractual arrangement with respect to the use of the Airport System, as determined in accordance with generally accepted accounting principles.” Certain exclusions to Revenues are income related to Special Purpose Facilities, and Grant Aid, Passenger Facility Charges (PFCs) and Customer Contract Fees (CCFs), unless the Grant Aid, PFCs or CCFs are designated as Other Available Revenues. For Rate Covenant Requirement purposes Other Available Revenues, are included in Revenues, and constitute moneys not previously constituting Revenues that are legally available to be deposited into the Revenue Fund and are designated or pledged by a Supplemental Bond Resolution or a Written Certificate of the Authority filed with the Trustee. Moneys designated as Other Available Revenues shall not also be designated as Other Moneys Available for Debt Service.

Rolling Coverage Amount. Rolling Coverage Amount “means the amount on deposit in the Rolling Coverage Account on the date of calculation” provided that the amount shall not exceed 25% of the maximum amount of Aggregate Debt Service for any Fiscal Year for purposes of calculating the Rate Coverage Requirement.

Operating Expenses. Operating Expenses generally means “the current expenses of operation, ordinary maintenance and current repairs of the Airport System (calculated in accordance with generally accepted accounting principles).” Operating Expenses exclude Major Maintenance which is separately identified on the Authority financial statements, and defined as “capital items exceeding a cost of \$20,000 (or such other amount as shall be established by the Authority) and necessary for the continued serviceable life of an existing asset of the Authority, but not exceeding the useful life of the asset beyond three (3) years.” Additional exclusions to Operating Expenses are depreciation, costs of capital additions or improvements to the Airport System, payments of principal and interest on certain indebtedness, and any operating expenses of special purpose facilities buildings.

Net Revenues. Net Revenues means, for any period, the Revenues during such period less the Operating Expenses during such period.

Aggregate Debt Service. Aggregate Debt Service for any date of calculation or with respect to a Fiscal Year or defined period, means any Debt Service on Bonds or other Repayment Obligations.

Debt Service. Debt Service means, for any particular Fiscal Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of all interest and principal payable during such Fiscal Year. Debt Service excludes principal and interest on Bonds to the extent there is an escrow available to pay such principal and interest. Additionally, Debt Service excludes principal and interest on Bonds when payments will be made from moneys that are designated as Other Moneys Available for Debt Service or are pledged or designated to pay debt service in a Supplemental Bond Resolution or a Written Certificate of the Authority delivered to the Trustee.

Other Moneys Available for Debt Service. Other Moneys Available for Debt Service are moneys that are not Revenues or Other Available Revenues. Other Moneys Available for Debt Service are designated by a Supplemental Bond Resolution or a Written Certificate of the Authority filed with the Trustee, and are deposited in the Debt Service Fund to pay debt service on a Series of Bonds.

Application of Revenues and Established Funds

Under the Master Bond Resolution, in Article 5, certain funds are established and the application of Revenues received by the Authority are defined using certain priorities. A Revenue Fund is established and all Revenues must be promptly deposited by the Authority to the credit of the Revenue Fund, with certain limited exceptions.

The Authority then applies Revenues in the following amounts and order of priority:

1. Operating Expenses shall be paid by the Authority from time to time as they become due and payable. Operating Expenses are paid directly from the Revenue Fund.

On or before the last Business Day of each calendar month the Authority shall transfer and deposit from amounts on deposit in the Revenue Fund, the amounts set forth below into the following Funds in the following order of priority:

2. Required deposits to the Debt Service Fund as may be necessary to provide for the timely payment of Debt Service when due
3. Required deposits to the Debt Service Reserve Fund as may be necessary to maintain the balance in the fund at the Debt Service Reserve Requirement

4. Required deposits to the Operation and Maintenance Reserve Fund as may be necessary to maintain the Operation and Maintenance Reserve Requirement (\$2,500,000 or such greater amount as shall be determined by the Authority from time to time)
5. Required deposits to the Renewal and Replacement Fund as may be necessary to maintain the Renewal and Replacement Fund Requirement (\$3,000,000 or such greater amount as shall be determined by the Authority from time to time)

Amounts remaining in the Revenue Fund at the end of each calendar month, after payment of the amounts required above and after considering any amounts required to be retained in the Revenue Fund, may be transferred from time to time by the Authority into the Surplus Fund or the Rolling Coverage Account held within the Revenue Fund. Additionally, the Authority may issue Subordinated Indebtedness that is subordinate to the lien granted by the Authority for the Bonds. A graphical depiction of the flow of funds is contained in the Official Statement (See heading Security and Source of Payment, Application of Revenues - Flow of Funds). The forecast Application of Revenues is attached as an exhibit to this Report (see Exhibit G).

Rate Covenant Requirement

In Section 6.12 of the Master Bond Resolution (referred to as the Rate Covenant Requirement), the Authority "covenants and agrees to establish, fix, prescribe, continue and collect (directly or through the Airport Use Agreements and other leases, use agreements, licenses or ordinances) rates, fees, rentals and other charges for the use of the Airport System services furnished by the Authority which, together with other income, are reasonably expected to yield for the forthcoming Fiscal Year: (1) Net Revenues that, together with any Rolling Coverage Amount, are at least equal to (A) 125% of the Aggregate Debt Service which will be due and payable during the forthcoming Fiscal Year, excluding amounts payable on the Repayment Obligations during such Fiscal Year, plus (B) 100% of the Repayment Obligations, if any, which will be due and payable during the forthcoming Fiscal Year; and (2) Net Revenues that, together with the Rolling Coverage Amount, are at least equal to 100% of all deposits and payments required to be made pursuant to this Bond Resolution from the Net Revenues during the forthcoming Fiscal Year." The forecast Rate Covenant Requirement compliance is attached as an exhibit to this Report (see Exhibit H).

Conditions for Issuing Additional Construction Bonds or Refunding Bonds

In Section 2.02 of the Master Bond Resolution describes conditions upon which the Authority can issue parity Bonds (the Additional Bonds Test). No Additional Bonds Test is required for the 2014 Bonds since they are the first series of Bonds being issued under the Resolution. The Authority may issue additional Construction Bonds on parity with the 2014 Bonds by delivering to the Trustee the following documents that comprise the Additional Bonds Test (in addition to meeting other requirements and

delivering additional documents to the Trustee as required under the Master Bond Resolution):

- (1) A Written Certificate of the Authority setting forth the Estimated Completion Date and the estimated Cost of Construction of the Project being financed by such Series of Bonds.
- (2) Either:
 - (A) A Written Certificate of the Authority showing that the Net Revenues for the most recent Fiscal Year of the Authority or for any twelve (12) consecutive months out of the most recent twenty-four (24) months, together with any Rolling Coverage Amount (which may take into account any increase in the Rolling Coverage Amount that will occur contemporaneously with the issuance of such Series of Construction Bonds), will be sufficient to satisfy the Rate Covenant Requirement with respect to all Bonds to be Outstanding and the Repayment Obligations to be outstanding, in both cases, after the issuance of the proposed Series of Construction Bonds for [the Forecast Period]*
 - (B) An Airport Consultant's Certificate setting forth [for the Forecast Period]:
 - (i) the Estimated Net Revenues, and (ii) the Aggregate Debt Service (including any additional Construction Bonds that the Authority expects to issue thereafter to pay any unfunded balance of the estimated Cost of Construction of the Project...), and showing that the estimates of Net Revenues for each of such Fiscal Years together with any Rolling Coverage Amount, will be sufficient to satisfy the Rate Covenant Requirement for each of such Fiscal Years with respect to all Bonds to be Outstanding and to the Repayment Obligations to be outstanding, in both cases, after the issuance of the proposed Series of Construction Bonds and any such additional Construction Bonds.

*The Forecast Period is not a defined term in the Master Bond Resolution. For the purposes of this Report the Forecast Period is FY 2015 through FY 2019.

In Section 2.04 of the Master Bond Resolution, the Authority may issue Refunding Bonds by filing with the Trustee (the Refunding Bonds Test):

“a Written Certificate of the Authority setting forth the Aggregate Debt Service for each Fiscal Year to and including the Fiscal Year in which the latest maturity of the Refunded Debt to be refunded or such Series of Refunding Bonds occurs, whichever is later, (i) with respect to the Refunded Debt to be refunded, and (ii) with respect to the Series of Refunding Bonds to be issued, and stating that the Aggregate Debt Service on such Series of Refunding Bonds for each Fiscal Year set forth pursuant to clause (ii) of this subparagraph ... is less than the Aggregate Debt Service on the Refunded Debt for each Fiscal Year set forth pursuant to clause (i) of this subparagraph”

Alternatively if the condition defined in the Refunding Bonds Test cannot be met, the Authority may issue Refunding Bonds subject to the Additional Bonds Test defined earlier. As noted, the 2014 Bonds are the first Series of Bonds issued under this Bond Resolution and no Additional Bonds Test or Refunding Bonds Test applies.

AIRLINE AGREEMENTS

The Authority has entered into Airfield Agreements and Terminal Agreements (together, Airline Agreements) with Signatory Airlines serving the Airport.

The Authority sets airline fees and charges annually, and must submit to the Airlines a list of proposed Capital Improvements, its Annual Budget, and cost allocation at least 45 days prior to the start of the Fiscal Year.

The methodology for setting the Landing Fee for use of the Airfield Area is defined in the Airfield Agreements. The methodology for setting various fees for the aeronautical use of the terminal and apron is defined in the Terminal Agreements. The methodology for recovering the costs of the Ground Transportation Area and Other Areas varies and is not defined in the Airline Agreements.

Costs and Cost Centers

The Airline Agreements require the Signatory Airlines to pay fees with respect to certain facilities whose costs are reflected in the particular cost center or centers used by the Signatory Airline in an amount sufficient to enable the Authority to meet its obligations in the Resolution. These obligations require that all Operating Expenses are to be paid, 100% of amounts to be deposited in funds or accounts are completed and that Net Revenues in each Fiscal Year in an amount equal to at least 125% of the estimated Aggregate Debt Service on Bonds for such Fiscal Year (except where provided by deposits in escrow, capitalized interest or PFCs, to the extent such PFCs are available).

For purposes of determining airline rates, fees, and charges for use of the Airport System (including the Airport and LOU), the Authority has established various cost centers and sub-centers to properly assign and allocate revenues and costs:

- Airfield Area
 - Taxiways
 - Runways
 - Navigational Aids
 - Approach and clear zones
 - Any other aircraft taxiing, take-off, or landing areas
- Terminal Apron Area
 - Aprons adjacent to the terminal
 - Aircraft parking ramps
 - Service driveways
- Landside Terminal Building Area
 - Landside Terminal Building including airline ticketing, and baggage claim
 - In-line baggage screening and make-up
 - Passenger and curbside walkways
 - Fixtures and equipment
 - Terminal area landscaping
- Airside Terminal Building Area
 - Airside Terminal Building including airline gates, holdrooms, and operation facilities
 - Landside-airside connector
 - Fixtures and equipment
- Ground Transportation Area
 - Public and employee parking facilities
 - Garages, access roads and circulation driveways
 - Rental car facilities
 - Taxi, bus, and limousine staging areas
- Other Areas
 - All other areas of the Airport

The Authority has developed a cost allocation methodology in accordance with the Airline Agreements. Direct Operating Expenses are charged directly to a cost center. Indirect Operating Expenses charged to a functional area (i.e., planning and engineering, finance administration & parking, etc.) are allocated to a cost center based on the portion of direct expenses. In certain circumstances the Authority can adjust the allocation when necessary as determined in the prudent and reasonable judgment of Authority management.

Capital Costs and Majority in Interest Approvals

Subject to certain limitations, the Airline Agreements permit the Authority to fund Capital Improvements by issuing Bonds (as defined in the Resolution) and include in the airline rate base the applicable debt service (with coverage), or alternatively charge amortization attributable to Authority's cost of a proposed Capital Improvement funded with other Authority funds.

Capital Improvement and Equipment Charges. The Airline Agreements permit the Authority to include, without being subject to the Majority-In-Interest (MII) disapproval process, any capital expenditure(s) as a direct element of cost in the calculations of airline rates, fees and charges, if the estimated cost for the expenditure(s) for any given Fiscal Year is less than \$500,000 (when adjusted for inflation from 2005). These expenditures are included in airline rates, fees, and charges as Capital Equipment Charges. Examples of expenditures are airport vehicles such as trucks, sweepers and tractors; office equipment including copiers, printers and phone systems along with other electrical and infrastructure projects.

Major Maintenance. Major Maintenance is separately identified on the Authority financial statements, and defined in the Resolution as "capital items exceeding a cost of \$20,000 (or such other amount as shall be established by the Authority) and necessary for the continued serviceable life of an existing asset of the Authority, but not exceeding the useful life of the asset beyond three (3) years." These expenditures are included in airline rates, fees, and charges as Major Maintenance and are not subject to the MII disapproval process. Typical examples of expenditures include; pavement repairs, airfield obstacle clearing, snow removal, runway and taxiway painting, airfield lighting and electrical upgrades, and roof repairs.

Airfield Agreements and MII. MII is not required for Capital Improvement and Equipment Charges or Major Maintenance subject to the conditions described above. Airfield Area improvements subject to the MII disapproval process are limited to only those that include expenditures in excess of \$500,000 for the acquisition of land or for construction of new runways, aprons, or runway extensions. Additionally, MII is not necessary for expenditures required to ensure compliance with applicable regulations or repair casualty damage (among other exclusions). Should MII be required with respect to the Airfield Area, MII is defined as at least 50% in number of the Signatory Airlines which together account for at least 60% of the total landing fee dollars paid by all such Signatory Airlines during the most recent complete Fiscal Year for which data are available.

Terminal Agreements and MII. MII is not required for Capital Improvement and Equipment Charges or Major Maintenance subject to the conditions described above. Additionally, MII is not required for expenditures required to ensure compliance with applicable regulations or repair casualty damage (among other exclusions). The cost of any expenditure in excess of the \$500,000 limit (when adjusted for inflation from 2005) may be included in the applicable Airline Cost Center as debt service or amortization charges unless specifically disapproved by MII. Should projects

be subject to the MII disapproval process with respect to the Landside Terminal Building Area, Airside Terminal Building Area, or Terminal Apron Area, MII is defined as at least 50% in number of the Signatory Airlines which lease space in the terminal complex which together account for at least 60% of the total dollars paid by all such Signatory Airlines through apron fees and terminal building space rentals during the most recent complete Fiscal Year for which data are available.

Airfield Agreements and Landing Fees

The Authority has entered into Airfield Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet Airlines), Chautauqua Airlines, Delta Air Lines, ExpressJet Airlines (two separate agreements), Federal Express, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, United Airlines, UPS, US Airways, and Vision Airlines. The Airfield Agreements expire on June 30, 2021.

Annually, the Authority establishes a Landing Fee to recover the costs of the Airfield Area. The Landing Fee is set using a cost center residual rate methodology where the total costs of the Airfield Area are offset by certain revenue credits, and the residual costs remaining are divided by the landed weight to determine the Landing Fee. The Signatory Airline landing fee effective as of July 1, 2013 (FY 2014), was \$1.409 per 1,000 pound unit. The projected fee effective as of July 1, 2014 (FY 2015) is \$1.417 per 1,000 pound unit.

Terminal Agreements

The Authority has entered into Terminal Agreements with American Airlines, Atlantic Southeast Airlines (now known as ExpressJet Airlines), Chautauqua Airlines, Delta Air Lines, ExpressJet Airlines, Pinnacle Airlines (now known as Endeavor Air), Southwest Airlines, US Airways, and Vision Airlines. The Authority considers affiliates of Signatory Airlines to also be Signatories. American Eagle (now known as Envoy Air), PSA Airlines, Piedmont Airlines, Shuttle America, Republic Airlines, SkyWest Airlines, and AirTran Airways are currently considered Signatory by Affiliation. The Terminal Agreements expire on June 30, 2015 but it is assumed that there will be no major changes to the existing rate methodology through the Forecast Period.

Effective July 1, 2015 it is assumed that American Airlines and US Airways will have consolidated operations at the Airport on completion of their merger, reducing the combined amount of leased space in Airside Terminal and Landside Terminal areas.

Terminal Apron Fee. Annually, the Authority establishes a Terminal Apron Fee to recover the costs of the Terminal Apron Area. The Terminal Apron Fee is set using a cost center residual rate methodology where the total costs of the Terminal Apron Area are offset by certain revenue credits, and the residual costs remaining are divided by the amount of linear footage of apron under lease to determine the Terminal Apron Fee. The terminal apron fee effective as of July 1, 2013, was \$900.99 per linear foot. The projected Apron fee for FY 2015 is \$955.76 per linear foot.

Landside Terminal and Airside Terminal Fees. The Authority establishes Landside Terminal and Airside Terminal rental rates using a compensatory methodology where total costs are divided by total usable space to derive square foot rental rates. Annual Signatory Airline rental rates effective as of July 1, 2013, were \$32.50 per square foot for the Landside Terminal, \$48.60 per square foot for the Airside Terminal. Projected rates for FY 2015 are \$32.87 for the Landside Terminal and \$48.39 for the Airside Terminal.

Preferential Use Holdroom Fees. The Authority sets rates for Preferential Use Holdroom space based on a cost center residual methodology derived from the Airside Terminal rate. The total holdroom area is adjusted for space not in use, then multiplied by the Airside Terminal rate to calculate the holdroom area requirement. This is adjusted for other holdroom revenues and credits and divided by the holdroom space assigned to Airlines. The Preferential Use Holdroom rental rate effective as of July 1, 2013, was \$63.93 per square foot. The projected rate for FY2015 is \$62.25 per square foot.

CAPITAL IMPROVEMENT PROGRAM

As reflected in Exhibit A, the Authority has developed a 5-year Capital Improvement Program (CIP) to provide \$148 million of capital improvements at the Airport and LOU from FY 2015 through FY 2019. Approximately \$47 million of capital improvements are expected to be funded using Authority funds. The CIP, including listed projects, estimated costs, and funding sources, is preliminary and subject to change. This long-term planning document is subject to annual review and adjusted to reflect; activity levels, asset condition, changes in safety and security requirements, airport and tenant requests, and availability of funding. Authority management reviews planned projects as part of the annual budgeting process and will consider the affordability of each project prior to proceeding. Exhibit G, Application of Revenues, includes the \$47 million of expected Authority expenditures.

Major projects in the CIP include:

- Construction of Runway 11-29 Safety Area Improvements
- Continuing Part 150 Sound Insulation
- Remodeling of Terminal Building
- Design and Construction of Taxiway "R"
- Rehabilitation of Taxiway "N"

The CIP also includes amounts for capital equipment charges and Major Maintenance (as described earlier).

FUNDING SOURCES

Projects in the CIP are expected to be funded through a combination of LRAA (Authority) funds, grants-in-aid from the Federal Aviation Administration (FAA), and PFCs. At this time, no additional bonds are anticipated to fund in whole or in part any project in the 5-year CIP. The sources of funds for the planned projects in the Capital Improvement Program are shown in Exhibit A. A brief description of the various funding sources is provided below.

Federal Grants-in-aid

The Authority is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) and from the Transportation Security Administration (TSA) for up to 90% of the costs of eligible projects. Certain of these AIP grants are received as entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other discretionary grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports. The level of FAA AIP funding shown in Exhibit A reflects a combination of (a) funds already approved from the FAA and (b) future entitlement and/or discretionary funds during the Forecast Period.

The Authority is continuing with its program to reduce the impact of aircraft noise on the surrounding areas. This is achieved through the purchase of land in areas surrounding the Airport, relocation of existing buildings, or installation of sound insulation on affected properties. The Authority plans to apply for Part 150 Discretionary AIP funds for these projects, and project commencement is likely to be dependent on receipt of these grants.

Passenger Facility Charges

The Authority has received approval from the FAA to impose and use over \$103.4 million in PFC collections for eligible projects. Approval was first received to collect PFCs beginning on May 1, 1997 at a level of \$3.00 per eligible enplaned passenger. Later the level was increased and currently the Authority collects at a level of \$4.50 per eligible enplaned passenger.

The Authority recently received a Final Agency Decision from the FAA dated March 14, 2014, approving its eighth application, PFC #8. Based on information submitted by the Authority as part of the application, the Authority and FAA estimate the charge expiration date for PFC #8 to be January 1, 2016.

Table 22
PFC AUTHORITY AND REVENUES COLLECTED
 Louisville International Airport
 (as of March 31, 2014; in millions)

Application number	Approval amount	Revenues collected	Remaining authority
PFC #1	\$ 75.6	\$75.6	\$ -
PFC #2	10.0	10.0	-
PFC #3	5.7	5.6	0.1
PFC #4	1.3	-	1.3
PFC #5	0.9	-	0.9
PFC #6	2.5	-	2.5
PFC #7	2.3	-	2.3
PFC #8	<u>5.2</u>	<u>-</u>	<u>5.2</u>
Total	\$103.4	\$91.2	\$12.2

Note: Columns may not add to totals shown due to rounding.
 Source: Louisville Regional Airport Authority.

Revenues from PFCs have ranged from \$6.5 to \$6.8 million in recent years. In FY 2013, the Authority collected \$6.8 million in PFCs (see Table 23).

Table 23
PFC REVENUES COLLECTED
 Louisville International Airport
 (for the 12 months ended June 30, 2013)

Enplaned passengers (in thousands)	1,715
Percent of PFC eligible passengers	<u>90.7%</u>
PFC eligible enplaned passengers (in thousands)	1,554
PFC rate per enplaned passenger	\$4.50
less: PFC airline collection fee	<u>(0.11)</u>
Net PFC collection rate	\$4.39
PFC collections (in thousands)	\$6,824

Source: Louisville Regional Airport Authority.

The Authority recently distributed a written notice to the Airlines serving the Airport of its intent to hold an Airline consultation meeting regarding its ninth PFC application

(PFC #9). PFC #9 requests an additional \$2.15 million in PFC funding (10% LRAA share of a \$21.5 million total project cost estimate for construction of the Runway 11-29 Safety Area Improvements). If PFC #9 is approved by the FAA, the estimated charge expiration date would be May 1, 2016. The Authority has \$1.5 million of additional projects in the CIP with PFCs listed as the planned funding source. However, given that these projects are subject to FAA AIP grants to cover 90% of the project costs, no application has commenced as this time and the Authority intends to submit future applications when necessary to fund the CIP.

As of March 31 2014, the Authority has \$8.9 million of PFCs on hand. The Authority has approval to use PFCs for a portion of the Aggregate Debt Service. The 2011 Bonds, Series C, have a PFC eligible component and the Authority plans to deposit \$5.0 million of PFCs on hand to reduce the par amount of Bonds to be issued. The Authority intends to designate certain PFCs as Other Amounts Available for Debt Service and a portion of the 2014 Bonds, Series C, will be paid from future PFC collections or PFCs on hand.

AGGREGATE DEBT SERVICE

Exhibit B presents the Plan of Refunding for the planned 2014 Bonds. Exhibit C presents the assumed Aggregate Debt Service for the planned 2014 Bonds. Aggregate Debt Service was allocated among cost centers, as defined in the Airline Agreements, in relation to the original purpose of the projects funded by the bonds being refunded with the net proceeds of the 2014 Bonds. The Plan of Refunding, Aggregate Debt Service and allocation of Aggregate Debt Service for the 2014 Bonds issuance was provided by Public Financial Management, Inc., the Authority's Financial Advisor, and is based upon what they believe to be conservative expectations of 2014 Series Bonds pricing levels relative to published municipal market rates as of May 16, 2014.

OPERATING EXPENSES

Exhibit D-1 presents historical and projected Operating Expenses by category, functional area and cost center. Recoveries reduce Operating Expenses and are amounts reimbursed to the Authority for costs incurred. The largest component of these recoveries is for charges to capital projects and other entities. When LRAA employees assist with capital improvements, a portion of their time is allocated to the construction cost of the project. This can include design, supervision, inspection, planning, or management tasks. The Authority calculates the cost to be capitalized and adds this cost to the construction cost of specific assets. In addition, Authority employees provide various administration and support services for the LRZC. This includes legal, accounting and billing functions. Authority employees determine the resources spent on tasks for the LRZC, and the LRZC reimburses the Authority accordingly.

Operating Expenses Forecast

Within each functional area, individual departments are responsible for developing and monitoring annual budgets for expenses. The Authority has a strong history of

containing Operating Expenses and utilizes a zero-based budgeting approach and encourages minimum growth in controllable expenses where possible. As shown in Table 24 below, Operating Expenses have only increased from \$24.3 million in FY 2008 to a forecasted \$26.7 million for FY 2015. This represents a compounded annual growth rate of 1.4%.

Table 24 OPERATING EXPENSES AND ANNUAL PERCENT CHANGE Louisville Regional Airport Authority (for the 12 months ending June 30)		
Fiscal Year	Operating expenses	Percent change
2008	\$24,322,591	-- %
2009	24,845,906	2.2
2010	23,341,753	-6.1
2011	23,988,213	2.8
2012	24,348,764	1.5
2013	24,805,912	1.9
2014B	25,960,547	4.7
2015F	26,737,180	3.0

Note: B=Budget; F=Forecast.

Sources: 2008-2013 LRAA Annual Reports;
2014 LRAA Budget; 2015
LeighFisher Forecast.

Authority Operating Expenses are shown on Exhibit D-1 for FY 2013 through FY 2019. FY 2013 Operating Expenses are from the Authority's internal financial records and are reconciled to the annual financial report. FY 2014 expenses are based on the Authority's budget. The forecast for FY 2015 is based on the FY 2014 budget, FY 2014 to-date expenses, historical trends and discussions with LRAA management. Operating Expenses for FY 2016 through FY 2019 are forecast taking into account Authority management's expectations, facility development plans, expected increases in unit costs and inflation, and other assumptions. The following includes specific assumptions relative to the forecast:

- Airfield, terminal and other facilities will be developed in accordance with the CIP described earlier. There are no major plans to expand the terminal building or other facilities operated by the Authority at the Airport.
- Salaries, wages, and retirement benefits increase at 2.5% per year each year between FY 2016 and FY 2019. Staffing levels are expected to be relatively flat with annual adjustments for merit and/or inflation. The Authority's

retirement plan is administered by the County Employees Retirement System of Kentucky (CERS) under the Kentucky Retirement Systems (KRS), a cost-sharing multiple-employer public employee retirement system. At the end of FY 2012 the county's CERS plans were between 58 and 61% funded. However, the Authority does not control the level of contributions as they are directed by state statute. The rates for 2015-2016 were released by the KRS Board in December 2013, with no material changes from prior year rates. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the CERS.

- Contracted services are forecast to increase at a rate of 1.5% per year from FY 2016 to FY 2018 then increase 2.5% in FY 2019. The Authority has agreements in place for most of its larger services contracts that have little or no escalation for the next 2-3 years.
- There will be minimal increases for utilities, supplies and other consumables. Including inflation adjustments, these expenses increase at 2.0% each year from FY 2016 to FY 2018 then increase 2.5% in FY 2019.
- Other expenses are all forecast to increase at a rate of 3.0% per year including inflation.

Operating Expenses are forecast to increase from \$26.7 million in FY 2015 to \$29.3 million in FY 2019, a compound annual growth rate of 2.4%.

REVENUES

Exhibit E presents Revenues for FY 2013 through FY 2019. Data for FY 2013 was obtained from the Authority's records, and reconciled to the Annual Report. Data for FY 2014 was obtained from the Authority's approved budget. The assumptions underlying the individual components of Revenues are described in the following sections.

Table 25
REVENUES BY CATEGORY, TYPE AND PERCENT OF TOTAL
 Louisville Regional Airport Authority
 (for the 12 months ending June 30; in thousands except % of total)

	2013		2014	
	Actual		Budget	% of Total
Louisville International Airport				
Landing and Field Use Fees				
Passenger Signatory Landing Fees	\$ 2,676		\$ 2,677	4.4%
Cargo Signatory	15,729		15,825	26.0%
Non-Signatory	<u>489</u>		<u>535</u>	<u>0.9%</u>
Subtotal Landing Fee Revenues	\$ 18,893		\$ 19,036	31.2%
Other Airfield Revenue	<u>348</u>		<u>337</u>	<u>0.6%</u>
Total Landing and Field Use Fees	\$ 19,241		\$ 19,373	31.8%
Apron Area	\$ 2,144		\$ 2,249	3.7%
Concessions and Terminal Area				
Parking Facilities	\$ 15,199		\$ 15,100	24.8%
Rental Cars	7,765		7,750	12.7%
Food and Beverage	1,010		940	1.5%
General Merchandise	880		864	1.4%
Advertising	464		450	0.7%
Taxis and Limos	287		244	0.4%
Airline Rentals and Fees	6,505		6,147	10.1%
Airport Services	240		245	0.4%
Other Terminal Area Revenues	<u>805</u>		<u>684</u>	<u>1.1%</u>
Total Concessions and Terminal Area	\$ 33,156		\$ 32,423	53.2%
Aviation Related Facility Leases	\$ 3,174		\$ 3,113	5.1%
Land Leases and Others	1,879		1,874	3.1%
Other Revenues	<u>152</u>		<u>18</u>	<u>0.0%</u>
Total Louisville International	\$ 59,746		\$ 59,049	96.9%
Bowman Field	<u>1,626</u>		<u>1,666</u>	<u>2.7%</u>
Total LRAA Operating Revenues	\$ 61,371		\$ 60,715	99.6%
Investment Earnings, Net	<u>1,175</u>		<u>252</u>	<u>0.4%</u>
Total LRAA Revenues	\$ 62,546		\$ 60,968	100.0%

Note: Columns may not add to totals shown due to rounding.

Source: Louisville Regional Airport Authority.

Airline Revenues

The Airfield Agreement does not expire until June 30, 2021 and therefore no changes to the methodology used to calculate the landing fees charged for recovery of costs relative to the Airfield Area are assumed during the Forecast Period.

As stated earlier, the existing Terminal Agreement with the Signatory Airlines expires on June 30, 2015. The Authority does not expect any significant changes to the Terminal Agreements. For purposes of this Report, it was assumed that the current agreed-upon methodology for calculating airline rentals, fees, and charges relative to the Terminal and Apron Area would continue during the Forecast Period. However, as a result of recent airlines mergers, the Authority anticipates certain airlines may return surplus space starting in FY 2016.

The following costs (or requirements) are included in the calculation of airline rentals, fees, and charges in the Airfield Area, Terminal Area, and Apron Area:

- Debt Service, net of contributions from PFC revenues
- Allocable Operating Expenses
- Major maintenance expenses as shown in the Authority's 5 year CIP (net of anticipated AIP grants).
- Capital equipment project costs
- Amortization of capital projects not funded through Federal grants-in-aid, PFC revenues or Bonds
- Bad debt expenses following a determination by the Authority that the amounts due are uncollectible
- Fines, assessments, judgments, or settlements

As soon as is reasonable following the end of the Fiscal Year, the Authority calculates the rentals and fees each Signatory Airline should have paid based upon audited financial information and actual operating data for such Fiscal Year and reconciles budgeted versus audited payments.

Airfield Area

Airline Landing Fees. Exhibit F-1 presents the calculation of forecast Signatory Airline and nonsignatory airline landing fees. Signatory Airline landing fees are calculated by dividing the total annual Signatory Airfield Area Requirement by the forecast Signatory landed weight for the Airport. In addition to the requirements listed above, the Airfield cost center also includes any net deficit from Bowman Field operations, although the amount is capped (but subject to CPI increases). The Airfield Area is a residual cost center, meaning the Signatory Airfield Area requirement is fully recoverable through Signatory Airlines.

Apron Area

Exhibit F-2 presents the calculation of forecast Terminal Apron Area rental rates. The Authority collects apron rates on a fully cost center residual basis to recover the Apron Area Cost Center's requirement.

Terminal Area

Landside Terminal Rents. Exhibit F-3 presents the calculation of forecast Signatory Airline Terminal Rents. The rental rate for the Landside Terminal is calculated by dividing the Landside Terminal Requirement by total Usable Space. The Authority receives rental revenues for Airline office space, ticket counters, queuing areas and baggage claim offices for areas under lease.

The Airlines pay for the full cost of the baggage claim area which is calculated by multiplying the rental rate by total baggage claim space and allocated to the Airlines based on a 80/20 formula, whereby 20% of the costs are allocated on a fixed basis and 80% based on the number of deplaned passengers.

The net cost of the in-line baggage make-up and screening area is based on the Landside Terminal Rental rate (and other allocable and direct costs) and recoverable in full based on a 80/20 formula based on enplaned passengers.

Airside Terminal Rents. Exhibit F-4 presents the calculation of forecast Signatory Airline Terminal Rents. The rental rate is calculated by dividing the total Airside Area Requirement (less any credits) by total Usable Space. Signatory Airlines pay the resulting Airside Terminal Rental Rate for space leased for airside operations space.

Holdroom Rents. Exhibit F-5 presents the calculation of forecast Airline Holdroom Rental Rates. The holdroom area requirement is calculated based on the Airside Rental Rate and the net holdroom space. The holdroom requirement is fully recoverable from Airlines through either lease payments for assigned space, or per-turn fees for airlines using unassigned space.

The Authority expects that American Airlines and Vision Airlines may not renew their leases expiring June 30, 2015 for certain operations space in the Airside terminal and ticket counter and office space in the Landside terminal. In the forecast, it is assumed that approximately 3,200 square feet of space is returned to the Authority on July 1, 2015. The revenue impact is estimated to be a \$120,000 reduction in FY 2016 (all other things equal), as compared to a base revenues of over \$62 million. The space reductions are reflected in Exhibits F-3 and F-4.

Concessions

The Authority receives concession fees from the operators of both the food and beverage and news and retail providers at the Airport.

Food and Beverage. In November 2010, the Authority entered into a concession agreement with Host International (Host) to lease and develop the food and beverage concession at the Airport. The agreement expires on October 31, 2015 but it is assumed that there will be no major changes through the Forecast Period as a result of a future agreement. Host operates all food and beverage outlets at the Airport (see Table 26).

Type of concession	Square feet
Woodford Reserve Bar & Grill	5,840
Starbucks Coffee (landside)	469
Burger King and KFC	3,421
Stars of Louisville sports pub (Wing Street and Pizza Hut)	1,596
Quiznos Sub	1,105
Chili's Too	1,987
Starbucks Coffee (airside)	2,382
La Tapenade (airside A)	96
La Tapenade (airside B)	96
Airport Club	1,643

Source: Louisville Regional Airport Authority.

Host pays the Authority a minimum monthly guarantee, or a percentage rent, whichever is higher. The minimum monthly guarantee is equal to \$0.48 per enplaned passenger (paid 2 months in arrears). The percentage rent is paid on gross revenues and is 13% for non-national branded concepts, 8% for national branded concepts, and 15% for alcohol.

Total gross food and beverage sales at the Airport for FY 2013 totaled \$9.9 million, or \$5.78 per enplaned passenger. Revenues to the Airport from Host were \$1.0 million in FY 2013 and were budgeted at \$0.9 million for FY 2014. Through nine months of FY 2014, revenues to the Authority were 5.7% higher than the prior period at \$0.75 million. The forecast for FY 2015 is \$1.05 million and thereafter revenues grow in proportion to enplaned passengers.

Table 27
HOST INTERNATIONAL CONCESSION REVENUES
 Louisville International Airport

	<u>Airport revenue</u>	<u>Percent change</u>	<u>Enplaned passengers</u>	<u>Percent change</u>	<u>Revenue per E.P.</u>
Actual 12-months ended					
June 30, 2011	\$ 938,873		1,694,781		\$ 0.55
June 30, 2012	897,012	(4.5%)	1,683,285	(0.7%)	0.53
June 30, 2013	1,009,965	12.6	1,714,706	1.9	0.59
Unaudited 9-months ended					
March 31, 2013	\$ 711,692		1,256,771		\$ 0.57
March 31, 2014	752,246	5.7%	1,229,721	(2.2%)	0.61
12-months ended June 30, 2014					
LRAA Budget	\$ 940,000	(6.9%)	1,700,000	(0.9%)	\$ 0.55
LeighFisher Forecast	\$ 940,000	(6.9%)	1,674,200	(2.4%)	\$ 0.56

Note: E.P.=Enplaned passenger.

Source: Louisville Regional Airport Authority and LeighFisher.

General Merchandise. Table 28 shows the news, gift, and retail outlets operated throughout the terminal facilities by Paradies-Louisville, LLC (Paradies). Paradies operates the retail programs at the Airport under an agreement that expires October 31, 2015. It is assumed that there will be no major changes through the Forecast Period as a result of a future agreement.

Under the terms of the agreement, Paradies pays the Authority the greater of a percentage rent or a minimum monthly guarantee. The minimum monthly guarantee is a payment of between \$0.40-\$0.44 (depending on the year of the agreement) per enplaned passenger (paid 2-months in arrears), plus 5% of monthly gross receipts from lottery sales. The percentage rent on gross receipts is 15% up to \$7,000,000 and 17% for anything over (not including lottery sales).

Table 28
PARADIES-LOUISVILLE SPACE RENTAL
 Louisville International Airport
 (May 2014)

Type of concession	Square feet
PGA Tour Shop, The New York Times Books & News, Churchill Downs, Louisville Slugger	4,504
Experience Kentucky, Brighton Collectibles	1,475
Finish Line News	950
CNBC News	672
CNBC News Express	274
Heine Brothers' Coffee	294

Source: Louisville Regional Airport Authority.

Total News and Gift sales at the Airport for FY 2013 were \$5.75 million, or \$3.35 per enplaned passenger. Revenues to the Airport from Paradies were \$880,000 in FY 2013, and budgeted to be \$864,000 for FY 2014. Through nine months of FY 2014, revenues to the Authority increased 0.3% over the prior period. The forecast for FY 2015 is \$869,000 and thereafter revenues grow in proportion to enplaned passengers.

Table 29
PARADIES-LOUISVILLE CONCESSION REVENUES
 Louisville International Airport

	Airport revenue	Percent change	Enplaned passengers	Percent change	Revenue per E.P.
Actual 12-months ended					
June 30, 2011	\$ 885,002		1,694,781		\$ 0.52
June 30, 2012	864,040	(2.4%)	1,683,285	(0.7%)	0.51
June 30, 2013	879,668	1.8	1,714,706	1.9	0.51
Unaudited 9-months ended					
March 31, 2013	\$ 609,988		1,256,771		\$ 0.49
March 31, 2014	611,791	0.3%	1,229,721	(2.2%)	0.50
12-months ended June 30, 2014					
LRAA Budget	\$ 863,500	(1.8%)	1,700,000	(0.9%)	\$ 0.51
LeighFisher Forecast	\$ 863,500	(1.8%)	1,674,200	(2.4%)	\$ 0.52

Note: E.P.=Enplaned passenger.

Source: Louisville Regional Airport Authority and LeighFisher.

Other Terminal Revenues. Other terminal revenues are derived primarily from taxis and limos (\$287,000 in FY 2013), advertising (\$464,000), and various airport services (\$240,000). No material changes are assumed in the nature or volume of these services during the Forecast Period and revenues generally are forecast to increase in proportion to enplaned passengers.

The Authority also classifies as other terminal area revenues (\$805,000 in FY 2013), terminal rents paid by tenants at the applicable airside or landside rental rate. This includes approximately 4,700 square feet of storage and office space leased by Host, approximately 2,040 square feet leased by Paradies, and 2,300 square feet leased by rental car companies.

Parking Facilities

The Airport’s public parking is accommodated by three types of facilities: a terminal garage, surface lot, and credit card-only lot. Parking customers are divided into three groups determined by their duration of stay: hourly, daily, and weekly customers.

	Rate		
	Hourly	Daily	Weekly
Parking garage			
Under 4 Hours	\$1 first hour and each addl 1/2 hour	\$19	no discount
Over 4 Hours	\$2 first hour and each addl hour	\$13	\$78
Surface Lot	n/a	\$9	\$54
Credit Card-Only Lot	\$1 first hour and each addl 1/2 hour	\$15	\$90

Source: Louisville Regional Airport Authority.

Through the first six months of FY 2014 (July 1, 2013 through December 31, 2013), total parking transactions were down 3.7% compared to the same period of FY 2013. However revenues increased during the same six month period due to higher revenue per transaction.

Parking revenues increased 2.4% through the first nine months of FY 2014 (July 1, 2013 through March 31, 2014) while enplaned passengers decreased 2.2% over the period (see Table 31). This increase in parking revenues has been driven by local demand and not through changes to the rate structure (the Authority’s last garage rate increase was in July 2010, and the last surface lot rate increase was July 2004).

Parking revenues are forecast to increase to \$15.2 million in FY 2015, and thereafter are projected to increase in proportion to enplanements. There are no price increases assumed during the Forecast Period due to rate changes or revenue increases per transaction.

Table 31
PARKING REVENUES
 Louisville International Airport

	<u>Airport revenue</u>	<u>Percent change</u>	<u>Enplaned passengers</u>	<u>Percent change</u>	<u>Revenue per E.P.</u>
Actual 12-months ended					
June 30, 2011	\$ 14,645,698		1,694,781		\$ 8.64
June 30, 2012	14,810,264	1.1%	1,683,285	(0.7%)	8.80
June 30, 2013	15,199,044	2.6	1,714,706	1.9	8.86
Unaudited 9-months ended					
March 31, 2013	\$ 11,201,004		1,256,771		\$ 8.91
March 31, 2014	11,472,020	2.4%	1,229,721	(2.2%)	9.33
12-months ended June 30, 2014					
LRAA Budget	\$ 15,100,000	(0.7%)	1,700,000	(0.9%)	\$ 8.88
LeighFisher Forecast	\$ 15,100,000	(0.7%)	1,674,200	(2.4%)	\$ 9.02

Note: E.P.=Enplaned passenger.

Source: Louisville Regional Airport Authority and LeighFisher.

Rental Cars

Rental car revenues are derived from three major sources – concession rentals, a Quick Turn Around (QTA) facility, and a Customer Contract Fee (CCF). The Authority also receives a small amount from off-airport rentals.

Table 32
RENTAL CAR REVENUES BY TYPE
 Louisville International Airport
 (for the 12 months ended June 30, 2013; in thousands)

	Concession rentals			Other rental car revenues			Total
	Additional		Subtotal	Space			
	MAG	rent		QTA	rent (a)	CCF	
Avis Rent a Car	\$ 701	\$ 149	\$ 850	\$ 65	\$ 121	\$ 238	\$ 1,273
Budget Car & Truck Rental	403	96	499	32	93	130	754
Dollar/Thrifty	551	40	591	58	--	166	814
Enterprise Rent a Car	834	135	969	36	49	266	1,320
Enterprise DBA Alamo Rent a Car	269	17	286	29	--	77	392
Enterprise DBA National Car Rental	635	180	815	40	93	250	1,199
Simply Wheelz - Advantage Rent a Car	248	4	252	1	--	73	326
The Hertz Corporation	912	217	1,130	80	105	319	1,634
Off Airport	--	--	--	--	--	--	53
	<u>\$ 4,554</u>	<u>\$ 838</u>	<u>\$ 5,393</u>	<u>\$ 340</u>	<u>\$ 461</u>	<u>\$ 1,519</u>	<u>\$ 7,765</u>

Note: Excludes ticket counter space in terminal building.

Columns may not add to totals shown due to rounding.

Source: Louisville Regional Airport Authority.

Concession Rentals. The Authority currently has eight (8) on-airport rental car concession agreements with; Avis, Budget, Enterprise, Alamo, National, Hertz, Dollar / Thrifty, and Advantage. The agreements expire in August 2015 and authorize the companies to operate automobile rental businesses at the Airport subject to various conditions, including the payment of the concession fee. The agreements specify that the greater of the agreed minimum monthly guarantee or 10% of revenues be paid to the Authority. The minimum monthly guarantee is subject to automatic adjustment to one twelfth of 80% of the total concession fees payable to the Authority in the second year, 85% in the third year, and 90% in the fourth and fifth years.

Table 33
RENTAL CAR REVENUES
 Louisville International Airport

	<u>Airport revenue</u>	<u>Percent change</u>	<u>Enplaned passengers</u>	<u>Percent change</u>	<u>Revenue per E.P.</u>
Actual 12-months ended					
June 30, 2011	\$ 7,196,898		1,694,781		\$ 4.25
June 30, 2012	7,425,522	3.2%	1,683,285	(0.7%)	4.41
June 30, 2013	7,765,485	4.6	1,714,706	1.9	4.53
Unaudited 9-months ended					
March 31, 2013	\$ 5,721,199		1,256,771		\$ 4.55
March 31, 2014	5,925,808	3.6%	1,229,721	(2.2%)	4.82
12-months ended June 30, 2014					
LRAA Budget	\$ 7,750,000	(0.2%)	1,700,000	(0.9%)	\$ 4.56
LeighFisher Forecast	\$ 7,750,000	(0.2%)	1,674,200	(2.4%)	\$ 4.63

Notes: E.P.=Enplaned passenger.

Excludes ticket counter space in terminal building.

Source: Louisville Regional Airport Authority and LeighFisher.

On November 5, 2013, Advantage filed for Chapter 11 bankruptcy, and ceased operations at the Airport in January 2014. Avis/Budget has requested Advantage's rights and obligations be transferred over to the Payless Rent-A-Car brand, a wholly owned Avis/Budget subsidiary.

The Authority does not expect any material changes to existing Agreements when they expire in 2015 and this forecast assumes similar lease and commission terms and conditions will apply throughout the Forecast Period.

Quick Turn Around Facility. The Authority also operates a QTA facility adjacent to the passenger terminal. This facility was recently expanded, increasing capacity from 445 spaces to 699. These QTA spaces are available to the rental car companies on a per space basis. Due to the expansion, QTA revenues for FY 2015 are forecast to be \$513,000, up from \$340,000 in FY 2013 and \$417,000 in the FY 2014 budget.

Customer Contract Fee. The Authority charges a \$5.00 CCF on each rental transaction for the privilege of using the Airport facilities. The Authority has the right to increase, decrease, or eliminate the CCF, as well as change the method of charging at its sole discretion, with appropriate written notice to the Rental Car companies. All proceeds are used in accordance with the finding, determinations and resolutions adopted in July 2000 by the Authority's Board of Directors. In 2013, there were 303,710 rental car transactions, which amounted to \$1,518,550 in CCF charges.

The Authority historically has included CCFs as Operating Revenues per GAAP. Per the Resolution, CCFs can be considered Other Available Revenues and included as Revenues for Rate Covenant Requirement purposes. The Authority intends to designate CCFs as Other Available Revenues throughout the Forecast Period, which is the assumption used in this Report and in the accompanying exhibits.

Other Airport Revenues

The Authority has entered in leases with a number of tenants for hangars and buildings throughout the airfield. The FBO facility is leased to Atlantic Aviation through 2016 for \$880,000 per year. There are two large MRO hangars currently under lease that generate \$1.35 million per year for the Authority. Compass Airlines leases one through 2018 with an option to extend until 2028, while the other hangar is leased by Republic Airlines with options until 2021. There are six tenants in the multi-tenant cargo facility that are leased to tenants that pay between \$16,000 and \$190,000 per year and there are other aviation facilities that are leased to the TSA and U.S. Customs and Border Protection. The Authority received \$3.2 million for aviation related facility leases in FY 2013.

Land leases generated a further \$2.0 million in FY 2013. The largest tenants include Federal Express, USPS and properties occupied by corporate aviation hangars. Both Compass and Republic also pay ground rentals in addition to hangar rents.

Table 34
LAND AND BUILDING LEASES
Louisville International Airport

	<u>Airport revenue</u>	<u>Percent change</u>
Actual 12-months ended		
June 30, 2011	\$ 5,013,675	
June 30, 2012	5,151,692	2.8%
June 30, 2013	5,052,776	1.9
Unaudited 9-months ended		
March 31, 2013	\$ 3,793,893	
March 31, 2014	3,818,303	0.6%
12-months ended June 30, 2014		
LRAA Budget	\$ 4,986,739	(1.3%)
LeighFisher Forecast	\$ 4,986,739	(1.3%)

Source: Louisville Regional Airport Authority and LeighFisher.

Other revenues to the Authority include sale of scrap and audit recoveries. These can fluctuate from year to year and the forecast assumes annual revenues of \$18,000.

Bowman Field

Bowman Field generated \$1.6 million of revenue for the Authority in FY 2013. More than half of Bowman Field revenues come from leasing the 217 T-hangars on the property. Leases are issued either on a month-to-month basis at premium rates or for one-year terms. Every February the Authority issues new leases to all existing tenants. Less than 10% of the hangars are currently vacant.

DEBT SERVICE COVERAGE AND RATE COVENANT REQUIREMENT COMPLIANCE

Debt Service coverage and Rate Covenant Requirement compliance are forecast to be met during the Forecast Period as demonstrated on Exhibit H.

Among other assumptions noted in this Financial Analysis section, revenues and operating expenses were forecast assuming the baseline forecasts of enplaned passengers and aircraft landed weight presented in Table 20 of this Report. (See the chapter "Aviation Activity Analysis" and caption "Airline Passenger and Cargo Activity Forecasts" and the subsections "Enplaned Passenger Forecast" and "Landed Weight Forecast").

HYPOTHETICAL SCENARIO FINANCIAL PROJECTIONS

Exhibit I summarizes projected financial results and Rate Covenant Requirement compliance through FY 2019 associated with the hypothetical scenario passenger projections of enplaned passengers and aircraft landed weight presented in Figure 13 and Figure 14, respectively of this Report. (See the chapter "Aviation Activity Analysis" and caption "Airline Passenger and Cargo Activity Forecasts" and the subsection "Hypothetical Scenario").

All assumptions underlying the hypothetical scenario financial projections are the same as those for the baseline financial forecasts, except revenues forecast based on passenger numbers, such as PFC revenues, concession revenues, parking revenues, and rental car revenues.

Under the hypothetical scenario the Authority is forecast to satisfy the Rate Covenant Requirement.

EXHIBIT A

CAPITAL IMPROVEMENT PROGRAM
LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

	Project Costs	Forecast 2015	2016	2017	2018	2019
Project Costs						
Construct Runway 11-29 Safety Area Improvements	\$ 19,100	\$ 12,500	\$ 6,600	\$ -	\$ -	\$ -
Construct Fillet Improvements (Group VI)	5,500	2,500	3,000	-	-	-
Continue Part 150 Sound Insulation	10,500	2,222	1,000	2,500	2,778	2,000
Continue Part 150 Land Acquisition	1,500	-	1,500	-	-	-
Continue Part 150 Relocation	3,000	-	-	-	3,000	-
Develop Terminal Remodeling Concept Plan and Design	1,000	1,000	-	-	-	-
Remodeling of Terminal Building (Design and Construction)	7,000	-	7,000	-	-	-
Deisgn & Construct Taxiway "R"	12,000	-	-	6,500	5,500	-
Reconstruct Terminal Ramp	2,700	-	-	2,700	-	-
Rehabilitate Taxiway "G"	3,000	-	-	3,000	-	-
Rehabilitate Taxiway "N"	7,500	-	-	-	7,500	-
Construct Taxiway "S" Connector	5,000	-	-	-	-	5,000
Replace Airport Perimeter Fence	3,000	-	-	-	-	3,000
Other	5,280	125	1,375	500	725	2,555
Capital Equipment	8,704	1,884	2,180	1,470	1,670	1,500
Major Maintenance /1	36,190	5,220	4,940	5,875	6,525	13,630
Bowman Field - Capital	16,580	2,125	1,875	2,830	4,700	5,050
Bowman Field - Maintenance	941	55	153	78	3	653
Total	\$ 148,494	\$ 27,631	\$ 29,623	\$ 25,453	\$ 32,400	\$ 33,388

	Project Costs	AIP Grants			CCF or PFC	LRAA Funds
		Entitlement	Discretionary	Part 150 Sound		
Sources of Funding						
Construct Runway 11-29 Safety Area Improvements	\$ 19,100	\$ 17,190	\$ -	\$ -	\$ 1,910	\$ -
Construct Fillet Improvements (Group VI)	5,500	4,950	-	-	-	550
Continue Part 150 Sound Insulation	10,500	-	-	9,450	1,050	-
Continue Part 150 Land Acquisition	1,500	-	-	1,350	150	-
Continue Part 150 Relocation	3,000	-	-	2,700	300	-
Develop Terminal Remodeling Concept Plan and Design	1,000	-	-	-	-	1,000
Remodeling of Terminal Building (Design and Construction)	7,000	-	-	-	-	7,000
Deisgn & Construct Taxiway "R"	12,000	10,800	-	-	-	1,200
Reconstruct Terminal Ramp	2,700	2,430	-	-	-	270
Rehabilitate Taxiway "G"	3,000	2,700	-	-	-	300
Rehabilitate Taxiway "N"	7,500	6,750	-	-	-	750
Construct Taxiway "S" Connector	5,000	4,500	-	-	-	500
Replace Airport Perimeter Fence	3,000	2,700	-	-	-	300
Other	5,280	1,620	900	630	70	2,060
Capital Equipment	8,704	297	-	-	-	8,407
Major Maintenance	36,190	20,437	-	-	-	15,753
Bowman Field - Capital	16,580	8,505	-	-	-	8,075
Bowman Field - Maintenance	941	-	-	-	-	941
Total	\$ 148,494	\$ 82,879	\$ 900	\$ 14,130	\$ 3,480	\$ 47,105

Source: Louisville Regional Airport Authority.

Note: Totals may not add due to rounding.

EXHIBIT B
PLAN OF REFUNDING
 LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (dollars in thousands)

	Series 2014A	Series 2014B	Series 2014C	Total
Sources of Funds				
Par Amount	\$ 123,695	\$ 3,435	\$ 127,085	\$ 254,215
Premium	9,842	270	-	10,112
Debt Service Account Release	9,856	431	11,136	21,423
Debt Service Reserve Fund	18,190	808	9,790	28,788
Debt Service Funds - LRAA	1,092	48	1,315	2,455
PFC Account	-	-	5,000	5,000
Total	<u>\$ 162,674</u>	<u>\$ 4,993</u>	<u>\$ 154,326</u>	<u>\$ 321,993</u>
Uses of Funds				
Deposits to Escrow	\$ 152,964	\$ 4,720	\$ 144,335	\$ 302,019
Deposits to Debt Service Reserve Fund	8,968	249	9,214	18,432
Cost of Issuance	741	24	777	1,541
Total	<u>\$ 162,674</u>	<u>\$ 4,993</u>	<u>\$ 154,326</u>	<u>\$ 321,993</u>

Source: Public Financial Management, Inc.

Note: Preliminary and subject to change. Totals may not add due to rounding.

EXHIBIT C

AGGREGATE DEBT SERVICE
LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

	Actual 2013	Budget 2014	Forecast 2015	2016	2017	2018	2019
Aggregate Debt Service							
Refunded Bonds	\$ 31,938	\$ 30,280					
2014 Airport System Revenue Refunding Bonds							
2014 Series A			\$ 12,539	\$ 12,960	\$ 13,453	\$ 13,526	\$ 14,075
2014 Series B			470	470	469	465	471
2014 Series C	-	-	14,070	14,026	14,038	11,837	11,289
Total 2014 Airport System Revenue Refunding Bonds	\$ 31,938	\$ 30,280	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835
Other "Repayment Obligations"	-	-	-	-	-	-	-
Subtotal	\$ 31,938	\$ 30,280	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835
Less Other Moneys Available for Debt Service (PFCs)	(4,504)	(4,542)	(2,596)	(2,632)	(2,684)	-	-
Aggregate Debt Service	\$ 27,433	\$ 25,737	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835
Cost Center Allocation of Aggregate Debt Service							
Airfield		\$ 13,555	\$ 12,556	\$ 12,483	\$ 12,442	\$ 11,143	\$ 11,081
Terminal Apron Area		564	586	585	586	3	3
Terminal Landside Area		500	344	340	331	327	324
Terminal Airside Area		1,900	1,774	1,768	1,764	397	395
Parking and Ground Transportation Area		2,398	2,693	2,678	2,688	5,793	5,745
Other Areas		11,363	9,127	9,602	10,149	8,166	8,287
Subtotal		\$ 30,280	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835
Less Other Moneys Available for Debt Service (PFCs) applied to Debt Service in "Other Areas" cost center)		(4,542)	(2,596)	(2,632)	(2,684)	-	-
Aggregate Debt Service		\$ 25,737	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835

Sources: Historical/Budget - Louisville Regional Airport Authority; Forecast - Public Financial Management, Inc.

Note: Preliminary and subject to change. Totals may not add due to rounding.

EXHIBIT D-1

OPERATING EXPENSES
LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Actual 2013	Budget 2014	Forecast 2015	2016	2017	2018	2019
By Category							
Payroll/Related Expenses	\$ 11,376	\$ 11,704	\$ 12,273	\$ 12,580	\$ 12,894	\$ 13,217	\$ 13,547
Contract Services	5,069	5,388	5,430	5,512	5,594	5,678	5,820
Supplies & Parts	990	1,149	1,165	1,188	1,212	1,236	1,261
Communications	176	164	146	151	155	160	165
Office Supplies	236	226	221	227	234	241	248
Conf., Seminars, Travel & Meals	154	238	265	273	281	289	298
Dues, Memberships & Subscriptions	149	158	158	163	168	173	178
Professional & Consulting Fees	1,963	1,981	2,007	2,067	2,129	2,193	2,258
Other	201	116	104	107	111	114	117
Utilities	3,742	3,787	3,930	4,008	4,088	4,170	4,274
Business Insurance	582	644	674	694	715	736	759
Retirement Benefits	2,143	2,134	2,089	2,152	2,217	2,283	2,352
Provision for Uncollectibles	(30)	-	17	-	-	-	-
Recoveries	(1,945)	(1,729)	(1,742)	(1,794)	(1,848)	(1,904)	(1,961)
Total	\$ 24,806	\$ 25,961	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317
By Functional Area							
Operations & Maintenance	\$ 13,905	\$ 14,563	\$ 15,086	\$ 15,419	\$ 15,770	\$ 16,130	\$ 16,541
Planning & Engineering	459	529	567	579	592	606	621
Finance, Administration & Parking	6,080	6,387	6,413	6,555	6,704	6,857	7,032
Executive	2,859	2,864	3,017	3,084	3,154	3,226	3,308
Bowman Field	1,503	1,618	1,655	1,692	1,730	1,770	1,815
Total	\$ 24,806	\$ 25,961	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317
By Cost Center							
Airfield	\$ 6,985	\$ 7,302	\$ 7,518	\$ 7,698	\$ 7,886	\$ 8,079	\$ 8,303
Terminal Apron Area	1,032	1,113	1,113	1,141	1,169	1,197	1,230
Terminal Landside Area	4,389	4,580	4,742	4,861	4,980	5,102	5,244
Terminal Airside Area	3,935	4,106	4,268	4,375	4,482	4,592	4,719
Parking and Ground Transportation Area	3,876	4,193	4,338	4,460	4,574	4,691	4,821
Other Areas	4,589	4,668	4,757	4,794	4,859	4,926	5,000
Total	\$ 24,806	\$ 25,961	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317

Sources: Historical/Budget - Louisville Regional Airport Authority; Forecast - LeighFisher.

Note: Totals may not add due to rounding.

EXHIBIT D-2

MAJOR MAINTENANCE

LOUISVILLE REGIONAL AIRPORT AUTHORITY
(for the 12 months ending June 30; numbers in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019
Major Maintenance	\$ 4,908	\$ 5,220	\$ 4,940	\$ 5,875	\$ 6,525	\$ 13,630
Less: Estimated Grant and Other Funding or Adjustments	<u>(2,325)</u>	<u>(2,649)</u>	<u>(2,250)</u>	<u>(2,700)</u>	<u>(3,375)</u>	<u>(9,788)</u>
Net Costs	\$ 2,583	\$ 2,571	\$ 2,690	\$ 3,175	\$ 3,150	\$ 3,843
Allocation of Net Costs						
Airfield	55.6%	62.8%	58.2%	58.2%	58.2%	71.0%
Terminal Apron Area	12.5%	12.5%	11.9%	11.9%	11.9%	8.1%
Terminal Landside Area	6.7%	8.2%	7.4%	7.4%	7.4%	4.4%
Terminal Airside Area	7.0%	5.1%	9.5%	9.5%	9.5%	4.6%
Parking and Ground Transportation Area	5.1%	4.6%	6.4%	6.4%	6.4%	3.3%
Other Areas	<u>13.2%</u>	<u>6.8%</u>	<u>6.7%</u>	<u>6.7%</u>	<u>6.7%</u>	<u>8.6%</u>
Total Allocation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost Center Allocation						
Airfield	\$ 1,436	\$ 1,614	\$ 1,566	\$ 1,849	\$ 1,834	\$ 2,728
Terminal Apron Area	322	322	320	378	375	313
Terminal Landside Area	172	210	198	234	232	168
Terminal Airside Area	180	132	255	301	299	175
Parking and Ground Transportation Area	132	118	171	202	200	128
Other Areas	<u>341</u>	<u>175</u>	<u>179</u>	<u>211</u>	<u>210</u>	<u>331</u>
Total Allocation	\$ 2,583	\$ 2,571	\$ 2,690	\$ 3,175	\$ 3,150	\$ 3,843

Sources: Louisville Regional Airport Authority, Capital Improvement Program.

Notes: Cost center allocation for 2014 and 2015 based on information provided by the Louisville Regional Airport Authority; allocations for 2016-2019 based on 2011-2015 (5-year) average. Totals may not add due to rounding.

EXHIBIT D-3

CAPITAL EQUIPMENT CHARGES
LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; numbers in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019
Capital Equipment Charges	\$ 1,460	\$ 1,884	\$ 2,180	\$ 1,470	\$ 1,670	\$ 1,500
Less: Estimated Grant and Other Funding or Adjustments	(429)	(927)	(54)	(63)	(63)	(63)
Net Costs	\$ 1,031	\$ 957	\$ 2,126	\$ 1,407	\$ 1,607	\$ 1,437
Allocation of Net Costs						
Airfield	42.4%	38.6%	40.5%	40.5%	40.5%	40.5%
Terminal Apron Area	1.1%	3.5%	2.3%	2.3%	2.3%	2.3%
Terminal Landside Area	3.3%	5.7%	4.5%	4.5%	4.5%	4.5%
Terminal Airside Area	7.9%	15.5%	11.7%	11.7%	11.7%	11.7%
Parking and Ground Transportation Area	36.7%	28.6%	32.7%	32.7%	32.7%	32.7%
Other Areas	<u>8.5%</u>	<u>8.1%</u>	<u>8.3%</u>	<u>8.3%</u>	<u>8.3%</u>	<u>8.3%</u>
Total Allocation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost Center Allocation						
Airfield	\$ 437	\$ 370	\$ 861	\$ 570	\$ 651	\$ 582
Terminal Apron Area	12	33	49	33	37	33
Terminal Landside Area	34	55	96	63	72	65
Terminal Airside Area	82	148	249	165	188	168
Parking and Ground Transportation Area	379	273	694	460	525	469
Other Areas	<u>88</u>	<u>78</u>	<u>177</u>	<u>117</u>	<u>134</u>	<u>120</u>
Total Allocation	\$ 1,031	\$ 957	\$ 2,126	\$ 1,407	\$ 1,607	\$ 1,437

Sources: Louisville Regional Airport Authority, Capital Improvement Program.

Notes: Cost center allocation for 2014 and 2015 based on information provided by the Louisville Regional Airport Authority; allocations for 2016-2019 based on 2014-2015 (2-year) average. Totals may not add due to rounding.

EXHIBIT E
REVENUES
 LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Actual 2013	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Louisville International Airport Revenues								
<u>Landing and Field Use Fees</u>								
Passenger Signatory Landing Fees	\$ 2,676	\$ 2,677	\$ 2,522	\$ 2,549	\$ 2,536	\$ 2,384	\$ 2,501	Exhibit F-1
Cargo Signatory	15,729	15,825	16,555	16,715	16,727	15,813	16,678	Exhibit F-1
Non-Signatory	489	535	468	603	599	562	589	Exhibit F-1
Subtotal Landing Fee Revenues	\$ 18,893	\$ 19,036	\$ 19,545	\$ 19,867	\$ 19,862	\$ 18,760	\$ 19,768	
Other Airfield Revenue	348	337	339	343	346	350	353	
Total Landing and Field Use Fees	\$ 19,241	\$ 19,373	\$ 19,884	\$ 20,209	\$ 20,208	\$ 19,110	\$ 20,121	
<u>Apron Area</u>								
Apron Rent - Signatory	\$ 1,033	\$ 1,575	\$ 1,671	\$ 1,693	\$ 1,747	\$ 1,331	\$ 1,317	Exhibit F-2
Other Apron Area Revenue	1,111	674	690	699	718	608	609	
Total Apron Area	\$ 2,144	\$ 2,249	\$ 2,360	\$ 2,392	\$ 2,464	\$ 1,939	\$ 1,926	
<u>Concessions and Terminal Area</u>								
Parking Facilities	\$ 15,199	\$ 15,100	\$ 15,200	\$ 15,352	\$ 15,505	\$ 15,660	\$ 15,817	
<u>Rental Cars</u>								
Rental Car Facilities - Concessions	\$ 5,907	\$ 5,882	\$ 5,966	\$ 6,023	\$ 6,087	\$ 6,178	\$ 6,238	
Rental Car Facilities - QTA	340	418	513	523	534	544	555	
Rental Car Facilities - CCF /1	1,519	1,450	1,441	1,455	1,469	1,484	1,499	
Total Rental Cars	\$ 7,765	\$ 7,750	\$ 7,919	\$ 8,002	\$ 8,091	\$ 8,207	\$ 8,292	
Food and Beverage	\$ 1,010	\$ 940	\$ 1,049	\$ 1,059	\$ 1,070	\$ 1,081	\$ 1,092	
General Merchandise	\$ 880	\$ 864	\$ 869	\$ 877	\$ 886	\$ 895	\$ 904	
Advertising	\$ 464	\$ 450	\$ 442	\$ 447	\$ 451	\$ 456	\$ 460	
Taxis and Limos	\$ 287	\$ 244	\$ 237	\$ 240	\$ 242	\$ 244	\$ 247	
<u>Airline Rentals and Fees</u>								
Signatory Airline Landside Rentals	\$ 505	\$ 472	\$ 427	\$ 349	\$ 355	\$ 381	\$ 383	Exhibit F-3
Baggage Claim Rents	1,370	1,153	1,166	1,174	1,196	1,284	1,291	Exhibit F-3
In-line Baggage Screening and Make-up	2,108	2,106	2,130	2,176	2,229	2,627	2,677	
Airline Operations Space	834	795	795	789	792	678	668	Exhibit F-4
Hold Room Space	1,567	1,501	1,495	1,552	1,558	1,332	1,314	Exhibit F-5
RJ Gate Use Fees	122	120	90	93	94	80	79	
Total Airline Rentals and Fees	\$ 6,505	\$ 6,147	\$ 6,103	\$ 6,133	\$ 6,224	\$ 6,382	\$ 6,412	
Airport Services	\$ 240	\$ 245	\$ 249	\$ 254	\$ 260	\$ 265	\$ 271	
Other Terminal Area Revenues	\$ 805	\$ 684	\$ 667	\$ 678	\$ 687	\$ 689	\$ 690	
Total Concessions and Terminal Area	\$ 33,156	\$ 32,423	\$ 32,736	\$ 33,041	\$ 33,415	\$ 33,879	\$ 34,185	
<u>Land and Building Leases and Other Revenues</u>								
Aviation Related Facility Leases	\$ 3,174	\$ 3,113	\$ 3,159	\$ 3,191	\$ 3,223	\$ 3,255	\$ 3,288	
Land Leases and Others	1,879	1,874	2,117	2,214	2,236	2,258	2,281	
Other Revenues	152	18	18	18	18	18	18	
Total Land and Building Leases and Other Revenues	\$ 5,205	\$ 5,005	\$ 5,295	\$ 5,422	\$ 5,476	\$ 5,531	\$ 5,586	
Total Louisville International	\$ 59,746	\$ 59,049	\$ 60,275	\$ 61,066	\$ 61,563	\$ 60,458	\$ 61,818	
Bowman Field	1,626	1,666	1,553	1,568	1,584	1,600	1,616	
Total LRAA Operating Revenues	\$ 61,371	\$ 60,715	\$ 61,828	\$ 62,634	\$ 63,147	\$ 62,058	\$ 63,434	
Investment Earnings, Net	\$ 1,175	\$ 252	\$ 153					
Total LRAA Revenues	\$ 62,546	\$ 60,968	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587	

Sources: Historical - Louisville Regional Airport Authority; Forecast - LeighFisher.

Notes: 1. The Authority intends to designate CCFs as "Other Available Revenues"
 Totals may not add due to rounding.

EXHIBIT F-1

LANDING FEE RATE
LOUISVILLE INTERNATIONAL AIRPORT
(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Airfield requirements							
O&M Expenditures	\$ 7,302	\$ 7,518	\$ 7,698	\$ 7,886	\$ 8,079	\$ 8,303	Exhibit D-1
Major Maintenance	1,436	1,614	1,566	1,849	1,834	2,728	Exhibit D-2
Capital Equipment Charges	437	370	861	570	651	582	Exhibit D-3
Debt Service	13,555	12,556	12,483	12,442	11,143	11,081	Exhibit C
Amortization of Authority-Funded Assets	1,956	2,017	1,665	1,535	1,522	1,530	
Bowman Field Deficit (Surplus)	216	219	219	219	219	219	
Total Airfield Requirement	\$ 24,902	\$ 24,294	\$ 24,492	\$ 24,501	\$ 23,448	\$ 24,442	
Less:							
Debt Service Offset /1	\$ 5,688	\$ 4,508	\$ 4,508	\$ 4,507	\$ 4,509	\$ 4,511	
Non-Signatory Landing and Parking Fees	631	630	639	649	659	669	
Expense Credits	80	80	81	82	83	84	
Reconciliation to Budget	3	-	-	-	-	-	
Signatory Airfield Requirement	\$ 18,502	\$ 19,077	\$ 19,264	\$ 19,263	\$ 18,198	\$ 19,179	
Total Signatory Landed Weight (millions of pounds)	13,132	13,467	13,587	13,788	13,989	14,190	
Signatory Landing Fee per 1,000 pounds	\$ 1.409	\$ 1.417	\$ 1.418	\$ 1.397	\$ 1.301	\$ 1.352	
Signatory Airlines Passenger Landed Weight (millions of pounds)	1,900	1,780	1,798	1,815	1,833	1,851	
Signatory Airlines Passenger Landing Fee revenues	\$ 2,677	\$ 2,522	\$ 2,549	\$ 2,536	\$ 2,384	\$ 2,501	
Signatory Cargo Landed Weight (millions of pounds)	11,232	11,687	11,790	11,972	12,156	12,340	
Signatory Cargo Landed Fee Revenues	\$ 15,825	\$ 16,555	\$ 16,715	\$ 16,727	\$ 15,813	\$ 16,678	
Non-Signatory Landed Weight (millions of pounds)	330	287	370	373	376	379	
Non-Signatory Landing Fee /2	\$ 1.62	\$ 1.63	\$ 1.63	\$ 1.61	\$ 1.50	\$ 1.55	
Non-Signatory Cargo Landed Fee Revenues	\$ 535	\$ 468	\$ 603	\$ 599	\$ 562	\$ 589	
Total Landing Fee Revenues	\$ 19,036	\$ 19,545	\$ 19,867	\$ 19,862	\$ 18,760	\$ 19,768	

Sources: Louisville Regional Airport Authority; LeighFisher.

Notes: 1. Equivalent to 57% of the Airlines' pro-rata share of the Original 1993 C Series Debt Service.
2. The Authority charges a 15% premium for Non-signatory carriers.
Totals may not add due to rounding.

EXHIBIT F-2

TERMINAL APRON AREA RENTAL RATE

LOUISVILLE INTERNATIONAL AIRPORT

(for the 12 months ending June 30; dollars in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Terminal Apron Requirement							
O&M Expenditures	\$ 1,113	\$ 1,113	\$ 1,141	\$ 1,169	\$ 1,197	\$ 1,230	Exhibit D-1
Major Maintenance	322	322	320	378	375	313	Exhibit D-2
Capital Equipment Charges	12	33	49	33	37	33	Exhibit D-3
Debt Service	564	586	585	586	3	3	Exhibit C
Amortization of Authority-Funded Assets	59	69	57	55	79	95	
Total Terminal Apron Requirement	\$ 2,070	\$ 2,123	\$ 2,152	\$ 2,220	\$ 1,691	\$ 1,674	
Less:							
Unleased Gate and Per Turn Fees	\$ 440	\$ 453	\$ 459	\$ 473	\$ 360	\$ 357	
Other Credits	55	-	-	-	-	-	
Net Terminal Apron Requirement	\$ 1,575	\$ 1,671	\$ 1,693	\$ 1,747	\$ 1,331	\$ 1,317	
Apron Linear Feet	1,748	1,748	1,746	1,746	1,746	1,746	
Apron Rental Rate per Linear Foot	\$ 900.99	\$ 955.76	\$ 969.67	\$ 1,000.36	\$ 762.05	\$ 754.40	
Apron Rent - Signatory							
Apron Linear Feet	1,748	1,748	1,746	1,746	1,746	1,746	
Multiplied by: Apron Rental Rate per Linear Foot	\$ 900.99	\$ 955.76	\$ 969.67	\$ 1,000.36	\$ 762.05	\$ 754.40	
Apron Rent - Signatory	\$ 1,575	\$ 1,671	\$ 1,693	\$ 1,747	\$ 1,331	\$ 1,317	

Sources: Louisville Regional Airport Authority; LeighFisher.

EXHIBIT F-3

LANDSIDE TERMINAL RENTAL RATE
LOUISVILLE INTERNATIONAL AIRPORT

(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Landside Terminal Building Requirements							
O&M Expenditures	\$ 4,580	\$ 4,742	\$ 4,861	\$ 4,980	\$ 5,102	\$ 5,244	Exhibit D-1
Major Maintenance	172	210	198	234	232	168	Exhibit D-2
Capital Equipment Charges	34	55	96	63	72	65	Exhibit D-3
Debt Service	500	344	340	331	327	324	Exhibit C
Amortization of Authority-Funded Assets	436	433	331	326	633	603	
Total Landside Terminal Requirement	\$ 5,722	\$ 5,783	\$ 5,825	\$ 5,934	\$ 6,366	\$ 6,403	
Less							
Expense Credits	\$ 128	\$ 125	\$ 129	\$ 133	\$ 137	\$ 141	
Net Landside Terminal Requirement	\$ 5,594	\$ 5,658	\$ 5,696	\$ 5,802	\$ 6,229	\$ 6,262	
Useable Square Feet	172,130	172,130	172,130	172,130	172,130	172,130	
Landside Terminal Rental Rate per Square Foot	\$ 32.50	\$ 32.87	\$ 33.09	\$ 33.71	\$ 36.19	\$ 36.38	
Leased Square Feet	14,530	12,987	10,535	10,535	10,535	10,535	
Signatory Terminal Lease Revenues	\$ 472	\$ 427	\$ 349	\$ 355	\$ 381	\$ 383	
Baggage Claim Square Feet	35,472	35,472	35,472	35,472	35,472	35,472	
Baggage Claim Revenues	\$ 1,153	\$ 1,166	\$ 1,174	\$ 1,196	\$ 1,284	\$ 1,291	

Sources: Louisville Regional Airport Authority; LeighFisher.

Note: Totals may not add due to rounding.

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EXHIBIT F-4

AIRSIDE TERMINAL RENTAL RATE
LOUISVILLE INTERNATIONAL AIRPORT

(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Airside Terminal Building Requirements							
O&M Expenditures	\$ 4,106	\$ 4,268	\$ 4,375	\$ 4,482	\$ 4,592	\$ 4,719	Exhibit D-1
Major Maintenance	180	132	255	301	299	175	Exhibit D-2
Capital Equipment Charges	82	148	249	165	188	168	Exhibit D-3
Debt Service	1,900	1,774	1,768	1,764	397	395	Exhibit C
Amortization of Authority-Funded Assets	<u>591</u>	<u>504</u>	<u>437</u>	<u>403</u>	<u>640</u>	<u>581</u>	
Total Airside Terminal Requirement	\$ 6,858	\$ 6,826	\$ 7,084	\$ 7,115	\$ 6,116	\$ 6,038	
Less							
Expense Credits	\$ <u>162</u>	\$ <u>160</u>	\$ <u>164</u>	\$ <u>169</u>	\$ <u>174</u>	\$ <u>180</u>	
Net Airside Terminal Requirement	\$ 6,696	\$ 6,666	\$ 6,920	\$ 6,946	\$ 5,942	\$ 5,859	
Useable Square Feet /1	137,762	137,762	137,762	137,762	137,762	137,762	
Airside Terminal Rental Rate per Square Foot	\$ 48.60	\$ 48.39	\$ 50.23	\$ 50.42	\$ 43.13	\$ 42.53	
Operations Space	<u>16,355</u>	<u>16,439</u>	<u>15,711</u>	<u>15,711</u>	<u>15,711</u>	<u>15,711</u>	
Operations Space Revenues	\$ 795	\$ 795	\$ 789	\$ 792	\$ 678	\$ 668	

Sources: Louisville Regional Airport Authority; LeighFisher.

Note: 1. Total square footage is 150,260 but 12,498 sq. ft of space at regional jet gate areas are unleased.
 Totals may not add due to rounding.

EXHIBIT F-5

HOLDROOM RENTAL RATE
LOUISVILLE INTERNATIONAL AIRPORT

(for the 12 months ending June 30; dollars in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget 2014	Forecast 2015	2016	2017	2018	2019	Reference
Holdroom Rental Rate							
Total Holdroom Space	43	43	43	43	43	43	
less Unassigned Regional Jet Gates	(12)	(12)	(12)	(12)	(12)	(12)	
Net Holdroom Space	30,891	30,891	30,891	30,891	30,891	30,891	
Airside Terminal Rental Rate per Square Foot	\$ 48.60	\$ 48.39	\$ 50.23	\$ 50.42	\$ 43.13	\$ 42.53	Exhibit F-5
Holdroom Area Requirement	\$ 1,501	\$ 1,495	\$ 1,552	\$ 1,558	\$ 1,332	\$ 1,314	
less							
Per Turn Fee Revenues	\$ 114	\$ 144	\$ 149	\$ 150	\$ 128	\$ 127	
Net Holdroom Area Requirement	\$ 1,387	\$ 1,351	\$ 1,402	\$ 1,407	\$ 1,204	\$ 1,187	
Holdroom Space Assigned to Airlines	22	22	22	22	22	22	
Holdroom Cost per Square Foot	\$ 63.93	\$ 62.25	\$ 62.79	\$ 63.03	\$ 53.92	\$ 53.17	
Holdroom Space Assigned to Airlines	22	22	22	22	22	22	
Airline Holdroom Space Revenues	\$ 1,387	\$ 1,351	\$ 1,402	\$ 1,407	\$ 1,204	\$ 1,187	
Per Turn Fee Revenues	114	144	149	150	128	127	
Holdroom Space Revenues	\$ 1,501	\$ 1,495	\$ 1,552	\$ 1,558	\$ 1,332	\$ 1,314	

Sources: Louisville Regional Airport Authority; LeighFisher.

Note: Totals may not add due to rounding.

EXHIBIT G
APPLICATION OF REVENUES
LOUISVILLE REGIONAL AIRPORT AUTHORITY
(for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast					
	2015	2016	2017	2018	2019	Total
Revenues						
Louisville International Operating Revenues	\$ 60,275	\$ 61,066	\$ 61,563	\$ 60,458	\$ 61,818	
Bowman Field	1,553	1,568	1,584	1,600	1,616	
Investment Earnings, Net	<u>153</u>	<u>153</u>	<u>153</u>	<u>153</u>	<u>153</u>	
Total Revenues	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587	
Other Available Revenues	-	-	-	-	-	
Total Revenues	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587	
<u>Application of Revenues</u>						
Operating Expenses	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317	
Debt Service Fund (Net of Other Available Moneys)	24,483	24,824	25,276	25,828	25,835	
Debt Service Reserve Fund	-	-	-	-	-	
Operation and Maintenance Reserve Fund	-	-	-	-	-	
Renewal and Replacement Fund	-	-	-	-	-	
Deposit to Surplus Fund	<u>10,761</u>	<u>10,635</u>	<u>10,073</u>	<u>7,795</u>	<u>8,434</u>	\$ 47,698
Total Application of Revenues	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587	
<u>Surplus Fund Expenditures</u>						
Surplus Fund - Major Maintenance	2,571	2,690	3,175	3,150	3,843	
Surplus Fund - Capital Equipment	957	2,126	1,407	1,607	1,437	
Surplus Fund - Other Capital Improvement Program	<u>4,122</u>	<u>8,698</u>	<u>4,178</u>	<u>3,128</u>	<u>4,018</u>	
Total	\$ 7,650	\$ 13,514	\$ 8,760	\$ 7,885	\$ 9,297	\$ 47,105

Source: LeighFisher.

Note: Totals may not add due to rounding.

EXHIBIT H
RATE COVENANT REQUIREMENT COMPLIANCE
 LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Forecast				
	2015	2016	2017	2018	2019
Revenues					
Landing and Field Use Fees	\$ 19,884	\$ 20,209	\$ 20,208	\$ 19,110	\$ 20,121
Signatory Landing Fee per 1,000 pounds	\$ 1,409	\$ 1,417	\$ 1,418	\$ 1,397	\$ 1,301
Apron Area	2,360	2,392	2,464	1,939	1,926
Concessions and Terminal Area (Excl. CCFs)	31,296	31,587	31,945	32,394	32,686
Land and Building Leases and Other Revenues	<u>5,295</u>	<u>5,422</u>	<u>5,476</u>	<u>5,531</u>	<u>5,586</u>
Subtotal Louisville International Airport	\$ 58,834	\$ 59,611	\$ 60,093	\$ 58,974	\$ 60,319
Bowman Field	1,553	1,568	1,584	1,600	1,616
Investment Earnings, Net	<u>153</u>	<u>153</u>	<u>153</u>	<u>153</u>	<u>153</u>
Subtotal Revenues	\$ 60,540	\$ 61,332	\$ 61,830	\$ 60,727	\$ 62,088
Other Available Revenues (CCFs)	<u>1,441</u>	<u>1,455</u>	<u>1,469</u>	<u>1,484</u>	<u>1,499</u>
Total Revenues	\$ 61,981	\$ 62,787	\$ 63,300	\$ 62,211	\$ 63,587
Operating Expenses					
	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317
Net Revenues					
	\$ 35,243	\$ 35,459	\$ 35,349	\$ 33,623	\$ 34,269
Rolling Coverage Amount	<u>6,770</u>	<u>6,864</u>	<u>6,990</u>	<u>6,457</u>	<u>6,459</u>
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Aggregate Debt Service					
	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835
Less: Other Moneys Available for Debt Service (PFCs)	<u>(2,596)</u>	<u>(2,632)</u>	<u>(2,684)</u>	<u>-</u>	<u>-</u>
Aggregate Debt Service (net)	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835
Less: Repayment Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Aggregate Debt Service net of Repayment Obligations	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835
Rate Covenant Requirement					
<u>Section 6.12(a)(1)</u>					
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Less: Aggregate Debt Service net of Repayment Obligations x 125%	<u>(30,603)</u>	<u>(31,030)</u>	<u>(31,595)</u>	<u>(32,285)</u>	<u>(32,294)</u>
Less: Repayment Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total (Must be >=0)	\$ 11,410	\$ 11,293	\$ 10,744	\$ 7,795	\$ 8,434
<u>Section 6.12(a)(2)</u>					
Net Revenues and Rolling Coverage Amount	\$ 42,013	\$ 42,323	\$ 42,339	\$ 40,081	\$ 40,728
Less: Required deposits to Debt Service Fund (Debt Service (net))	<u>(24,483)</u>	<u>(24,824)</u>	<u>(25,276)</u>	<u>(25,828)</u>	<u>(25,835)</u>
Less: Required deposits to the Debt Service Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Required deposits to the Operation and Maintenance Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Required deposits to the Renewal and Replacement Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total (Must be >=0)	\$ 17,530	\$ 17,499	\$ 17,063	\$ 14,252	\$ 14,893
<u>Debt Service Coverage Ratio</u>	1.72	1.70	1.68	1.55	1.58

Source: LeighFisher.

Note: Totals may not add due to rounding.

EXHIBIT I

RATE COVENANT REQUIREMENT COMPLIANCE - HYPOTHETICAL SCENARIO
LOUISVILLE REGIONAL AIRPORT AUTHORITY
 (for the 12 months ending June 30; dollars in thousands)

This scenario is based on hypothetical assumptions as described in the text on pages A-67 and A-68.

	Forecast 2015	2016	2017	2018	2019	% Difference from 2019 Base
Revenues						
Landing and Field Use Fees	\$ 19,862	\$ 20,290	\$ 20,289	\$ 19,191	\$ 20,204	0%
Signatory Landing Fee per 1,000 pounds	\$ 1,409	\$ 1,436	\$ 1,582	\$ 1,559	\$ 1,452	12%
Apron Area	2,360	2,392	2,464	1,939	1,926	0%
Concessions and Terminal Area (Excl. CCFs)	31,296	29,225	29,559	29,985	30,253	-7%
Land and Building Leases and Other Revenues	5,295	5,422	5,476	5,531	5,586	0%
Subtotal Louisville International Airport	\$ 58,813	\$ 57,330	\$ 57,790	\$ 56,646	\$ 57,969	-4%
Bowman Field	1,553	1,568	1,584	1,600	1,616	0%
Investment Earnings, Net	153	153	153	153	153	0%
Subtotal Revenues	\$ 60,518	\$ 59,051	\$ 59,526	\$ 58,399	\$ 59,737	-4%
Other Available Revenues (CCFs)	1,441	1,309	1,323	1,336	1,349	-10%
Total Revenues	\$ 61,959	\$ 60,360	\$ 60,849	\$ 59,735	\$ 61,087	-4%
Operating Expenses	\$ 26,737	\$ 27,328	\$ 27,950	\$ 28,587	\$ 29,317	0%
Net Revenues	\$ 35,222	\$ 33,032	\$ 32,899	\$ 31,147	\$ 31,769	-7%
Rolling Coverage Amount	6,770	6,864	6,990	6,457	6,459	0%
Net Revenues and Rolling Coverage Amount	\$ 41,991	\$ 39,896	\$ 39,889	\$ 37,604	\$ 38,228	-6%
Aggregate Debt Service	\$ 27,079	\$ 27,456	\$ 27,960	\$ 25,828	\$ 25,835	
Less: Other Moneys Available for Debt Service (PFCs)	(2,596)	(2,632)	(2,684)	-	-	
Aggregate Debt Service (net)	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835	
Less: Repayment Obligations	-	-	-	-	-	
Aggregate Debt Service net of Repayment Obligations	\$ 24,483	\$ 24,824	\$ 25,276	\$ 25,828	\$ 25,835	
<u>Rate Covenant Requirement</u>						
Section 6.12(a)(1)						
Net Revenues and Rolling Coverage Amount	\$ 41,991	\$ 39,896	\$ 39,889	\$ 37,604	\$ 38,228	
Less: Aggregate Debt Service net of Repayment Obligations x 125%	(30,603)	(31,030)	(31,595)	(32,285)	(32,294)	
Less: Repayment Obligations	-	-	-	-	-	
Total (Must be >=0)	\$ 11,388	\$ 8,866	\$ 8,293	\$ 5,319	\$ 5,934	
Section 6.12(a)(2)						
Net Revenues and Rolling Coverage Amount	\$ 41,991	\$ 39,896	\$ 39,889	\$ 37,604	\$ 38,228	
Less: Required deposits to Debt Service Fund (Debt Service (net))	(24,483)	(24,824)	(25,276)	(25,828)	(25,835)	
Less: Required deposits to the Debt Service Reserve Fund	-	-	-	-	-	
Less: Required deposits to the Operation and Maintenance Reserve Fund	-	-	-	-	-	
Less: Required deposits to the Renewal and Replacement Fund	-	-	-	-	-	
Total (Must be >=0)	\$ 17,509	\$ 15,072	\$ 14,612	\$ 11,776	\$ 12,393	
<u>Debt Service Coverage Ratio</u>	1.72	1.61	1.58	1.46	1.48	-6%

Source: LeighFisher.

Note: Totals may not add due to rounding.

APPENDIX B
SUMMARY OF THE AIRLINE AGREEMENTS

The Airline Agreements

The following is a summary of certain provisions of the Airline Agreements. The summary is subject in all respects to the detailed provisions of the Airline Agreements, copies of which are available for inspection at the office of the Authority. Capitalized terms used herein and not defined herein shall have the meanings ascribed to such terms in the Airline Agreements.

Definitions

The capitalization of any word or phrase which is not defined herein or elsewhere in this Official Statement indicates such word or phrase is defined in either the Terminal Lease and Use Agreement (the "Terminal Agreement"),* the Airfield Use Agreement (the "Airfield Agreement")* or both of the Airline Agreements. The location of each such definition is denoted by "T," "A," or "B" respectively.

"Airport" means Louisville International Airport, including any extensions, additions or improvements thereto (B).

"Airport Cost Centers" means the cost areas to be used in accounting for Airport revenues and expenses and for calculating and adjusting certain rates, fees, and charges described in the Airline Agreements, and as more particularly described below:

(a) "Landside Terminal Building Area" means the landside terminal complex including the Landside Terminal Building, interior graphics, fixtures and equipment, terminal area landscaping, and curbside passenger walkways to the nearest edge of roadways immediately in front of the Landside Terminal Building.

(b) "Airside Terminal Building Area" means the Airside Terminal Building, the landside-airside connector concourse, interior graphics, fixtures and equipment.

(c) "Airfield Area" means the runways, taxiways, approach and clear zones, infield areas, navigational aids, and other facilities related to aircraft taxiing, landing and takeoff.

(d) "Terminal Apron Area" means the aircraft parking ramp and apron adjacent to the Airside Terminal Building Area, and the service courts, service driveways and landscaping between the aircraft parking ramp and the Landside Terminal Building Area.

(e) "Ground Transportation Area" means the public and employee parking areas, access and circulation driveways and rights-of-way, rental car service, pickup and return areas, staging areas for taxicabs, buses, limousines and related landscaping.

* The Terminal Agreement was executed on September 17, 2010, and the Airfield Agreement was executed on June 30, 2005.

(f) “Other Areas” means all other areas of the Airport not included in the above defined costs centers. (B)

“Airside Terminal Building Area Premises” means that part of the Airside Terminal Building Area leased to the Airline for its Exclusive Use, Preferential Use or Common Use, for which the Airline pays rent (T).

“Annual Revenue Bond Debt Service” means the total annual amount required to be deposited in any Fiscal Year to any interest, principal and sinking fund accounts, established pursuant to the Resolution for the issuance of Revenue Bonds, for the purpose of paying principal and interest on such Revenue Bonds when due (B).

“Bond Resolution” means the Airport System Revenue Bond Resolution authorizing Airport System Revenue Bonds of the Regional Airport Authority of Louisville and Jefferson County, Kentucky, adopted on March 16, 1983,^{*} as the same may from time to time be amended or supplemented (B).

“Capital Improvement(s)” means any single item having both a cost in excess of \$100,000 and a useful life in excess of 3 years, acquired, purchased, or constructed in order to improve, maintain or develop the Airport (B).

“FAA” means the Federal Aviation Administration of the United States Department of Transportation, or its successor agency (B).

“Landside Terminal Building Area Premises” means that part of the Landside Terminal Building Area leased to the Airline for its Exclusive Use, Preferential Use or Common Use, for which the Airline pays rent (T).

“Maintenance and Operating Expenses” means the Authority’s current expenses for operation, maintenance, repair, ordinary replacement and ordinary reconstruction of the Airport System (B).

“Majority-In-Interest” or MII” means:

(a) With respect to the Airfield Area, at least 50% in number of the Signatory Airlines which together account for at least 60% of the total landing fee dollars paid by all such Signatory Airlines during the most recent complete Fiscal Year for which data are available (A).

(b) With respect to the Landside Terminal Building Area, Airside Terminal Building Area, or Terminal Apron Area, at least 50% in number of the Signatory Airlines which lease space in the terminal complex which together account for at least 60% of the total dollars paid by all such Signatory Airlines through apron fees and terminal building space rentals during the most recent complete Fiscal Year for which data are available (T).

^{*} Replaced by the Master Bond Resolution.

“Preferential Use” means the first priority in using space and/or facilities to accommodate an airline’s scheduled flight operations (T).

“Signatory Airline” means any air transportation company which (i) provides air service; (ii) has executed an Airfield Agreement; and (iii) has either (y) entered into a Terminal and Lease Agreement for use and occupancy of the Landside Terminal Building Area, the Airside Terminal Building Area, and the Terminal Apron Area having terms substantially the same as the Airfield Agreement or the Terminal Agreement, as the case may be, and providing for the leasing of a minimum of 500 square feet of Exclusive Use Space or (z) leased or subleased from the Authority a minimum of five (5) acres or entered into a “through the fence” agreement allowing airfield access from adjoining facilities in each case for a term ending on the earlier of (A) ten (10) years from the Effective Date of this Agreement or (B) June 30, 2021. “Signatory Airline” shall also include any wholly-owned subsidiary of the Signatory Airline and, if the Signatory Airline is a wholly-owned subsidiary of another legal entity, any other wholly-owned subsidiary of the same legal entity that is the parent of the Signatory Airline. (B)

“Terminal Apron Area Premises” means that part of the Terminal Apron Area assigned to the Airline for its Preferential Use as designated in the Terminal Agreement and for which Airline pays apron use fees to the Authority (T).

“Total Landing Weight” means the sum of the Certificated Weights for all Revenue Landings by an airline for which the calculation is being performed (B).

“Usable Space” means all of the area in the Landside Terminal Building Area or Airside Terminal Building Area, including the open area under the Airside Terminal Building, less the area used for mechanical and utility rooms, stairwells and the unleased portion of the open area under the Airside Terminal Building (T).

Term

Each Terminal Agreement terminates on June 30, 2015. Each Airfield Agreement terminates on June 30, 2021.

Use of Airport Facilities

Under the Terminal Agreement, each Signatory Airline leases from the Authority designated space in the Landside Terminal Building and the Airside Terminal Building. The Signatory Airline also has the right to use, in common with others, the Terminal Apron Area, including the Terminal Apron Area Premises for the operation of its air transportation system and activities incidental thereto.

Under the Airfield Agreement, each Signatory Airline has the right to use, in common with others, the Airfield Area for, among other uses, (1) the operation of a transportation system by aircraft for the carriage of persons, property, baggage, cargo, express and mail and (2) the landing, taking off, flying, taxiing, and towing of the airline’s aircraft and other equipment.

Fees and Charges

Under the Terminal Agreement, Signatory Airlines are required to pay the Authority rental for (i) the Landside Terminal Building Area, (ii) the Airside Terminal Building Area, (iii) the Terminal Apron Area, (iv) holdroom space, and (v) an aircraft parking surcharge. Under the Airfield Agreement, Signatory Airlines are obligated to pay the Authority landing fees based on current usage. The rentals and fees are based on information in the annual budget for each Fiscal Year and are adjusted after the end of the year and preparation of audited financial statements as described below.

Under the Terminal Agreement, a Cost Center Requirement is calculated for each of the Landside Terminal Building Area, the Airside Terminal Building Area and the Terminal Apron Area. The Cost Center Requirement is calculated by totaling the following (i) through (vii) for each such Cost Center and, with respect to the Landside Terminal Building Area and the Airside Terminal Building Area, subtracting the allocated amount specified in (viii): (i) allocated direct and indirect Maintenance and Operating Expenses; (ii) expenditures characterized as “major maintenance costs” but that are not Capital Improvements; (iii) allocated costs of capital equipment or other expenditures that are capitalized but are not Capital Improvements; (iv) allocated Annual Revenue Bond Debt Service; (v) allocated adjustment amounts needed to maintain the Debt Service Coverage Account at its required level; (vi) allocated portions of required deposits to the accounts established pursuant to the Bond Resolution; and (vii) annual Amortization of Capital Improvements financed by the Authority from other than proceeds of Revenue Bonds, proceeds of other Authority debt included in Annual Revenue Bond Debt Service, grants-in-aid, or receipts from Passenger Facility Charges.

The applicable Cost Center Requirements are then reduced by payments received by tenants or third parties for reimbursed expenses and, in the case of the Airside Terminal Building, Per Turn Fees for use of Authority-owned passenger boarding bridges. The adjusted Cost Center Requirement is then used to establish rentals and fees. An average rental rate per square foot of Usable Space for the Landside Terminal Building Area and the Airside Terminal Building Area for each Fiscal Year is calculated by dividing the estimated applicable adjusted Cost Center Requirement by the total amount of Usable Space in the applicable Building Area (after adjusting square footage in the Airside Terminal Building Area to account for certain gates that are not leased to a Signatory Airline).

Under the Airfield Agreement, the Airfield Area Cost for the Airfield is calculated by totaling the following (i) through (ix): (i) allocated direct and indirect Maintenance and Operating Expenses; (ii) expenditures characterized as “major maintenance costs” but that are not Capital Improvements; (iii) allocated costs of capital equipment or other expenditures that are capitalized but are not Capital Improvements; (iv) allocated Annual Revenue Bond Debt Service (excluding principal payments on the 2002 Series A Revenue Bonds* unless such would cause the Authority to violate the Rate Covenant in the Bond Resolution and excluding principal and interest on the 2002 Series B Revenue Bonds*); (v) allocated adjustment amounts needed to maintain the Debt Service Coverage Account at its required level; (vi) allocated portions of required deposits to the accounts established pursuant to the Bond Resolution; (vii) annual Amortization of Capital Improvements

* Refunded by the 2014 Series Bonds.

financed by the Authority from other than proceeds of Revenue Bonds, proceeds of other Authority debt included in Annual Revenue Bond Debt Service, grants-in-aid, or receipts from Passenger Facility Charges; and (viii) 100% of any deficit at incurred by the Authority at Bowman Field in any Fiscal Year up to \$178,300 (adjusted for inflation).

The Airfield Area Cost is reduced by (i) the amount, if any, of the estimated revenues derived by the Authority from the Airfield Area other than from Signatory Airlines; (ii) if not already included in Airfield Area revenues, any surcharge agreement payments made by UPS; (iii) with respect to debt service on the Authority's 2003 Series C Revenue Bonds* for costs allocable to the Airfield Cost Center, fifty-seven percent (57%) of the portion of such debt service that relates to the refunding of the Authority's 1993 Series C Revenue Bonds (or such lesser percentage as is required in order for the Authority to comply with the rate covenant in the Bond Resolution). To determine the Landing Fee Rate for a Fiscal Year, the Landing Fees required from Signatory Airlines shall be divided by the Total Landing Weight for all Signatory Airlines. Then the Landing Fee Rate is assessed per 1,000 pound unit of Certificated Weight for each aircraft of a Signatory Airline making a Revenue Landing at the Airport during the Fiscal Year.

As soon as is reasonably possible following the close of a Fiscal Year, the actual required average rental rate shall be ascertained by the Authority for that Fiscal Year, based upon actual costs. The difference between the actual cost shall be applied as direct credits against future billings or recovered through additional invoices.

Capital Improvements

Subject to certain limitations described below, the cost, debt service, or amortization charges attributable to improvements undertaken by the Authority and properly allocable to the Landside Terminal Building Area, Airside Terminal Building Area, Terminal Apron Area and Airfield Area, shall be included in the applicable cost center for calculation of rates, fees and charges payable by each Signatory Airline.

If, in any given Fiscal Year, the Authority's estimated cost of proposed improvements applicable to airline-supported cost centers is more than \$500,000 (adjusted for inflation), the Authority may unless specifically disapproved by the appropriate Majority-in-Interest of the Signatory Airlines, fund that portion of the total cost of such improvements in excess of \$500,000 (adjusted for inflation) with other Authority funds or through the issuance of Additional Bonds (as defined in the Bond Resolution) or other types of debt. Debt Service (with coverage) or amortization charges attributable to such other Authority funds or Additional Bonds or other debt may be included in the element of cost in calculating airline rentals, fees and charges in the applicable Cost Center unless specifically disapproved by the appropriate Majority-in-Interest of the Signatory Airlines. Airfield Area improvements shall not be subject to Signatory Airline disapproval except those projects which include the expenditure of in excess of \$500,000 (adjusted for inflation) for the acquisition of land for or construction of new runways, aprons, or runway extensions.

Notwithstanding the limitation set forth above, the Authority reserves the right under the Airline Agreements, subject to prior consultation with (but not approval of) the Signatory Airlines, to

* Refunded by the 2014 Series Bonds.

undertake the acquisition, purchase, or construction of any improvement, and include debt service or amortization properly attributable to that item in the applicable airline supported cost center for calculation of rentals, fees and charges under the Airline Agreements, so long as such improvement is necessary to: (i) ensure compliance with any lawfully promulgated rule, regulation or order of any federal, state or other governmental agency other than Authority which has jurisdiction over the operation of the Airport System, (ii) permit the continued operation of the Airport pursuant to applicable FAA regulation, (iii) satisfy judgments against Authority rendered by a court of competent jurisdiction, the amount of which is to be considered an improvement to the applicable cost center, (iv) repair casualty damage to Airport property to the extent not covered by insurance or otherwise reimbursed, or (v) subject to certain limitations, provide additional facilities as may, in the opinion of Authority, be required to accommodate the needs of incumbent or new entrant airline(s).

Maintenance and Operation

The Authority has agreed under the Airline Agreements to develop, improve, maintain and operate the Airport, and to keep the Airport free from obstruction and interference for the safe and proper use thereof by the Airline, all in accordance with standards established by the FAA and any other governmental agency having jurisdiction thereof, except for conditions beyond the control of the Authority.

Assignment

The Signatory Airlines may not, directly or indirectly, assign, sell, hypothecate or otherwise transfer the applicable Airline Agreements, or any portion of their leased premises or sublease any portion of their leased premises, without the prior written consent of the Authority, provided that the foregoing shall not prevent the assignment of the applicable Airline Agreements to any corporation with which Airline may merge.

Termination

Each Airline Agreement is subject to termination by a Signatory Airline in the event any one or more of the following shall occur: (i) the permanent abandonment of the Airport by the Authority as an airport or airfield for Commercial Aircraft Operators, (ii) the lawful assumption by United States of America, or any authorized agency thereof, of the operations, control or use of the Airport, or any substantial part or parts thereof, in such a manner as to substantially restrict the Airline from operating therefrom for a period in excess of ninety consecutive days, (iii) the default by the Authority in the performance of any expressed covenant or condition in the Airline Agreement required to be performed by the Authority which default substantially restricts the Signatory Airline from operating at the Airport, and upon the failure of the Authority to remedy, or undertake to remedy, such default for a period of thirty days after receipt of written notice by the Signatory Airline, or (iv) the damage or destruction of all or a material part of the premises used or occupied by the Signatory Airline under the Airline Agreements or damage or destruction of all or a part of the Terminal Apron Area, Airfield Area or other Airport facilities which are necessary to the operation of the Airline's business, which damage or destruction substantially restricts the Signatory Airline from operating at the Airport, and the repair of which damage or destruction has not been undertaken by the Authority pursuant to the Airline Agreement, provided that such damage or destruction does not result from acts or negligence of the Airline.

Each Airline Agreement is subject to termination or cancellation by the Authority in the event any one or more of the following shall occur: (i) if the Signatory Airline fails to perform any of the terms, covenants or conditions of the applicable Agreement or fails to keep in force any of the insurance policies required under the applicable Agreement, (ii) if the Signatory Airline fails to abide by all applicable laws, ordinances, rules and regulations of the United States, the Commonwealth of Kentucky, Louisville Metro Government or the Authority, or (iii) if the Signatory Airline defaults in or fails to make any payments at the times and in the amounts as required under the Agreement.

Upon the happening of any of the acts of default recited in clauses (i), (ii) or (iii) of the immediately preceding paragraph, the Authority shall give written notice to the Signatory Airline to correct or cure such default, failure or breach. If, within thirty days from the date of such notice, the Signatory Airline has not corrected such condition or conditions in a manner satisfactory to the Authority or taken positive steps to correct the same, then in such event the Authority shall have the right, at its election, at once and without further notice to the defaulting Signatory Airline, to declare such Agreement terminated and, with respect to the Terminal Agreement, to enter upon and take full possession of the premises. In addition, the Authority may in like manner declare each Airline Agreement terminated and cancelled, upon the giving of five days notice thereof, in the event the Signatory Airline files a voluntary petition in bankruptcy (including petition for a reorganization or arrangement), or makes a general or other assignment for the benefit of creditors, or is adjudicated as bankrupt, or if a Receiver is appointed for the property or affairs of the Signatory Airline and such receivership is not vacated within thirty days after the appointment of such Receiver.

In the event the Authority exercises its right to cancel and terminate the Terminal Agreement due to default thereunder, the defaulting Signatory Airline shall be liable to the Authority for the balance of the remaining term of the applicable Agreement in the amounts specified to be paid as rent by the defaulting Signatory Airline to the Authority, except as this duty may be modified by law. In such event, the Authority agrees to use its best efforts to find a suitable tenant for said space and to apply any rents or fees received from such tenant as an offset against the sums the defaulting Signatory Airline remains liable for under the Agreement; provided, however, the Authority is under no obligation to find such a tenant. In the event the Authority exercises its right to cancel the Airfield Agreement due to default thereunder, the defaulting Signatory Airline shall be liable to the Authority for any unpaid Landing Fees.

In addition, the Authority may terminate the Terminal Agreement if the airline voluntarily reduces air service to the Airport for a period of thirty days or more to fewer than five weekly scheduled passenger service departures for any reason other than a work stoppage, act of God or safety considerations and the Authority has on file a written request from another Airline to lease some or all of the Premises. Furthermore, if the Airline has fewer than three departures per day from any Preferential Use Premises, Authority shall have the right to assign use of such Preferential Use Premises to another Signatory Airline.

Similar Terms

The Authority may not enter into any lease, contract or any other agreement with any other air transportation company providing service at the Airport containing more favorable terms, rentals, fees and charges than the Airline Agreements, or to grant to any tenant engaged in scheduled air transportation, rights or privileges with respect to the Airport which are not accorded the Signatory

Airline under the applicable Airline Agreement unless the same rights, terms, rentals, fees and charges and privileges are concurrently made available to the Signatory Airline.

APPENDIX C

DEFINITIONS AND SUMMARY OF THE RESOLUTION

DEFINITIONS

The following are definitions of certain terms used in this Official Statement (except as otherwise set forth therein) and summarized in this Appendix C:

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Bond Resolution authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated, unpaid and compounded interest on such Bonds.

“Accrued Debt Service” means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any Series of Bonds and any related Security Instrument Repayment Obligations, calculating the Debt Service that has accrued with respect to each Series of Bonds and any related Security Instrument Repayment Obligations as an amount equal to the sum of (a) the interest on the Bonds of such Series (other than the interest on Capital Appreciation Bonds constituting an Accreted Amount thereof) and on any related Security Instrument Repayment Obligations that has accrued and is unpaid and that will have accrued by the end of the then-current calendar month, and (b) that portion of all Principal Installments payable within the twelve-month period (or if a Series of Bonds has maturities of less than 12 months, such shorter period corresponding to such maturities as specified in the Supplemental Bond Resolution providing for the issuance of such Series of Bonds) following the date of calculation for the Bonds of such Series and on any related Security Instrument Repayment Obligations that would have accrued (if deemed to accrue daily in amounts from the next preceding Principal Installment due date for such Series of Bonds and any related Security Instrument Repayment Obligations, 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 the issuance of such Series of Bonds and any related Security Instrument Repayment Obligations, whichever date is later) by the end of the then current calendar month.

“Act” means Sections 183.132 through 183.165, inclusive, Section 183.476 and Sections 183.630 through 183.740, inclusive, of the *Kentucky Revised Statutes*, as supplemented and amended, and Chapter 58 of the *Kentucky Revised Statutes*, as supplemented and amended, and all laws amendatory thereof or supplemental thereto.

“Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of the amounts of Debt Service for (a) all Series of Bonds Outstanding, and (b) any Repayment Obligations outstanding.

“Airport Use Agreements” means, collectively, each Airfield Use Agreement for Louisville International Airport between the Authority and each airline named therein, as from time to time supplemented and amended, and any substitute agreement or any other document, ordinance or resolution governing the use of the Airport System by the airlines.

“*Airport System*” means Louisville International Airport at Standiford Field, Bowman Field and any other land and facilities owned or operated by the Authority from time to time that the Authority has determined to include in the Airport System.

“*Airport Consultant*” means any firm, corporation or individual experienced in the administration, maintenance and operation of airports and airport facilities, appointed and paid by the Authority, who:

(a) is not connected with the Authority as a member, a director, an officer or an employee of the Authority, but who may be regularly retained to provide airport consulting services to the Authority regarding the Airport System; and

(b) does not otherwise have a conflict of interest in providing the airport consulting services to the Authority.

“*Airport Consultant’s Certificate*” means a certificate or opinion signed by an Airport Consultant.

“*Authority*” means the Louisville Regional Airport Authority, a body politic and corporate and a political subdivision of the State, and any successor to the duties and functions of the Authority.

“*Authorized Officer*” means the Executive Director of the Authority, the Deputy Executive Director of Finance and Administration and Chief Financial Officer of the Authority, the Director of Finance and Accounting of the Authority and any other person duly authorized by the Governing Body or one of the other Authorized Officers to perform the act or sign the document in question.

“*Balloon Bonds*” means Bonds, other than Bonds which mature within one year of the date of issuance thereof, 25% or more of the Principal Installments on which (a) are due, or (b) at the option of the Holder thereof may be redeemed, during any period of a Year, which have been designated as Balloon Bonds in the Supplemental Bond Resolution authorizing the issuance of such Bonds.

“*Bond Counsel*” means an attorney or firm of attorneys, selected by the Authority, of recognized national standing in the field of law relating to state and municipal bonds.

“*Bondholder*” or “*Holder*,” or any similar term, means the owner of any Bond or Bonds. In the case of a fully-registered Bond, Bondholder means the registered owner of such Bond.

“*Bonds*” means the Airport System Revenue Bonds and all other obligations (other than the Repayment Obligations) of the Authority, authorized by and at any time Outstanding pursuant to the Bond Resolution on a parity with the Series 2014 Bonds.

“*Bond Resolution*” means the Master Bond Resolution adopted on May 14, 2014 providing for the issuance of the Bonds, as from time to time supplemented or amended by Supplemental Bond Resolutions.

“*Business Day*” means a day of the year which is not a Saturday, Sunday or legal holiday in the State or New York, New York, or a day on which the Trustee, any Depository, any Fiduciary and any Security Instrument Provider are authorized or obligated to close.

“*Calendar Year*” means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

“*Capital Appreciation Bonds*” means Bonds all or a portion of the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Bond Resolution authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or redemption of such Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code will be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Bond Resolution, including the Bonds, the use of Bond proceeds or a Project.

“*Construction Bonds*” means all Bonds issued for any purpose other than a refunding purpose, whether issued in one or more Series, authenticated and delivered pursuant to the Bond Resolution.

“*Construction Fund*” means the fund by that name established pursuant to the Bond Resolution.

“*Cost of Construction*” means the costs of the Authority properly attributable to the acquisition, construction, maintenance, expansion and improvement of any Project and all expenses preliminary and incidental thereto incurred by the Authority in connection therewith and in the issuance of the Bonds, including all engineering, fiscal, underwriting, financing and legal expenses and costs of issuance, printing and advertising, for which funds may be disbursed from the Construction Fund and interest during construction, including but not limited to:

- (a) Payment of the acquisition, construction, maintenance, expansion and improvement costs of a Project.
- (b) Payment of the initial or acceptance fee of the Trustee.
- (c) Payment to the Authority of such amounts, if any, as are necessary to reimburse the Authority in full for advances and payments made or costs incurred by the Authority for any item of the Cost of Construction.
- (d) Costs for the obtaining of any insurance policy or policies or surety bonds with respect to a Project by the Authority during the acquisition, construction, maintenance, expansion and improvement of a Project.

(e) Payment of audit fees and expenses for maintenance of acquisition, construction, maintenance, expansion and improvement records required to be kept with respect to a Project.

(f) Payment of the costs of any necessary litigation and the obtaining of all necessary permits and rulings.

(g) Payment of interest on the Bonds during the period of the acquisition, construction, maintenance, expansion and improvement of a Project and for such period of time thereafter as set forth in the Supplemental Bond Resolution authorizing the issuance of the Series of Bonds.

(h) Payment of any other costs and expenses during the acquisition, construction, maintenance, expansion and improvement of a Project and relating to the Project, including Security Instrument Costs, Reserve Instrument Costs and fees and expenses of the Trustee and of professional services to comply with the rebate requirements of the Code.

“*Cost of Issuance Fund*” means the fund by that name established pursuant to the Bond Resolution.

“*Costs of Issuance*” means the costs of the issuance of the Bonds including legal, accounting, Airport Consultant, fiscal agent and underwriting fees and expenses, payments and fees due under any agreement pursuant to which any Series of Bonds is sold, bond discount, printing and engraving costs and fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and preparation of the Bond Resolution and any Supplemental Bond Resolution pursuant to which the Bonds will be issued.

“*Cross-over Date*” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“*Cross-over Refunded Bonds*” means Bonds refunded by Cross-over Refunding Bonds.

“*Cross-over Refunding Bonds*” means Refunding Bonds if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“*Current Interest Bonds*” means Bonds not constituting Capital Appreciation Bonds. Interest, if any, on Current Interest Bonds will be payable periodically on interest payment dates provided therefor in a Supplemental Bond Resolution.

“*Customer Contract Fee*” means the customer contract fee approved by the Authority pursuant to a resolution adopted by the Governing Body on July 1, 2000, as supplemented and

amended from time to time, or any successor ordinance or resolution approving such a charge or a similar charge or fee, and paid by customers of rental car companies, and any interest, profits or other income derived from the investment thereof.

“*Debt Service*” means, for any particular Fiscal Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of:

(a) all interest (net of any interest subsidy with respect to Bonds paid or payable to or for the account of the Authority by any governmental body or agency (unless such interest subsidy is designated as Revenues in a Supplemental Bond Resolution or Written Certificate of the Authority) and net of any amounts deposited with the Trustee pursuant to the Bond Resolution and available to pay interest on Bonds) payable during such Fiscal Year on such Bonds Outstanding and such Repayment Obligations then outstanding, plus

(b) the Principal Installments payable during such Fiscal Year on (i) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of payment either upon maturity or application of any Sinking Fund Installments required by the Bond Resolution or any Supplemental Bond Resolution and (ii) such Repayment Obligations then outstanding;

For purposes of the definition of “Debt Service Reserve Requirement” and the issuance of Construction Bonds or Refunding Bonds and any other prospective test involving Debt Service in the Bond Resolution:

(1) if any of the Bonds constitute Balloon Bonds, then for purposes of determining the annual amount payable on account of Principal of and interest on such Balloon Bonds, (A) the Principal of such Balloon Bonds will be amortized on a level debt service basis over a term of no more than 30 years as provided in the Supplemental Bond Resolution authorizing the issuance of such Balloon Bonds, or, in the event that the Authority has adopted a plan of refunding for such Balloon Bonds, the Principal of such Balloon Bonds will be amortized as provided for in such plan of refunding; and (ii) interest on such Balloon Bonds will equal the actual fixed rate of interest payable on such Balloon Bonds during the Fiscal Year, or, if such Balloon Bonds are Variable Rate Bonds, interest payable during such Fiscal Year will be calculated in accordance with paragraph (2) below;

(2) when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate that cannot be ascertained for any particular Fiscal Year, (A) it will be assumed that such Series of Variable Rate Bonds or Repayment Obligations will bear interest at the average of the variable rates applicable to such Series of Variable Rate Bonds or Repayment Obligations during any consecutive 12-month period during the immediately preceding 24 months (or a shorter period, commencing on the date of issuance of the Series of Variable Rate Bonds or the date of incurring such Repayment Obligations and ending within 60 days prior to the date of computation), or, (B) with respect to any Series of Variable Rate Bonds or Repayment Obligations for which such an average of variable rates cannot be determined in the manner provided in subparagraph (A) above, (i) at a rate equal to the most recent Securities Industry

and Financial Markets Association Index (or any successor index), or (ii) if the Securities Industry and Financial Markets Association Index (or a successor index) is no longer determined, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a Remarketing Agent, to be the rate of interest such Series of Variable Rate Bonds or Repayment Obligations would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate;

(3) when calculating interest payable during such Fiscal Year for any Variable Rate Bonds that are issued with an Interest Rate Swap in which the Authority has agreed to pay a fixed rate, such Series of Variable Rate Bonds will be deemed to bear interest at such fixed rate as a result of such Interest Rate Swap, plus any spread payable by the Authority in the Interest Rate Swap over the variable rate borne by such Variable Rate Bonds; *provided*, that such fixed rate may be utilized so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating interest payable during such Fiscal Year for any Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Authority has agreed to pay a variable rate, such Series of Bonds will be deemed to be Variable Rate Bonds bearing interest at such variable rate as a result of such Interest Rate Swap; *provided*, that such amounts may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(5) when calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds will be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations; and

(6) with respect to the Principal due on a Series of Bonds which would otherwise qualify as Balloon Bonds, but for the fact that Authority has not designated such Series of Bonds as Balloon Bonds, in the event that the Authority has adopted a plan of refunding for such Bonds, the Principal will be amortized as provided for in such plan of refunding;

The following will be excluded from "*Debt Service*"

(1) interest on Bonds (whether Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest is available to pay such interest;

(2) Principal Installments on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal;

(3) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations will satisfy the obligation of the Authority to pay such Repayment Obligations;

(4) any Interest Rate Swap Termination Payments; and

(5) such Principal Installments and interest on one or more Series of Bonds to the extent that such Principal Installments and interest will be paid from moneys that (I) are designated as Other Moneys Available for Debt Service with respect to such Series of Bonds; or (II) are pledged to pay debt service on such Series of Bonds in a Supplemental Bond Resolution authorizing the issuance of such Series of Bonds; *provided*, that (A) such Supplemental Bond Resolution will specify the source of such moneys and the time period during which such moneys will be pledged to pay debt service, or (B) the Authority will deliver a Written Certificate of the Authority to the Trustee specifying the amount of such moneys that the Authority expects to be available to pay debt service.

“Debt Service Fund” means the fund by that name established pursuant to the Bond Resolution.

“Debt Service Reserve Fund” means the fund by that name established pursuant to the Bond Resolution.

“Debt Service Reserve Requirement” means, with respect to any Series Account (which may be for one or more Series of Bonds) that has been established in the Debt Service Reserve Fund, the amount specified in a Supplemental Bond Resolution as being required to be on deposit in such Series Account.

“Depository” means any bank or trust company selected by the Authority and satisfactory to the Trustee as a depository of moneys and securities held under the provisions of the Bond Resolution and may include the Trustee.

“Escrowed Interest” means amounts irrevocably deposited in escrow in connection with the issuance of Cross-over Refunding Bonds or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Estimated Net Revenues” means, for any Fiscal Year, the estimated Net Revenues for such Fiscal Year.

“Event of Default” has the meaning specified in the Bond Resolution and as summarized under the caption “Events of Default and Remedies of Bondholders — Events of Default” below.

“Executive Director” means the Executive Director and Chief Executive Officer of the Authority, or in the event of his or her disability or absence, the Deputy Executive Director of Finance and Administration and Chief Financial Officer or other person duly authorized to perform the duties of the Executive Director.

“*Favorable Opinion of Bond Counsel*” means a written opinion of Bond Counsel delivered to the Trustee to the effect that an action:

- (a) is permitted by the Bond Resolution or the laws of the State, and
- (b) does not adversely affect the Tax Status of the Bonds.

“*Fiduciary*” or “*Fiduciaries*” means the Trustee, any Paying Agent, any Transfer Agent or any or all of them, as may be appropriate.

“*Fiscal Year*” means the annual accounting period of the Authority as from time to time in effect, initially a period commencing on July 1 of each Calendar Year and ending on the immediately succeeding June 30.

“*Fitch*” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation no longer performs the functions of a securities rating agency, “*Fitch*” refers to any other nationally-recognized statistical rating organization designated by the Authority, with the approval of the Trustee.

“*Fund*” means one of the funds confirmed or established pursuant to the Bond Resolution.

“*Governing Body*” means the members of the Authority, or any other governing body of the Authority hereafter provided for pursuant to law.

“*Government Obligations*” means:

- (a) Direct obligations of, or obligations guaranteed as to the timely payment of principal and interest by, the United States of America;

- (b) Any evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) above; and

- (c) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or clause (b) above, which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (3) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) or clause (b) above, which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if

any, on the bonds or other obligations described in this clause (c) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (1) of this clause (c), as appropriate.

“*Grant Aid*” means any grants in aid made to the Authority for the Airport System by the federal government, the State or any other entity.

“*Independent Public Accountant*” means any certified public accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom:

(a) is not connected with the Authority as a member, a director, an officer or a employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority; and

(b) does not otherwise have any conflict of interest in making annual or other audits of the books of or reports to the Authority.

The Trustee will be entitled to rely on the written statement of a certified public accountant or firm of such accountants as to its compliance with the terms of this definition.

“*Interest Rate Swap*” means an interest rate exchange, hedge or similar agreement related to Bonds of one or more Series, entered into in order to hedge the interest payable on Bonds or other obligations, which may include an interest rate swap, a forward or a futures contract or an option (*i.e.*, a call, put, cap, floor or collar).

“*Interest Rate Swap Termination Payment*” means the amount, if any, payable by the Authority (or by the Trustee for the account of the Authority) or by the counterparty to the Interest Rate Swap as a result of the termination of an Interest Rate Swap.

“*Major Maintenance*” means those capital items exceeding a cost of \$20,000 (or such other amount as established by the Authority) and necessary for the continued serviceable life of an existing asset of the Authority, but not exceeding the useful life of the asset beyond 3 years.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation no longer performs the functions of a securities rating agency, “*Moody’s*” refers to any other nationally-recognized statistical rating organization designated by the Authority, with the approval of the Trustee.

“*Net Revenues*” means, for any period, the Revenues during such period less the Operating Expenses during such period.

“*Operating Expenses*” means, for any period, the current expenses of operation, ordinary maintenance and current repairs of the Airport System (calculated in accordance with generally accepted accounting principles), and includes, but is not limited to, insurance premiums, reserves and estimated costs; salaries and wages; benefits; fees for services; costs of materials, supplies and fuel;

overhead; arbitrage rebate calculation and other similar costs; administrative expenses of the Authority relating solely to the Airport System, including engineering, architectural, legal, consultants and accounting fees and expenses; and other reasonable current expenses calculated in accordance with sound accounting principles as provided above.

Operating Expenses do not include Major Maintenance, depreciation, costs of capital additions, replacements, betterments, extensions or improvements to the Airport System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, charges for the payment of principal and interest on any indebtedness issued for Airport System purposes, or any operating expenses of special purpose facilities buildings where the lessees thereof are obligated to pay such operating expenses.

“Operation and Maintenance Reserve Fund” means the fund by that name established pursuant to the Bond Resolution.

“Operation and Maintenance Reserve Requirement” means for any Fiscal Year, \$2,500,000 or such greater amount as determined by the Authority from time to time by resolution of the Governing Body or Written Certificate of the Authority.

“Opinion of Bond Counsel” means an Opinion of Counsel from counsel of nationally-recognized standing in the field of law relating to state and municipal bonds.

“Opinion of Counsel” means a written opinion of counsel selected by the Authority and satisfactory to the Trustee. Any Opinion of Counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, upon a Written Certificate of the Authority, unless such counsel knows, or in the exercise of reasonable care should have known, that such Written Certificate of the Authority is erroneous.

“Other Available Revenues” means moneys not previously constituting Revenues that are designated and pledged for any period as Other Available Revenues by a Supplemental Bond Resolution or a Written Certificate of the Authority filed with the Trustee, and in either case, that (i) evidences a determination by the Authority that such Other Available Revenues are legally available to be deposited in the Revenue Fund for such period, (ii) specifies the source and amount of such moneys and the time period during which such moneys will be deposited into the Revenue Fund and treated as Revenues for all purposes under the Bond Resolution, and (iii) states that such designation and pledge does not adversely affect the Tax Status of the Bonds. Moneys designated as Other Available Revenues will not also be designated as Other Moneys Available for Debt Service.

“Other Moneys Available for Debt Service” means moneys that are not Revenues or Other Available Revenues and that are designated for any period as Other Moneys Available for Debt Service by a Supplemental Bond Resolution or a Written Certificate of the Authority filed with the Trustee, and that (i) evidences a determination by the Authority that such Other Moneys Available for Debt Service are legally available to be deposited in the Debt Service Fund to pay debt service on a Series of Bonds, (ii) specifies the source and amount of such moneys and the time period during which such moneys are expected to be deposited into the Series Account in the Debt Service Fund relating to such Series of Bonds, and (iii) states that such designation does not adversely affect the

Tax Status of the Bonds. After the filing of such Written Certificate of the Authority, the Other Moneys Available for Debt Service designated therein will be deposited in the related Series Account when applied by the Authority and used to pay Debt Service on such Series of Bonds. Moneys designated as Other Moneys Available for Debt Service will not also be designated as or constitute Other Available Revenues.

“*Outstanding*” means with respect to the Bonds, as of any date of calculation (subject to the provisions of the Bond Resolution), all Bonds which have been duly authenticated and delivered by the Trustee, except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds for the payment or redemption of which cash funds or Government Obligations have been deposited with the Trustee hereunder (whether upon or prior to the maturity or redemption date of any such Bonds), *provided*, that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the provisions of the Bond Resolution or arrangements satisfactory to the Trustee has been made therefor, or waiver of such notice satisfactory in form to the Trustee has been filed with the Trustee; (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated or delivered pursuant hereto; and (d) the Principal amount of any Bond issued pursuant to a Supplemental Bond Resolution authorizing partial payment without cancellation if payment is noted on a payment record attached to such Bond; *provided*, that such payment has been made and duly noted on the payment record attached to such Bond.

“*Paired Obligations*” means any Series of Bonds (or portion thereof) designated as Paired Obligations in the Supplemental Bond Resolution authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred, and (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in a fixed interest rate obligation of the Authority for the term of such Bonds.

“*Passenger Facility Charge*” means a charge pursuant to authority granted to the Authority by the Federal Aviation Administration under 49 U.S.C. § 40117 and 14 C.F.R. Part 158, or any successors thereto, as amended from time to time, and any interest, profits or other income derived from the investment of such charges.

“*Paying Agent*” means any bank or trust company designated as paying agent for the Bonds of any Series, and its successor or successors hereinafter appointed in the manner provided in the Bond Resolution.

“*Permitted Investments*” means any of the following securities, if and to the extent that the same are at the time legal for investment of funds of the Authority:

- (a) Government Obligations;
- (b) Obligations of any agencies and instrumentalities of the United States of America, guaranteed as to the timely payment of principal and interest by the United States of America;

(c) Senior debt obligations of any corporation of the United States government, including without limitation the Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, the Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Land Banks, Federal Home Loan Banks, the Federal National Mortgage Association and the Tennessee Valley Authority;

(d) The following investments fully-insured by the Federal Deposit Insurance Corporation or similar entity: (i) certificates of deposit, and (b) other interest-bearing accounts of any bank or savings and loan associations;

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest Rating Categories by a Rating Agency;

(f) Repurchase agreements collateralized by Government Obligations with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's or "A-1" or "A" or better by S&P, or any commercial bank with such ratings, *provided*:

(1) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, or (iii) a bank approved in writing for such purpose by each Security Instrument Provider which at the time has a Security Instrument outstanding on which there is no payment default, and the Trustee has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 357.0 *et seq.* (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(4) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business day of such valuation,

(5) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(6) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 102%;

(g) Bankers' acceptances for banks rated in one of the three highest Rating Categories by a Rating Agency;

(h) Commercial paper rated in the highest short-term Rating Category by a Rating Agency and having a remaining term to maturity of 270 days or less;

(i) State or municipal obligations rated in one of the three highest Rating Categories by a Rating Agency; and

(j) Shares of mutual funds that are open-end diversified investment companies registered under the Investment Company Act of 1940, as amended, the manager of which has been in operation for 5 years, consisting of Permitted Investments, and rated AAAMmf by Fitch or Aaa-mf by Moody's or AAAM by S&P.

"Pledged Bonds" means any Bonds that have been pledged or in which any interest has otherwise been granted to a Security Instrument Provider as collateral security for Security Instrument Repayment Obligations.

"Principal" means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case *"Principal"* means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Principal Installment" means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds of such Series are Outstanding, (1) the Principal amount of the Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, and/or (2) the unsatisfied balance (determined as provided in the Bond Resolution) of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon the redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment, and (b) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

"Prior Bonds" means the bonds refunded with the proceeds of the Series 2014 Bonds and as described in the preambles to the Bond Resolution.

"Project" means lands, buildings, structures, works, facilities, equipment, additions, improvements and extensions to or lawful expenditures that are related to the Airport System that are designated as a Project in a Supplemental Bond Resolution authorizing the issuance of Construction

Bonds for such Project or in a Written Certificate of the Authority, including any modifications or amendments pursuant to the Bond Resolution.

“Project Account” means the separate account in the Construction Fund for a Series of Bonds, pursuant to the Bond Resolution.

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Authority, its agent or a third party from the Holder of the Bond pursuant to provisions of the Supplemental Bond Resolution authorizing the issuance of such Bond and designating it as a *“Put Bond.”*

“Rate Covenant Requirement” means the amount of Net Revenues and, if applicable, the Rolling Coverage Amount required to satisfy the requirements set forth in the Bond Resolution as further described under the caption *“SECURITY AND SOURCE OF REPAYMENT — Rate Covenant”* of this Official Statement and *“Covenants of the Authority — Rates and Charges”* below.

“Rating Agency” means any nationally-recognized statistical rating organization that has an outstanding credit rating assigned to any Bonds at the request of the Authority.

“Rating Category” means one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“Rebate Fund” means any fund established with respect to a Series of Bonds issued under the Bond Resolution to provide for the payment of arbitrage rebate pursuant to the Code.

“Record Date” means, with respect to any interest payment date for any Series of Bonds, the date specified as the Record Date in the Supplemental Bond Resolution authorizing the issuance of such Series of Bonds.

“Redemption Price” means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to any Supplemental Bond Resolution.

“Refunded Debt” means Bonds or other debt to be refunded pursuant to the terms of the Bond Resolution.

“Refunding Bonds” means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the Bond Resolution, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Bond Resolution.

“Released Revenues” means revenues (including any revenues, fees, income, interest and receipts that would otherwise be considered to be *“Revenues”* as defined below) of the Airport System in respect of which the following have been filed with the Trustee:

- (a) a Written Request of the Authority to release such revenues;

(b) either (i) a Written Certificate of the Authority (1) certifying the Authority is in compliance with all requirements of the Bond Resolution, (2) setting forth for the two latest Fiscal Years for which the latest audited financial statements required by the Bond Resolution are available, the Net Revenues for each of such Fiscal Years, and (3) showing that such Net Revenues, together with any Rolling Coverage Amount, but excluding the revenues proposed to become Released Revenues, for each of such Fiscal Years were sufficient to satisfy the Rate Covenant Requirement for each of such Fiscal Years; or (ii) an Airport Consultant's Certificate to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, together with any Rolling Coverage Amount, but excluding the revenues proposed to become Released Revenues, for the current Fiscal Year will be sufficient to satisfy the Rate Covenant Requirement for such Fiscal Year; or (iii) Rating Agency confirmation that the ratings then assigned to any Outstanding Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of the Released Revenues; and

(c) a Favorable Opinion of Bond Counsel.

"Remarketing Agent" means a remarketing agent appointed by the Authority pursuant to the Bond Resolution and its successors under the Bond Resolution.

"Renewal and Replacement Fund" means the fund by that name established pursuant to the Bond Resolution.

"Renewal and Replacement Fund Requirement" means for any Fiscal Year, \$3,000,000 or such greater amount as may be established by the Governing Body from time to time to be on deposit in the Renewal and Replacement Fund.

"Repayment Obligations" means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

"Reserve Instrument" means an instrument or other device issued on any date by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement, if any, for a Series of Bonds. The term *"Reserve Instrument"* includes, by way of example and not by way of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other security instruments and other devices; *provided, however*, that no such device or instrument will be a *"Reserve Instrument"* for purposes of the Bond Resolution unless specifically so designated in the Supplemental Bond Resolution authorizing the use of such instrument or device.

"Reserve Instrument Agreement" means any agreement entered into by the Authority and a Reserve Instrument Provider pursuant to a Supplemental Bond Resolution and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

"Reserve Instrument Amount" means, as of any date of calculation and with respect to any Reserve Instrument, the amount available to be paid under such Reserve Instrument into the related

Series Account in the Debt Service Reserve Fund to satisfy all or any portion of the Debt Service Reserve Requirement.

“Reserve Instrument Costs” means, with respect to any Reserve Instrument, any fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement or the Supplemental Bond Resolution authorizing the use of such Reserve Instrument. Such Reserve Instrument Agreement or Supplemental Bond Resolution will specify any fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other financial institution issuing or otherwise providing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument, any outstanding amounts payable by the Authority under the Reserve Instrument Agreement or the Supplemental Bond Resolution authorizing the use of such Reserve Instrument to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There will not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs. Each Reserve Instrument will specify any amounts payable under it which, when outstanding, will constitute Reserve Instrument Repayment Obligations, and will specify the portions of any such amounts that are allocable as principal of and as interest on such Reserve Instrument Repayment Obligations.

“Revenue Fund” means the fund by that name established pursuant to the Bond Resolution.

“Revenues” means (i) all revenues, fees, income, rents and receipts derived by the Authority from or attributable to the Airport System or any lease or other contractual arrangement with respect to the use of the Airport System, as determined in accordance with generally accepted accounting principles as in effect from time to time, including without limitation any use agreements or lease agreements, or from the sale of any property of the Airport System permitted under the Bond Resolution, including the proceeds of any insurance covering business interruption loss, and (ii) Other Available Revenues, if any. Revenues also includes all interest, profits or other income derived from the investment of any moneys held pursuant to the Bond Resolution. Revenues do not include:

- (a) any money received by or for the account of the Authority from the levy or collection of taxes, other than any portion of such taxes designated and pledged as Other Available Revenues;
- (b) Grant Aid, other than any portion of such Grant Aid designated and pledged as Other Available Revenues;
- (c) proceeds received on insurance resulting from casualty damage to assets of the Airport System;

(d) rentals or other charges (other than ground rental) derived by the Authority under and pursuant to a lease or other agreement relating to Special Purpose Facilities;

(e) the proceeds of the sale of Bonds or other obligations issued for Airport System purposes;

(f) any Passenger Facility Charge or Customer Contract Fee, including income or earnings thereon, other than any portion of such Passenger Facility Charge or Customer Contract Fee designated and pledged as Other Available Revenues;

(g) any charge similar to a Passenger Facility Charge or a Customer Contract Fee imposed by or on behalf of the Authority on passengers or customers, including income or earnings thereon, other than any similar charge designated or pledged as Other Available Revenues;

(h) Released Revenues;

(i) any interest subsidy with respect to Bonds paid or payable to or for the account of the Authority by any governmental body or agency, other than any portion of such interest subsidy designated or pledged as Other Available Revenues;

(j) any Interest Rate Swap Termination Payments or penalty payments received by the Authority on any Interest Rate Swap; and

(k) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or which are restricted as to their use in such manner that such amounts cannot be applied by the Authority for the purposes that Revenues may be applied under the Bond Resolution.

“Rolling Coverage Account” means the account by that name in the Revenue Fund established pursuant to the Bond Resolution.

“Rolling Coverage Amount” means the amount on deposit in the Rolling Coverage Account on the date of calculation; *provided*, that for purposes of calculating the Rate Coverage Requirement and for purposes of issuing Construction Bonds and Refunding Bonds under the Bond Resolution, the Rolling Coverage Amount shall not exceed 25% of the maximum amount of Aggregate Debt Service in any Fiscal Year.

“S&P” means Standard & Poor’s Ratings Service, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation no longer performs the functions of a securities rating agency, *“S&P”* will be deemed to refer to any other nationally-recognized statistical rating organization designated by the Authority, with the approval of the Trustee.

“Security Instrument” means an instrument or other device issued by a Security Instrument Provider to pay, or to provide security, credit or liquidity for, a Series of Bonds. The term *“Security*

Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices; *provided, however*, that no such device or instrument will be a “*Security Instrument*” for purposes of the Bond Resolution unless specifically so designated in a Supplemental Bond Resolution authorizing the use of such device or instrument or a Written Certificate of the Authority approving the issuance of a Security Instrument by a Security Instrument Provider or a Written Certificate of the Authority designating the use of such device or instrument.

“*Security Instrument Agreement*” means any agreement entered into by the Authority and a Security Instrument Provider, providing for the issuance of a Security Instrument by such Security Instrument Provider.

“*Security Instrument Costs*” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid from the Revenue Fund or the Debt Service Fund to a Security Instrument Provider pursuant to a Security Instrument Agreement, the Supplemental Bond Resolution authorizing the use of such Security Instrument or a Written Certificate of the Authority approving the use of such Security Instrument. Such Security Instrument Agreement, Supplemental Bond Resolution or Written Certificate of the Authority will specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“*Security Instrument Provider*” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other financial institution issuing a Security Instrument.

“*Security Instrument Repayment Obligations*” means, as of any date of calculation and with respect to any Security Instrument, any outstanding amounts payable by the Authority under the Security Instrument Agreement, the Supplemental Bond Resolution authorizing the use of such Security Instrument or a Written Certificate of the Authority approving the use of such Security Instrument to repay the Security Instrument Provider for payments previously or concurrently made by the Security Instrument Provider pursuant to a Security Instrument. There will not be included in the calculation of the amount of the Security Instrument Repayment Obligations any Security Instrument Costs. Each Security Instrument Agreement, Supplemental Bond Resolution authorizing the use of such Security Instrument or Written Certificate of the Authority approving the use of such Security Instrument will specify any amounts payable under it which, when outstanding, will constitute Security Instrument Repayment Obligations, and will specify the portions of any such amounts that are allocable as principal of and as interest on such Security Instrument Repayment Obligations.

“*Series*” means all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a contemporaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Bond Resolution.

“*Series Account*” means the separate account created for one or more Series of Bonds in the Debt Service Fund or in the Debt Service Reserve Fund, as appropriate.

“*Series 2014 Bonds*” means the first Series of Bonds issued under the Bond Resolution.

“*Sinking Fund Installment*” means an amount so designated which is established pursuant to the Bond Resolution. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to the Bond Resolution toward the same (or the original amount of any such Sinking Fund Installment if no such amounts have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

“*Special Purpose Bonds*” means bonds, notes or obligations issued from time to time by the Authority pursuant to the Bond Resolution for the purpose of financing or refinancing the cost of Special Purpose Facilities; *provided*, that Special Purpose Bonds will not constitute Bonds for purposes of the Bond Resolution.

“*Special Purpose Facilities*” means such facilities or projects related to the Airport System as the Executive Director designates in writing to the Trustee as Special Purpose Facilities, and the cost of the acquisition and construction of which are financed with the proceeds of Special Purpose Bonds as contemplated and permitted by the Bond Resolution.

“*State*” means the Commonwealth of Kentucky.

“*Subordinated Indebtedness*” means (i) any bond, note or other evidence of indebtedness that is subordinate and junior in right of payment to the Bonds, and (ii) any Interest Rate Swap Termination Payment payable by the Authority (or by the Trustee for the account of the Authority) as a result of the termination of an Interest Rate Swap, unless specified to be on a parity with the Bonds in a Supplemental Bond Resolution. Subordinated Indebtedness will not be, and will not be deemed to be, Bonds for purposes of the Bond Resolution.

“*Supplemental Bond Resolution*” means any resolution supplemental or amendatory to the Bond Resolution that is in full force and effect and has been duly adopted by the Governing Body in accordance with the provisions of the Bond Resolution.

“*Surplus Fund*” means the fund by that name established pursuant to the Bond Resolution.

“*Tax Status*” means (i) the exclusion from gross income of the interest on any Outstanding Bonds issued as tax exempt obligations for federal income tax purposes, (ii) the right of a Bondholder or other investor to receive tax credits with respect to any Outstanding Bonds issued as tax credit bonds, or (iii) the right of the Authority to receive interest subsidies with respect to any Outstanding Bonds issued as interest subsidy bonds, in each case pursuant to the provisions of the Code.

“*Transfer Agent*” means, as the agent of the Authority, the Trustee and each and every additional agent appointed from time to time as the agent of the Authority pursuant to the Bond Resolution for the transfer and authentication of Bonds for so long as such appointment continues in effect.

“*Trustee*” means the trustee appointed by the Authority pursuant to the Bond Resolution, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Bond Resolution.

“*Variable Rate Bonds*” means, as of any date of calculation, Bonds the terms of which on such date of calculation are such that the interest thereon for any future period of time is expressed to be calculated at a rate which is not susceptible of a precise determination on the date of calculation.

“*Written Certificate of the Authority,*” “*Written Request of the Authority*” and “*Written Statement of the Authority*” means an instrument in writing signed on behalf of the Authority by an Authorized Officer thereof. Any such instrument and any supporting opinions or certificates may, but need not, be combined in a single instrument with any other instrument, opinion or certificate, and the two or more so combined will be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or certificate of counsel, consultants, accountants or engineers, unless the Authorized Officer signing such Written Certificate of the Authority, Written Request of the Authority, Written Statement of the Authority knows, or in the exercise of reasonable care should have known, that the opinion or certificate with respect to the matters upon which such Written Certificate of the Authority, Written Request of the Authority or Written Statement of the Authority may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel, consultant, accountant or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of the Bond Resolution, but different Authorized Officers, counsel, consultants, accountants or engineers may certify to different facts, respectively. Every Written Certificate of the Authority, Written Request of the Authority or Written Statement of the Authority, and every certificate or opinion of counsel, consultants, accountants or engineers will include:

(a) a statement that the person making such certificate, request, statement or opinion has read the pertinent provisions of the Bond Resolution to which such certificate, request, statement or opinion relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate, request, statement or opinion is based;

(c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; and

(d) with respect to any statement relating to compliance with any provision of the Bond Resolution, a statement whether or not, in the opinion of such person, such provision has been complied with.

“*Year*” means any period of 12 consecutive months.

SUMMARY OF RESOLUTION

The following, in addition to certain information provided under the headings “THE 2014 SERIES BONDS” and “SECURITY AND SOURCE OF PAYMENT” in this Official Statement, is a summary of certain provisions of the Bond Resolution. The summary does not purport to be complete or definitive and reference is made to the Bond Resolution for complete recital of the terms of the Bond Resolution, copies of which are available upon request at the office of the Authority. The Section references shown below are to particular Sections of the Bond Resolution.

Special Provisions for the Issuance of Construction Bonds

One or more Series of Construction Bonds may be issued in such Principal amount which, when taken together with other funds legally available, will provide the Authority with sufficient funds to pay the estimated Cost of Construction of a Project. The issuance of Construction Bonds is subject to the provisions of the Bond Resolution relating to the issuance of Construction Bonds. *See* “SECURITY AND SOURCE OF PAYMENT–Additional Bonds” in this Official Statement and Section 2.03 in the Bond Resolution.

Special Provisions for the Issuance of Refunding Bonds

One or more Series of Refunding Bonds may be issued in such Principal amount which, when taken together with other legally available funds, will provide the Authority with funds sufficient to accomplish the refunding of the Prior Bonds or all or a part of the Outstanding Bonds of one or more Series, or all or part of any other borrowing of the Authority payable in whole or in part from the Net Revenues, including in each case the payment of all expenses in connection with such refunding. *See* “SECURITY AND SOURCE OF PAYMENT–Refunding Bonds” in this Official Statement and Section 2.04 in the Bond Resolution.

The Pledge Effected by the Bond Resolution

The Bond Resolution pledges for the payment of the Principal, the Redemption Price, if any, of and the interest on the Bonds and the Repayment Obligations and for the performance of the covenants and obligations of the Authority under the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution, a pledge of and a lien on the following: (1) the proceeds of the sale of the Bonds, (2) the Net Revenues, (3) the Series Account of the Debt Service Fund, the Series Account of the Debt Service Reserve Fund, the Rolling Coverage Account, the Series Project Account of the Construction Fund and the Cost of Issuance Account (and each subaccount therein with respect to each Series of Bonds) of the Cost of Issuance Fund, including the investments, if any, thereof, subject to any required rebate of all or a portion of the earnings on such investments to the United States of America pursuant to the requirements of Section 148(f) of the Code and (4) any Other Available Revenues, any Other Moneys Available for Debt Service, moneys, securities, funds and accounts hereinafter pledged to such payment or performance, pursuant to a Supplemental Bond Resolution. *See* Section 5.01.

Establishment of Funds

The Bond Resolution establishes the following Funds and accounts that will be maintained as long as any Bonds remain outstanding:

- (1) the Construction Fund to be held by the Trustee, and a Project Account established by the Trustee therein for each Series of Construction Bonds;
- (2) the Revenue Fund to be held by the Authority, and a Rolling Coverage Account established therein by the Trustee;
- (3) the Debt Service Fund to be held by the Trustee, and a separate Series Account established by the Trustee therein for one or more Series of Bonds;
- (4) the Debt Service Reserve Fund to be held by the Trustee, and a separate Series Account established by the Trustee therein for one or more Series of Bonds;
- (5) the Operation and Maintenance Reserve Fund to be held by the Authority;
- (6) the Renewal and Replacement Fund to be held by the Authority;
- (7) the Surplus Fund to be held by the Authority; and
- (8) the Cost of Issuance Fund to be held by the Trustee, in which the Trustee may establish a separate subaccount for one or more Series of Bonds. *See* Section 5.02.

Construction Fund. Amounts required to be deposited into the Construction Fund are determined by the provisions of the Bond Resolution and any Supplemental Bond Resolution. The Trustee will establish within the Construction Fund a separate Project Account for each Series of Construction Bonds, and may establish one or more subaccounts in each Project Account.

The proceeds of insurance maintained in connection with a Project during the period of the acquisition, construction, maintenance, expansion or improvement of such Project against physical loss of or damage to properties of the Airport System, or of contractors' performance bonds with respect thereto, pertaining to the period of the acquisition, construction, maintenance, expansion or improvement thereof, may be paid by the Authority to the Trustee for deposit into the appropriate Project Account in the Construction Fund.

Amounts in each Project Account established for a Project will be disbursed by the Trustee to or on behalf of the Authority in accordance with the requirements of the Bond Resolution, and applied by the Authority to pay the Cost of Construction of the Project. In the event and to the extent that the proceeds of the sale of Bonds are deposited in a Project Account established pursuant to the Bond Resolution to provide for the payment of capitalized interest, the Trustee will, during the period for which such interest was capitalized, transfer from such Project Account for deposit in the appropriate Series Account in the Debt Service Fund, the amounts required to pay interest on the

Bonds of such Series when due, subject to any limitations contained in the Supplemental Bond Resolution authorizing such Bonds.

Unless otherwise provided in a Supplemental Bond Resolution authorizing a Series of Construction Bonds, all net income earned on any moneys or investments in the Project Account established in the Construction Fund for a Project will be held in such Project Account and applied to pay the Cost of Construction of such Project.

Unless otherwise provided in a Supplemental Bond Resolution, upon the substantial completion of the acquisition, construction, maintenance, expansion or improvement of the Project relating to a Series of Bonds, the balance in the applicable Project Account in the Construction Fund will, be (i) used to purchase Bonds as provided by the Bond Resolution, (ii) deposited into the related Series Account in the Debt Service Reserve Fund to fund any amounts required to be deposited therein, (iii) deposited into the related Series Account in the Debt Service Fund, (iv) transferred into another Project Account to pay the Cost of Construction of a Project or (v) used for any other purpose for which the proceeds of Bonds may be used under applicable law and covenants regarding the use of the proceeds of Bonds and, if applicable, maintaining the Tax Status of the interest on the Bonds. *See* Section 5.03.

Revenue Fund and Rolling Coverage Account. All Revenues will be deposited by the Authority to the credit of the Revenue Fund. There will also be deposited into the Revenue Fund all amounts required to be so deposited by the Bond Resolution and Other Available Revenues directed by the Authority to be deposited in the Revenue Fund by a Supplemental Bond Resolution, a Written Certificate of the Authority or otherwise.

The Operating Expenses will be paid by the Authority as a first charge on the Revenue Fund; *provided, however*, that the Authority may use money on deposit in the Operation and Maintenance Reserve Fund to pay such Operating Expenses as provided by the Bond Resolution.

The amount on deposit in the Rolling Coverage Account on any date will constitute the Rolling Coverage Amount; *provided*, that for purposes of calculating the Rate Coverage Requirement for purposes of the Bond Resolution, the Rolling Coverage Amount will not exceed 25% of the maximum amount of Aggregate Debt Service in any Fiscal Year. Money on deposit in the Rolling Coverage Account may be used for any purpose for which any money on deposit in the Revenue Fund may be used. Except as provided in the Bond Resolution, the Authority will provide the Trustee with a Written Request of the Authority to make any transfer from the Rolling Coverage Account. Failure to retain any money in the Rolling Coverage Account will not constitute a default or an Event of Default under the Bond Resolution. *See* Section 5.04.

Debt Service Fund; Series Accounts. In addition to the amounts required to be deposited into each Series Account as described under “SECURITY AND SOURCE OF PAYMENT–Application of Revenues - Flow of Funds” in the Official Statement and any payments made by a Security Instrument Provider with respect to a Series of Bonds, there will also be deposited in a Series Account Other Moneys Available for Debt Service directed by the Authority to be deposited in such Series Account by a Supplemental Bond Resolution, a Written Certificate of the Authority or otherwise. The Trustee will pay out of the appropriate Series Account in the Debt Service Fund to

the respective Paying Agent (1) on or before each interest payment date for each Series of Bonds secured thereby, the amount required for the interest payable on such date; (2) on or before each Principal Installment due date for such Series, the amount required for the Principal Installment payable on such due date; and (3) on or before any date fixed for redemption for each Series of Bonds, the amount required for the payment of the Redemption Price of and accrued interest on such Bonds then to be redeemed. Such amounts will be applied by the Paying Agents to pay the Principal Installments and the Redemption Price of and the interest on the related Series of Bonds. *See* Section 5.05.

Debt Service Reserve Fund; Series Accounts. Each Supplemental Bond Resolution providing for the issuance of a Series of Bonds may (1) establish in the Debt Service Reserve Fund a separate Series Account either (A) only for such Series of Bonds, or (B) for such Series of Bonds and any other future Series of Bonds, or (2) provide for such Series of Bonds to be secured by a Series Account previously established if permitted by the Supplemental Bond Resolution that established such Series Account. Such Supplemental Bond Resolution may specify (1) any Debt Service Reserve Requirement for such Series Account, if any, (2) the manner in which such Series Account may be funded, and (3) the manner in which any deficiency in such Series Account may be replenished. Subject to any limitations contained in a Supplemental Bond Resolution authorizing the issuance of a Series of Bonds, the Authority may satisfy any Debt Service Reserve Requirement by means of a Reserve Instrument (or may substitute one Reserve Instrument for another); *provided*, that if a Series of Bonds to be secured by such Reserve Instrument has already been issued, the Authority must provide to the Trustee written evidence satisfactory to the Trustee from each Rating Agency then having a rating in effect for any Series of Bonds then Outstanding secured by such Series Account to the effect that the Rating Agency has reviewed the proposed Reserve Instrument and that the use of such Reserve Instrument (or the substitution of a Reserve Instrument for money held in the Debt Service Reserve Fund or the substitution of one Reserve Instrument for another, as appropriate) will not, by itself result in a reduction or withdrawal of the rating by such Rating Agency of such Series of Bonds. In the event that the rating of a Reserve Instrument Provider is lowered or withdrawn after its Reserve Instrument has been deposited in the related Series Account of the Debt Service Reserve Fund, the Authority is not be obligated to provide a substitute Reserve Instrument or to deposit cash into said Series Account in the Debt Service Reserve Fund.

If, on the final Business Day of any month, the amount in any Series Account in the Debt Service Fund is less than the amount required to be in such Series Account, the Trustee will apply amounts in the applicable Series Account in the Debt Service Reserve Fund to the extent necessary to make good the deficiency. Whenever the amount in a Series Account in the Debt Service Reserve Fund is, excluding any Reserve Instrument Amount, together with the amount in the corresponding Series Account in the Debt Service Fund for a Series of Bonds, sufficient to pay in full all Outstanding Bonds of such Series and the related Repayment Obligations in accordance with their terms, the funds on deposit in such Series Account in the Debt Service Reserve Fund will, at the Written Request of the Authority, be transferred to the corresponding Series Account in the Debt Service Fund.

If the Trustee receives a Written Certificate of the Authority stating that the moneys on deposit in a Series Account in the Debt Service Reserve Fund, including investment earnings and any Reserve Instrument Amount with respect thereto, exceed the Debt Service Reserve Requirement for

such Series Account, such excess will be transferred by the Trustee and deposited into the applicable Series Account in the Debt Service Fund, except as otherwise directed by the Authority in such Written Certificate of the Authority. Whenever the Authority determines that the moneys on deposit in a Series Account in the Debt Service Reserve Fund, including investment earnings and any Reserve Instrument Amount with respect thereto, is not at least equal to the Debt Service Reserve Requirement for such Series Account, the Authority will transfer and deposit, on or before the last Business Day of each calendar month, commencing in the first calendar month of the immediately succeeding Fiscal Year, for credit to such Series Account in the Debt Service Reserve Fund an amount equal to approximately one-twelfth of the aggregate amount necessary to be deposited so that the balance in such Series Account is at least equal to the Debt Service Reserve Requirement for such Series Account.

The Authority will compute the value of the investments on deposit in each Series Account in the Debt Service Reserve Fund as of June 30 of each year, but not later than August 1, or, in the case of any release of moneys in excess of the Debt Service Reserve Requirement, the Authority may compute the value of investments on deposit in any Series Account in the Debt Service Reserve Fund as of any other date. In computing the value of the moneys on deposit in any Series Account in the Debt Service Reserve Fund, all investments of moneys therein will be valued at face value if such investments mature within twelve (12) months from the date of valuation, and if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at the holder's option, if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such investments minus the amortization of any premium or plus the amortization of any discount, or (ii) the market value of such investments. The Authority will also determine the amount available under each Reserve Fund Instrument relating to the valuation of the investments in such Series Account in the Debt Service Reserve Fund as of June 30 or such other date of valuation, as the case may be. The Authority will promptly, but not later than August 1 in the case of a June 30 valuation or not later than 30 days after a valuation on any date other than June 30, provide the Trustee with the valuations. *See* Section 5.06.

Renewal and Replacement Fund. The Renewal and Replacement Fund is held by the Authority and, to the extent the amount on deposit in the Renewal and Replacement Fund is not at least equal to the Renewal and Replacement Fund Requirement, will be funded from the transfer of moneys from the Revenue Fund. Amounts credited to the Renewal and Replacement Fund may be used at any time: *first*, to pay for any extraordinary costs of replacing depreciable property and equipment of the Airport System and making extraordinary repairs, replacements or renovations of the Airport System, including any item of Major Maintenance; *second*, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund if, in any month, the Authority expects that, at the end of the month the amount in the Revenue Fund will be insufficient to pay Operating Expenses and all transfers have been made pursuant to the Bond Resolution; *third*, to the extent any amounts are remaining, to be transferred to the Series Accounts in Debt Service Fund and the Series Accounts in the Debt Service Reserve Fund, in that order, to the extent of any deficiency therein, but only after the deposit of moneys required by the Bond Resolution. Any amounts in excess of the Renewal and Replacement Fund Requirement will be transferred to the Surplus Fund, unless otherwise determined by the Authority. *See* Section 5.07.

Operation and Maintenance Reserve Fund. The Authority may use moneys on deposit in the Operation and Maintenance Reserve Fund to pay Operating Expenses if, in any month, the Authority expects that, at the end of that month, the amount of money that will be available in the Revenue Fund to make the transfers and deposits required by the Bond Resolution will not be sufficient to pay such Operating Expenses and to make such transfers and deposits. Amounts on deposit in the Operation and Maintenance Reserve Fund in excess of the Operation and Reserve Requirement will be transferred to the Surplus Fund, unless otherwise determined by the Authority. *See* Section 5.09.

Surplus Fund. If on the last day of any calendar month the amount in any Series Account in the Debt Service Fund, the Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund or the Renewal and Replacement Fund is less than the amount required to be deposited in such Series Account pursuant to the Bond Resolution, and there are not on deposit in the Revenue Fund sufficient moneys to cure such deficiency, the Trustee will immediately notify the Authority of such deficiency and the amount of such deficiency, and the Authority will immediately transfer to the Trustee for deposit into such Series Account in the Debt Service Fund, the Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund, as applicable, the amount necessary (or all the moneys in the Surplus Fund, if less than the amount necessary) to make up such deficiency.

Amounts in the Surplus Fund at the end of each calendar month not required to meet a deficiency in any other Fund may be transferred from time to time by the Authority from the Surplus Fund and used by the Authority for any lawful Authority purpose, including, without limitation, (1) the purchase of any Bonds or the redemption of any Bonds and the payment of expenses in connection with the purchase or redemption of any Bonds, (2) payment of debt service (whether by purchase or redemption or otherwise) on any Subordinated Indebtedness of the Authority, (3) payment of capital expenditures, (4) funding of debt service reserve funds or accounts established by the Authority in connection with any bonds, (5) the payment of letter of credit fees, Security Instrument Costs, Reserve Instrument Costs, the fees and expenses of Fiduciaries, Remarketing Agents and other agents and the fees and expenses of broker-dealers, (6) the payment of Interest Rate Swap Termination Payments, (7) deposit into the Rolling Coverage Account or (8) deposit into the Revenue Fund. *See* Section 5.08.

Cost of Issuance Fund. There will be paid into the Cost of Issuance Fund the amounts required to be so paid by the provisions of the Bond Resolution or any Supplemental Bond Resolution. Amounts in each Cost of Issuance Account established for a Series of Bonds will be disbursed by the Trustee to pay the Costs of Issuance of such Series of Bonds. *See* Section 5.10.

Released Revenues

Upon a Written Request of the Authority delivered to the Trustee, Revenues may be released from the pledge and lien of the Bond Resolution, *provided*, that the Revenues requested by the Authority to be released constitute “Released Revenues,” as defined in the Bond Resolution.

Purchase of Bonds

The Authority may purchase Bonds of any Series from any available funds at public or private sale, at such prices as the Authority may in its discretion determine, but at a price not exceeding the Principal amount thereof plus accrued interest thereon, or in the case of Bonds which by their terms are subject to redemption prior to maturity, at the then current or first applicable Redemption Price (plus accrued interest), as the case may be. *See* Section 5.12.

Covenants of the Authority

Construction of Projects. If the Authority undertakes the acquisition, construction, maintenance, expansion or improvement of a Project, the Authority will cause the acquisition, construction, maintenance, expansion or improvement of such Project to be accomplished in a sound and economic manner. *See* Section 6.02.

Restrictions on Liens on Net Revenues. The Authority will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Net Revenues, except only as provided in or permitted by the Bond Resolution, including any pledge to secure the Security Instrument Repayment Obligation due and payable to a Security Instrument Provider and any Interest Rate Swap payment with respect to a Series of Bonds. Any lien on the Net Revenues to pay debt service on Subordinated Indebtedness will be subject and subordinate to the lien granted by the Authority to the Trustee in favor of the Bonds. *See* Section 6.03.

Limitation on Sale or Other Disposition of Property. The Authority will not sell or otherwise dispose of all or any part of the Airport System that is necessary for the efficient operation of the Airport System, except that the Authority may sell or otherwise dispose of any facilities, or an interest in such facilities, constituting a part of the Airport System, which are necessary for the efficient operation of the Airport System if the Authority files with the Trustee a Written Certificate of the Authority certifying that, following such sale or disposition and after giving effect both to the proposed sale or disposition of the facilities and the application of the proceeds of such sale, and after giving effect to any change in the Estimated Net Revenues resulting from such sale or other disposition for the remainder of the Fiscal Year in which such sale or disposition is effective and in the next succeeding Fiscal Year, the Estimated Net Revenues will be sufficient to satisfy the Rate Covenant Requirement. The proceeds of any sale or other disposition must be used to replace the property as sold or disposed of, deposited into the Renewal and Replacement Fund, as directed by a resolution of the Governing Body or a Written Certificate of the Authority, or deposited into the Revenue Fund. The Authority may enter into any lease, license or other agreement for the operation of, and may grant easements or other rights with respect to, any part of the Airport System, so long as such lease, license, contract, easement or other right does not impair or impede the operation of the Airport System or does not impair or impede the lien of this Bond Resolution or Net Revenues.

Operation and Maintenance. The Authority will cause the Airport System to be operated continuously in a sound, efficient and economical manner, to the extent practicable under then existing conditions, for the receipt and dispatch of passengers, property and mail by aircraft and at standards required in order that the Airport System may be approved by the proper federal and state

authority or authorities for the landing and take-off of commercial and passenger aircraft operating in scheduled service.

The Authority will at all times cause the Airport System to be maintained, preserved and kept in good repair, working order and condition. The Authority will cause all necessary and proper repairs and replacements to be made so that the business carried on in connection with the Airport System may be properly and advantageously conducted at all times in a manner consistent with prudent management, and that the rights and security of the Holders of the Bonds, the Security Instrument Providers and the Reserve Instrument Providers may be fully protected and preserved. *See Section 6.05.*

Further Assurances. The Authority covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Bond Resolutions and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, pledging and confirming to the Trustee all and singular the Net Revenues, including the payments to be made by the airlines or other users pursuant to the Airport Use Agreements and the other use agreements or leases with the Authority relating to the Airport System, and the other amounts and all other property conveyed, pledged or assigned to secure or provide for the payment of the Principal and Redemption Price of and interest on the Bonds. The Authority will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Net Revenues, including the payments to be made by the airlines or other users pursuant to the Airport Use Agreements and the other use agreements or leases with the Authority relating to the Airport System, except as otherwise permitted by the Bond Resolution. *See Section 6.07.*

Insurance. Subject to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the Authority will procure and maintain or cause to be procured and maintained insurance on the Airport System, insuring against loss or damage, and comprehensive liability insurance in such amounts and against such risks as are usually insurable in connection with similar airports and are usually carried by public entities operating similar airports; and

(2) the Authority will procure and maintain adequate fidelity insurance or bonds on the positions of any person or persons handling or responsible for funds of the Authority related to the Airport System.

The Authority may satisfy the insurance requirements of the Bond Resolution through self-insurance. *See Section 6.10.*

Accounts and Reports; Financial Statements. The Authority will maintain proper books and records in which full and correct entries will be made in accordance with generally accepted accounting principles of all transactions relating to the Airport System and the Revenues. All books of records and accounts relating to the Airport System and the Revenues will be open upon reasonable notice during regular business hours to each Security Instrument Provider then providing a Security Instrument, to the Trustee or to a representative of the Trustee. The Authority will have an

annual audit made by an Independent Public Accountant, will cause such Independent Public Accountant to prepare its financial statements in accordance with generally accepted accounting principles, and will within 180 days after the end of each Fiscal Year furnish to the Trustee then providing a Security Instrument copies of the audited financial statements of the Authority for such Fiscal Year.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Bond Resolution will be available for the inspection of the Bondholders, the Security Instrument Providers and the Reserve Instrument Providers at the designated corporate trust office of the Trustee.

The Authority will file with the Trustee and with any party specified by a Supplemental Bond Resolution immediately upon becoming aware of any Event of Default or other default in the performance by the Authority of any covenant, agreement or condition contained in the Bond Resolution, a Written Certificate of the Authority specifying such default. *See* Section 6.11.

Rates and Charges. The Authority covenants and agrees to establish, fix, prescribe, continue and collect (directly or through the Airport Use Agreements and other leases, use agreements, licenses or ordinances) rates, fees, rentals and other charges for the use of the Airport System services furnished by the Authority which, together with other income, are reasonably expected to yield for the forthcoming Fiscal Year: (1) Net Revenues that, together with any Rolling Coverage Amount, are at least equal to (a) 125% of the Aggregate Debt Service which will be due and payable during the forthcoming Fiscal Year, excluding amounts payable on the Repayment Obligations during such Fiscal Year, plus (b) 100% of the Repayment Obligations, if any, which will be due and payable during the forthcoming Fiscal Year; and (2) Net Revenues that, together with the Rolling Coverage Amount, are at least equal to 100% of all deposits and payments required to be made pursuant to this Bond Resolution from the Net Revenues during the forthcoming Fiscal Year.

If the annual financial statements made in accordance with the provisions of the Bond Resolution relating to the Revenues disclose that, during the period covered by such financial statements, the Net Revenues, together with any Rolling Coverage Amount, were not sufficient to satisfy the Rate Covenant Requirement, the Authority will not be in default and no Event of Default will have occurred under the Bond Resolution, if, within 180 days after the date of such financial statements (1) the Authority obtains recommendations from an Airport Consultant to produce Net Revenues, together with any Rolling Coverage Amount, at least sufficient to satisfy the Rate Covenant Requirement (including a revision of rates, fees, rentals and other charges or a reduction in Operating Expenses), and (2) the Authority, on the basis of such recommendations, takes appropriate courses of action to produce Net Revenues, together with any Rolling Coverage Amount, at least sufficient to satisfy the Rate Covenant Requirement; *provided, however,* that if after taking such measures to produce such Net Revenues, the Net Revenues, together with the Rolling Coverage Amount, in the complete Fiscal Year after such adjustments are made (evidenced by the audited financial statements for such Fiscal Year) are less than the amount specified in the immediately preceding paragraph, there will be an Event of Default pursuant to the Bond Resolution. *See* Section 6.12.

Annual Budget. The Authority will, for each Fiscal Year, take such actions as may be required of it to prepare and adopt an annual budget in accordance with applicable law including the Act. If, for any reason, the Authority is prevented or precluded from adopting an annual budget it will nonetheless take such action as may be required to permit it to obligate and expend moneys for debt service on the Bonds then outstanding and expenditures for previously authorized capital expenditures and Operating Expenses. *See* Section 6.20.

Reconstruction of Airport System; Application of Insurance Proceeds. If any portion of the Airport System that is necessary for the efficient operation of the Airport System is damaged or destroyed, the Authority will, as expeditiously as is practicable, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless the Authority files with the Trustee a Written Certificate of the Authority to the effect that such reconstruction or replacement is not in the interests of the Authority and the Bondholders.

Special Purpose Bonds. The Authority may issue Special Purpose Bonds, from time to time that are payable as to principal, redemption premium, if any, and interest solely from rentals or other charges derived by the Authority under and pursuant to a lease or other agreement relating to the Special Purpose Facilities entered into by and between the Authority and such person or entity, either public or private, as will lease or otherwise obtain rights to the Special Purpose Facilities from the Authority. No such Special Purpose Bonds will be issued by the Authority unless there has been filed with the Trustee a Written Certificate of the Authority stating that: (1) The estimated rentals or other charges to be derived by the Authority under and pursuant to the lease or other agreement relating to the Special Purpose Facilities will be at least sufficient to pay the principal of, premium, if any, and interest on such Special Purpose Bonds as and when the same become due and payable, all costs of operating and maintaining such Special Purpose Facilities and all sinking fund, reserve or other payments required by the resolution authorizing the Special Purpose Bonds as the same become due; and (2) The acquisition, construction and operation of such Special Purpose Facilities will not materially adversely affect the ability of the Airport System to produce Net Revenues sufficient to satisfy the Rate Covenant Requirement.

Modification or Amendment of the Bond Resolution

Amendments Permitted. The Bond Resolution or any Supplemental Bond Resolution and the rights and obligations of the Authority and the Holders of the Bonds may be modified or amended at any time by a Supplemental Bond Resolution with the written consent (1) of the Holders of at least a majority in aggregate Principal amount of the Bonds then Outstanding, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate Principal amount of the Bonds of each Series so affected and then Outstanding, or (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least a majority in aggregate Principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and then Outstanding; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of Bonds of such Series will not be required, and the Bonds of such Series will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds.

The Bond Resolution or any Supplemental Bond Resolution and the rights and obligations of the Authority, the Holders of the Bonds, the Security Instrument Providers and the Reserve Instrument Providers may also be modified or amended at any time by a Supplemental Bond Resolution, without the consent of any of the Holders of the Bonds for any of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Bond Resolution, to add other covenants and agreements thereafter to be observed, to pledge or provide additional revenues and security hereunder (including Other Available Revenues and Other Moneys Available for Debt Service) or to surrender any right or power reserved to or conferred upon the Authority pursuant to the Bond Resolution;

(2) to cure any ambiguity, formal defect or omission to resolve questions arising under the Bond Resolution, as the Authority may deem necessary or desirable; *provided*, that no such amendment may, in the judgment of the Trustee, materially adversely affect the interests of the Holders of the Bonds;

(3) to provide for the issuance of a Series of Bonds;

(4) to provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations;

(5) to provide for the purchase of Bonds and the manner by which such Bonds will be purchased;

(6) to make any change which in the judgment of the Authority will not materially adversely affect the rights or interests of the Holders of any Outstanding Bonds;

(7) to make any change necessary (A) to establish or maintain the exemption from federal income taxation of interest on any Series of tax-exempt Bonds as a result of any modifications or amendments to Section 142 or Section 148 of the Code (or any successor provision of law) or interpretations thereof by the Internal Revenue Service, or (B) to comply with the provisions of Section 148(f) of the Code (or any successor provision of law), including provisions for the payment of all or a portion of the investment earnings of any of the Funds established hereunder to the United States of America;

(8) if the Bonds affected by such change are rated by a Rating Agency, to make any change which does not result in a reduction of any rating or ratings (including credit enhanced and underlying ratings, if any) applicable to any of the Bonds so affected; *provided*, that if the Bonds affected by such change are secured by a Security Instrument or a Reserve Instrument, such change must be approved in writing by the related Security Instrument Provider or Reserve Instrument Provider, as the case may be;

(9) to accommodate the technical, operational and structural features of Bonds which are issued or proposed to be issued, including, but not limited to changes needed to accommodate bond anticipation notes, commercial paper, auction Bonds, hedge facilities, Put

Bonds and other Variable Rate Bonds, Capital Appreciation Bonds, Balloon Bonds, original issue discount bonds and other discounted or compound interest Bonds or other forms of indebtedness that the Authority deems appropriate to incur from time to time;

(10) to modify, amend or supplement the Bond Resolution or any Supplemental Bond Resolution in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if they so determine, to add to the Bond Resolution or any Supplemental Bond Resolution such other terms, conditions and provisions as may be permitted or required by said Trust Indenture Act of 1939, as amended, a similar Federal statute or such state securities laws;

(11) to provide for the appointment of a successor Trustee, a Paying Agent, a separate trustee, co-trustee, a Remarketing Agent or a Transfer Agent;

(12) to provide for a Security Instrument or a Reserve Instrument with respect to a Series of Bonds and any provisions relating thereto; or

(13) to add Permitted Investments.

No modification or amendment will be permitted pursuant to paragraph (7), (8) or (9) above unless the Authority delivers to the Trustee a Favorable Opinion of Bond Counsel.

No modification or amendment permitted above may (1) extend the fixed maturity of any Bond, or reduce the Principal amount or Redemption Price of any Bond, or reduce the interest rate or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Bond Resolution, without the consent of the Holders of all of the Bonds then Outstanding, or (3) without its written consent thereto, modify any of the rights or obligations of the Trustee. *See* Section 8.01.

Amendment by Written Consent. The Authority may at any time adopt a valid Supplemental Bond Resolution amending the provisions of the Bonds or of the Bond Resolution or any Supplemental Bond Resolution, to the extent that such an amendment is permitted by the Bond Resolution, to become effective when and as approved by written consent of the Bondholders as provided above, and any necessary Security Instrument Providers and Reserve Instrument Providers, as provided above. Such Supplemental Bond Resolution will not be effective unless there has been filed with the Authority or the Trustee the written consents of the necessary number of the Holders of the Bonds then Outstanding and the consents of any necessary Security Instrument Providers and Reserve Instrument Providers, and a notice has been mailed as provided below. It will not be necessary for such consent to approve the particular form of any proposed Supplemental Bond Resolution, but it will be sufficient if such consent approves the substance thereof. Each consent of a Bondholder will be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof will be as is permitted by the Bond Resolution. Any such consent will be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder thereof

(whether or not such subsequent Holder has notice thereof). Notice of the adoption of such Supplemental Bond Resolution will be mailed by the Authority to the Bondholders (but failure to mail copies of such notice will not affect the validity of the Supplemental Bond Resolution when assented to by the requisite percentage of the Holders of the Bonds) and to each Security Instrument Provider of a Security Instrument and Reserve Instrument Provider of a Reserve Instrument, as the case may be, then in full force and effect and not in default of a payment obligation. *See* Section 8.02.

Irrevocable Consent. Any consent given pursuant to the provisions described above by any Holder of a Bond will be irrevocable, and will be conclusive and binding upon all future Holders of the same Bond delivered on transfer thereof or in exchange therefor or in replacement thereof. *See* Section 8.06.

Events of Default and Remedies of Bondholders

Events of Default. The occurrence of one or more of the following events will constitute an “Event of Default” under the Bond Resolution:

(a) failure by the Authority to make the due and punctual payment of the Principal or Redemption Price of any Bond when due, whether at maturity, by proceedings for redemption, by declaration or otherwise;

(b) failure by the Authority to make the due and punctual payment of any installment of interest on any Bond or any Sinking Fund Installment when such interest installment or Sinking Fund Installment becomes due;

(c) failure of the Authority to make the due and punctual payment of the purchase price of any Put Bond tendered for optional or mandatory purchase when due;

(d) failure of the Authority to establish, fix, prescribe, continue and collect (directly or through the Airport Use Agreements and other leases, use agreements, licenses or ordinances) rates, fees, rentals and other charges for the use of the Airport System services furnished by the Authority in the amounts and as otherwise required by the Bond Resolution;

(e) failure by the Authority to observe any of the covenants, agreements or conditions on its part contained in the Bond Resolution or in the Bonds, other than any failure contained in paragraphs (a), (b), (c) or (d) above, and failure by the Authority to remedy the same for a period of 90 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding; *provided*, that no Event of Default will occur if such failure can be corrected, but not within such 90-day period, and the Authority institutes corrective action within such period and diligently pursues such corrective action until such failure is corrected;

(f) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 90 days after such institution; or

(g) any event specified in a Supplemental Bond Resolution as constituting an Event of Default under the Bond Resolution;

Failure by the Authority to make payment as described in Subsection (a) or Subsection (b) above will not constitute an Event of Default with respect to any Bond if the Supplemental Bond Resolution authorizing the issuance of such Bond provides that due and punctual payment by a Security Instrument Provider or a Reserve Instrument Provider does not give rise to an Event of Default and such payment is duly and punctually made.

The Trustee will give notice to any Security Instrument Provider or Reserve Instrument Provider of any Event of Default known to the Trustee within 30 days after it has knowledge thereof. *See* Section 9.01.

No Acceleration of Bonds. The Bonds will not be subject to acceleration as to payment of principal or interest, or other payment with respect thereto. *See* Section 9.02.

Application of Revenues and Other Moneys after Default. Upon the occurrence and the continuation of an Event of Default, the Trustee will apply the Revenues and such moneys, securities and funds and the income therefrom as follows and in the following order, *provided* that moneys held in any Series Account in the Debt Service Fund or in any Series Account in the Debt Service Reserve Fund or received under any Security Instrument will not be used for any purpose other than the payment of the Principal, Redemption Price and interest then due on the Series of Bonds corresponding to such Series Account or such Security Instrument in accordance with paragraph (3) below:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(2) to the payment of the Operating Expenses;

(3) to the payment of the Principal, Redemption Price and interest then due on the Bonds and the Security Instrument Repayment Obligations, as follows:

(A) unless the Principal of all of the Bonds is then due and payable,

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the Security Instrument Repayment Obligations in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments

maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds and the Security Instrument Repayment Obligations which have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds and the Security Instrument Repayment Obligations due on any date, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) if the Principal of all of the Bonds is then due and payable, to the payment of the Principal and interest then due and unpaid upon the Bonds and the Security Instrument Repayment Obligations without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond or Security Instrument Repayment Obligations over any other Bond or Security Instrument Repayment Obligations, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference; and

(4) to the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference.

If and whenever all overdue installments of interest on all Bonds and all Repayment Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Authority under the Bond Resolution, including the Principal and Redemption Price of and accrued unpaid interest on all Bonds and Repayment Obligations which are then payable, are either paid by or for the account of the Authority, or provision satisfactory to the Trustee has been made for such payment, and all defaults under the Bond Resolution or the Bonds are made good or secured to the satisfaction of the Trustee and the Repayment Obligations are made good or secured to the satisfaction of the Security Instrument Providers and the Reserve Instrument Providers, as appropriate, or provision deemed by the Trustee and, in the case of Repayment Obligations, to the Security Instrument Providers and the Reserve Instrument Providers, as appropriate, to be adequate are made therefor, the Trustee will pay over to the Authority all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Bond Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee will be restored, respectively, to their former positions and rights under the Bond Resolution, and all Revenues will thereafter be applied as provided in the Bond Resolution. *See* Section 9.04.

Rights and Remedies of Bondholders. No Holder of any Bond, any Security Instrument Provider or any Reserve Instrument Provider will have any right to institute any proceeding, judicial

or otherwise, with respect to the Bond Resolution, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder, Security Instrument Provider or Reserve Instrument Provider has previously given written notice to the Trustee of a continuing Event of Default;

(2) either (1) the Holders of not less than 25% in aggregate Principal amount of the Outstanding Bonds, (2) Security Instrument Providers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure 25% in aggregate Principal amount of the Bonds at the time Outstanding, or (3) any combination of Bondholders and Security Instrument Providers described in clauses (1) and (2) representing not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holders or Security Instrument Provider has offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by (1) the Holders of a majority in aggregate Principal amount of the Outstanding Bonds, (2) Security Instrument Providers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or (3) any combination of Bondholders and Security Instrument Providers described in clauses (1) and (2) representing a majority in aggregate Principal amount of the Bonds at the time Outstanding.

It is intended that no one or more Holders of Bonds, Security Instrument Providers or Reserve Instrument Providers will have any right in any manner whatever by virtue of, or by availing of, any provision of the Bond Resolution to affect, disturb or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under the Bond Resolution, except in the manner therein provided and for the equal and ratable benefit of all such parties in accordance with the provisions of the Bond Resolution.

The Holder of any Bond will have the right which is absolute and unconditional to receive payment of the Principal and Redemption Price of and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment, subject only to any conditions of any Security Instrument Provider providing a Security Instrument securing such Bond. Such right to receive payment will not be impaired without the consent of such Holder.

The Holders of a majority in aggregate Principal amount of the Outstanding Bonds, Security Instrument Providers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or any combination of Bondholders and Security Instrument Providers representing a majority in aggregate Principal amount of the Bonds at the time Outstanding, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the requirements of the Bond Resolution. *See* Section 9.05.

Investment of Funds

Moneys held in any Fund, account or subaccount will be invested and reinvested by the Authority or the Trustee at the direction of the Authority to the fullest extent practicable in Permitted Investments (*provided*, that investments of moneys in the Debt Service Fund must mature or be subject to redemption prior to maturity not later than such times as will be necessary to provide moneys when needed for payments to be made from the Debt Service Fund), subject to the following:

- (1) the Trustee will make such investments only in accordance with instructions received from an Authorized Officer of the Authority;
- (2) any Supplemental Bond Resolution authorizing a Series of Bonds may impose additional restrictions on moneys held in any Fund, account or subaccount; and
- (3) any Supplemental Bond Resolution authorizing a Series of Bonds may authorize the investment of moneys to be held in any Project Account, any Series Account in the Debt Service Fund or any Series Account in the Debt Service Reserve Fund created by such Supplemental Bond Resolution and relating to such Series of Bonds in such other investments as may be specified by the Supplemental Bond Resolution.

Subject to any required rebate of earnings on investments in any Fund, account or subaccount to the United States of America pursuant to Section 148(f) of the Code and, except as otherwise provided in a Supplemental Bond Resolution or a Written Certificate of the Authority: (i) all moneys earned as an investment of moneys in a Project Account in the Construction Fund will be retained therein, and all moneys earned as an investment of moneys in a Cost of Issuance Account will be transferred to the related Project Account or to the related Series Account in the Debt Service Fund; (ii) net income earned on any moneys or investments in the Revenue Fund and the Surplus Fund will be retained in each respective Fund; (iii) net income on moneys or investments in the Debt Service Fund will be retained therein; (iv) net income earned on any moneys or investments in a Series Account of the Debt Service Reserve Fund will be retained therein, subject to the provisions of the Bond Resolution and (v) net income earned on moneys or investments in the Rolling Coverage Account will be transferred by the Trustee on each January 1, April 1, July 1 and October 1, commencing on October 1, 2014, to the Authority for deposit in the Revenue Fund. *See* Section 10.02.

Funds and Reports

The Trustee will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made of all Funds, accounts and subaccounts established by or pursuant to the Bond Resolution or any Supplemental Bond Resolution and to be held by the Trustee, which will at all reasonable times be subject to the inspection by the Authority or the owners (or a designated representative thereof) of not less than 10% in aggregate principal amount of Bonds then outstanding. The Trustee will provide monthly reports in writing to the Authority with respect to all investments, deposit, receipts and disbursement activities carried out and administered by the Trustee during the prior calendar month, including such Funds, accounts and subaccounts, by the fifteenth day of the immediately following month. The Trustee will also promptly provide to the Authority any other information reasonably requested by the Authority relating to such Funds, accounts and subaccounts or to the fulfillment of the duties and the obligations of the Trustee under the Bond Resolution.

Discharge of Indebtedness

If the Authority pays or causes to be paid, or there is otherwise paid, subject to any limitations contained in a Supplemental Bond Resolution with respect to a Series of Bonds, to the Holders of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, on the dates and in the manner stipulated therein and in the Bond Resolution and if all Repayment Obligations owed to Security Instrument Providers and Reserve Instrument Providers have been paid in full, then the pledge of any Revenues, Funds and other moneys, securities and funds pledged under the Bond Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders, Security Instrument Providers and Reserve Instrument Providers will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will cause an accounting for such period or periods as are requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, will execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries will pay over or deliver to the Authority all moneys or securities held by them pursuant to the Bond Resolution which are not required for the payment of the Principal or Redemption Price, if applicable, of and the interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority pays or causes to be paid, or there is otherwise paid, to the Holders of any Outstanding Bonds the Principal or Redemption Price, if applicable of, and the interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, such Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and are held in trust by the Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or the date fixed for redemption thereof will be deemed to have been paid within the meaning and with the effect expressed above, unless otherwise provided in a Supplemental Bond Resolution with respect to a Series of Bonds. Subject to any further conditions in a Supplemental Bond Resolution with respect to a Series of Bonds, all Outstanding Bonds of any Series will prior to the maturity or the date fixed for redemption thereof be deemed to have been paid within the meaning and with the effect expressed above if (1) there has been deposited with the Trustee either moneys in an amount which is sufficient, and/or Government

Obligations (including any Government Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, is sufficient, to pay when due the Principal or Redemption Price, if applicable, of and the interest due and to become due on said Bonds on and prior to the date fixed for redemption or maturity date thereof, as the case may be, and (2) there has been provided to the Trustee a written report of an Independent Public Accountant or other independent verification agent to the effect that the deposit made in clause (1) above will be sufficient to pay the Principal or Redemption Price, if applicable, of and interest due on said Bonds on and prior to the date fixed for redemption or maturity date thereof, as the case may be, (3) there has been provided to the Trustee an Opinion of Bond Counsel that such deposit made in clause (1) above does not adversely affect the exclusion of the interest on said Bonds which were issued as tax-exempt Bonds from gross income of the owners thereof for Federal income tax purposes, (4) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee in form satisfactory to it irrevocable instructions to give notice of the redemption of such Bonds on said date, and (5) in the event said Bonds are not by their terms subject to redemption within the next succeeding 90 days, the Authority has given the Trustee in form satisfactory to it irrevocable instructions to mail by first class mail, postage prepaid, a notice to the Holders of such Bonds that the deposit required by clause (1) above has been made with the Trustee and that said Bonds are deemed to have been paid as described above and stating such maturity or the date fixed for redemption upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, of said Bonds. Neither Government Obligations nor moneys deposited with the Trustee as described above nor principal or interest payments on any such Government Obligations will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the Principal or Redemption Price, if applicable, of and the interest on said Bonds; *provided*, that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in Government Obligations maturing on dates and in amounts sufficient to pay when due the Principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such date fixed for redemption or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. *See* Section 11.01.

APPENDIX D

FINANCIAL STATEMENTS OF THE AUTHORITY AND INDEPENDENT
ACCOUNTANT'S REPORT OF CROWE HORWATH LLP, AS OF, AND FOR
THE YEARS ENDED, JUNE 30, 2013 AND 2012

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2013 and 2012

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Louisville, Kentucky

ANNUAL REPORT
June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Louisville Regional Airport Authority
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying statements of net position of the Louisville Regional Airport Authority (the "Authority") as of and for the years ended June 30, 2013 and 2012 and the discretely presented component unit of the Louisville Renaissance Zone Corporation (the "LRZC") as of and for the years then ended as listed in the table of contents, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Airport'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 Airport'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.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2013 and 2012, the financial position of the LRZC as of June 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Louisville, Kentucky
October 10, 2013

Management's Discussion and Analysis

The Louisville Regional Airport Authority (the Authority) is a municipal corporation established by Chapter 77 of the 1928 Public Acts of the Commonwealth of Kentucky. The Authority was organized for and has its purpose, as set forth in Kentucky Revised Statutes Chapter 183, to establish, maintain, operate and expand airport and air navigation facilities either acquired by or placed under control of the Authority as provided by Kentucky law, and to promote and develop aviation. The Authority currently operates Louisville International Airport (SDF), primarily a commercial operations airport, and Bowman Field (LOU), primarily a general aviation and air traffic reliever airport to SDF. The management of the Authority offers readers of our financial statements the following narrative overview and analysis of our statistical and financial activities for the fiscal year ended June 30, 2013.

Basic Financial Statements

Our financial statements are prepared as a single enterprise fund using proprietary fund accounting that uses a similar basis of accounting as private-sector business enterprises. This method of accounting utilizes a focus on economic resources measurement and an accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses & Changes in Net Position, and Statement of Cash Flows. These are followed by notes to the financial statements. In addition to the financial statements, this report also contains required supplementary information.

The Statement of Net Position presents information on Assets, Liabilities, and the difference between these two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses & Changes in Net Position reports operating and non-operating revenues and expenses of the Authority for the fiscal year with the difference being a net income or loss. This net income or loss is combined with any capital contributions and extraordinary items to determine the change in net position for the fiscal year. That change combined with last fiscal year's Net Position total reconciles to the Net Position total at the end of this fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operations, capital and related financing, and investments. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

The accompanying statements include a component unit named Louisville Renaissance Zone Corporation (LRZC). This legally separate component was incorporated in 2003 and separately presents its own financial statements. It is important to read these statements in conjunction with the LRZC statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2013 and 2012

Statistical Information

The following chart reflects two key statistics of Louisville International Airport, which are the number of passengers going through the terminal and the total weight of aircraft landing at the airport:

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Passengers				
Enplaned	1,714,706	1,683,285	1,694,781	1,649,704
Deplaned	<u>1,711,188</u>	<u>1,679,619</u>	<u>1,691,926</u>	<u>1,643,620</u>
Total	<u>3,425,894</u>	<u>3,362,904</u>	<u>3,386,707</u>	<u>3,293,324</u>
Landed weight				
Passenger	2,096,797,510	2,021,365,123	2,126,001,682	2,026,632,956
Cargo	<u>11,163,286,840</u>	<u>11,057,242,404</u>	<u>10,836,774,963</u>	<u>10,414,748,871</u>
Total	<u>13,260,084,350</u>	<u>13,078,607,527</u>	<u>12,962,776,645</u>	<u>12,441,381,827</u>

Louisville International's (SDF) status as a major worldwide cargo leader in terms of volume is best reflected by its current ranking of 3rd in North America and a recent move up to 7th worldwide. UPS' cargo volume at SDF was 4.7 billion pounds for both FY13 and FY12.

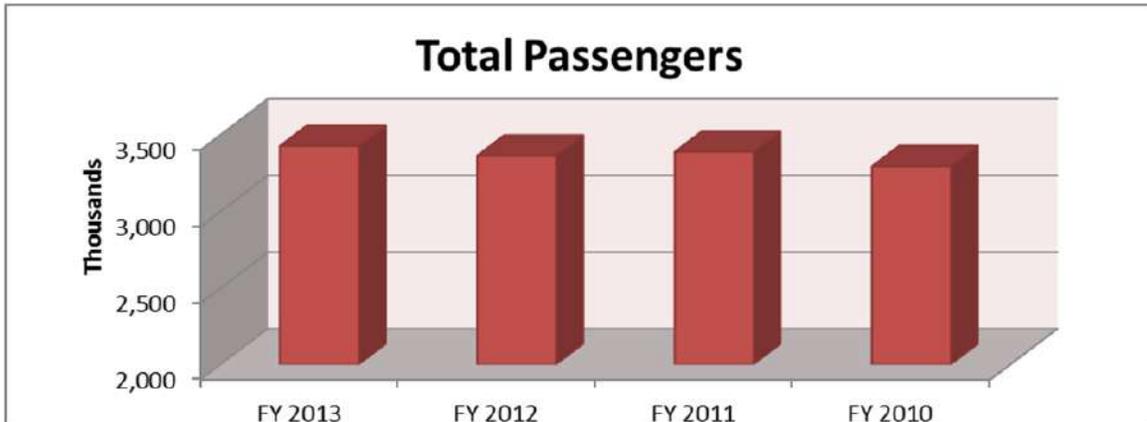
During FY 2013 passenger enplanements at Louisville International Airport (SDF) increased by 1.9% compared to FY 2012. During the year, the airport pursued a goal to enhance international connectivity, increase available seat inventory and to stimulate competition to key domestic destinations. As a result, Delta Air Lines began new service to New York-JFK, significantly expanding connecting service from Louisville to dozens of destinations in Europe. Also, Southwest introduced new low-fare service to both Atlanta, GA and Denver, CO which stimulated seat availability and reduced average fares in both markets. In fact, with a 10.6% increase in available seats during the second quarter of 2013, Louisville International Airport was the third fastest growing airport among the nation's largest 75 airports in terms of new seats added. Building on this success the airport will continue working with the business community to develop demand for existing air service and new opportunities as they arise.

Louisville International Airport offers quality service by five major airlines to 24 nonstop destinations including 17 of the 20 markets local travelers visit most. As demand for air travel continues to rebound over the next 24 months, we expect that the airport's balanced market profile will continue to be attractive to both business and leisure travelers from across the region.

The following page provides key statistical information in graph form.

(Continued)

Statistical Graphs



(Continued)

**Financial Highlights
(Versus Budget and Prior Year)**

- Total Revenues for FY13 were 7.0% more than FY12 actual and FY13 budget. Major contributors to this increase are:
 - Rental Car revenues were approximately \$486,000 greater than budget and \$340,000 greater than FY12.
 - Parking revenues were up approximately \$389,000 versus FY12 and \$300,000 versus budget.
 - Passenger Facility Charges (PFC) were up approximately \$125,000 versus FY12 and down \$146,000 versus budget.
 - Transfer of land resulted in a net gain of \$3.4 million as later explained in Capital Assets.
- Operating Expenses before Depreciation for FY13 were \$1.8 million or 6.0% less than budget and \$292,000 or 1.0% greater than FY12 actual. Major contributors to these variances are:
 - Payroll, Fringe Benefits and Retirement contributions were under budget by \$890,000 and \$202,000 over FY12 actual. Payroll and Fringe Benefits were favorable to budget primarily due to vacant positions throughout the year and were relatively flat compared to FY12. The increase in Retirement benefits versus FY12 was primarily due to the increase in the Kentucky mandated employer contribution rate.
 - Major Maintenance was under budget by \$376,000 and under FY12 actual by \$164,000.
 - Contract Services were under budget by \$322,000 and prior year by \$149,000. Primary reasons for the favorable position to budget are credit card fees which are \$140,000 favorable to budget and \$146,000 below prior year primarily due to a switch to a new credit card processor. Additionally, costs under the temporary labor contract for the Parking operation were \$80,000 under budget.
 - Professional & Consulting Fees were over by \$518,000 to prior year and \$204,000 to budget. Included in this variance are legal costs that were \$197,000 over prior year and \$113,000 over budget. Also included are engineering consulting fees of \$296,000 over prior year and \$47,000 over budget. Much of Engineering's consulting fees are subsequently charged to projects.
 - Other Expenses are under budget by \$462,000 and under prior year by \$251,000. One of the largest components of this category and the primary reason for the favorable position is an increase in the expense recoveries that the Authority charged to projects and tenants, which significantly offsets the increase in Engineering consulting fees discussed in the preceding bullet.
- Operating Income before Depreciation was \$32.5 million which is \$2.3 million greater than budgeted and \$900,000 greater than FY12 actual.
- Interest Expense is approximately \$900,000 less than prior year primarily due to the natural reduction in debt service of the 2003 Series bonds and the savings resulting from the 2011 refinance of a portion of the 2001 Series bonds. The \$755,000 savings compared to budget is due primarily to the 2002 A & B bond variable rate interest costs.
- Net Income before Capital Contributions was \$2.9 million, which is \$6.0 million greater than budget and \$6.8 million greater than FY12 actual. The primary reason for the difference to budget and prior year is the gain incurred on the disposal of property this fiscal year.
- Net Position increased from prior year by \$16.5 million to \$311.6 million.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2013 and 2012

Financial Information

Statement of Net Position. The following schedule presents a summary of net position for the fiscal years ended June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Unrestricted	\$ 42,652,791	\$ 47,808,284	\$ 47,966,718
Restricted	86,378,681	84,329,710	89,416,277
Capital assets, net (includes in progress)	522,501,421	533,827,386	541,387,250
Other	<u>11,365,110</u>	<u>12,706,355</u>	<u>13,838,640</u>
Total assets	662,898,003	678,671,735	692,608,885
LIABILITIES			
Unrestricted	11,772,202	9,726,283	5,954,938
Restricted	28,162,715	25,782,670	27,165,544
Long-term debt	288,775,000	308,425,000	327,140,000
Other	<u>22,590,494</u>	<u>39,621,620</u>	<u>40,452,748</u>
Total liabilities	351,300,411	383,555,573	400,713,230
NET POSITION			
Invested in capital assets, net of related debt	206,652,490	189,864,212	180,281,660
Restricted for debt services	71,456,199	68,108,496	65,558,032
Restricted for capital projects	10,427,865	6,881,004	11,863,734
Unrestricted	<u>23,061,038</u>	<u>30,262,450</u>	<u>34,192,229</u>
Total net position	<u>\$ 311,597,592</u>	<u>\$ 295,116,162</u>	<u>\$ 291,895,655</u>

The decrease in Total Assets is primarily due to the current year's depreciation taken on capital assets and a transfer of land explained later in Capital Assets. The decrease in Total Liabilities is primarily due to our usual reduction in outstanding bonds due to principal payments and the reduction in liability to the Commonwealth of Kentucky as discussed later in Capital Assets. Total Net Position increased by \$16.5 million.

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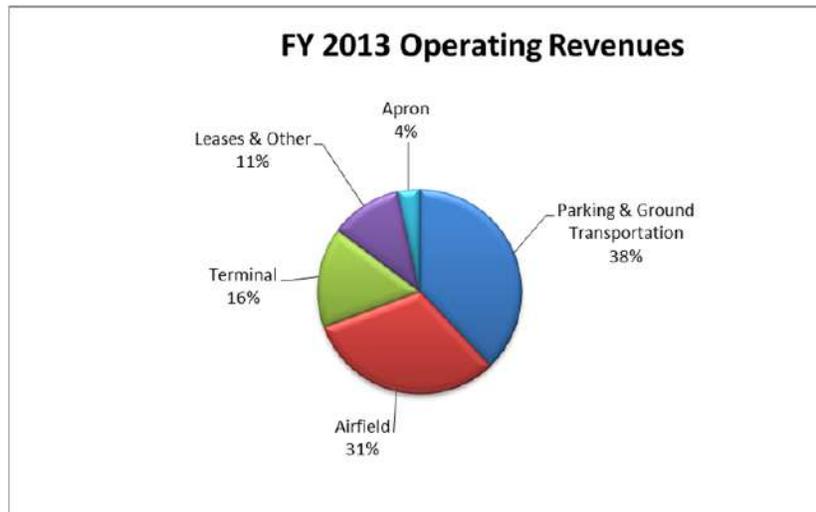
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LOUISVILLE REGIONAL AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2013 and 2012

Revenue. The following schedule presents a summary of revenues for the fiscal years ended June 30:

	2013		2012	2011
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues				
Landing and field use	\$ 19,287,529	\$ 20,050,219	\$ 18,543,247	\$ 18,966,756
Apron area	2,144,079	2,120,306	2,015,649	2,169,823
Landside terminal	6,063,815	6,137,327	6,008,054	5,972,357
Airside terminal	3,677,483	3,515,919	3,511,544	3,716,523
Leases	6,524,871	6,367,048	6,680,636	6,588,145
Parking and ground transportation	23,252,003	22,422,561	22,482,342	22,084,268
Other	<u>421,622</u>	<u>297,360</u>	<u>951,472</u>	<u>456,921</u>
Total operating revenues	61,371,402	60,910,740	60,192,944	59,954,793
Non-operating revenues				
Passenger facility charge	6,823,983	6,969,696	6,697,614	5,888,853
Net gain on disposal of assets	3,501,318	-	-	-
Interest income	<u>1,175,015</u>	<u>251,180</u>	<u>1,226,404</u>	<u>1,156,827</u>
Total non-operating revenues	<u>11,500,316</u>	<u>7,220,876</u>	<u>7,924,018</u>	<u>7,045,680</u>
Total revenues	<u>\$ 72,871,718</u>	<u>\$ 68,131,616</u>	<u>\$ 68,116,962</u>	<u>\$ 67,000,473</u>

The major contributors to total revenues' increase over budget and FY12 have been explained earlier under Financial Highlights. The Authority also receives Capital Contributions from Federal & Kentucky Government grants and private donations. These grants are generally only available for use on eligible capital and major maintenance spending. Capital Contributions received or accrued for FY13 and FY12 were \$13,576,000 and \$7,138,000 respectively. The primary reason for the increase versus prior year is construction and rehabilitation of eligible taxiway & runway projects. Unused federal grant funds from FY13 remain available for use by the Authority in future years.



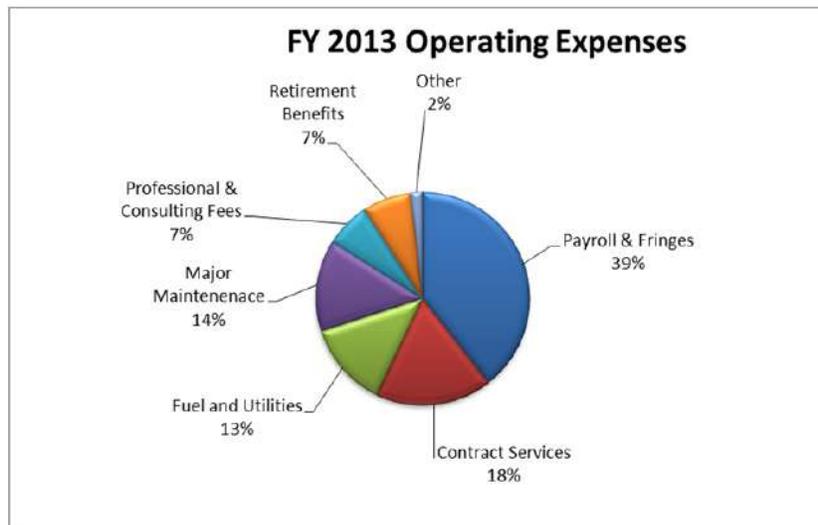
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LOUISVILLE REGIONAL AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2013 and 2012

Expenses. The following schedule presents a summary of operating expenses before depreciation for the fiscal years ended June 30:

	<u>2013</u>		<u>2012</u>	<u>2011</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating expenses				
Payroll and fringe benefits	\$ 11,375,907	\$ 12,165,443	\$ 11,328,114	\$ 11,229,998
Contract services	5,068,516	5,390,816	5,217,312	5,336,537
Fuel and utilities	3,742,208	3,749,000	3,604,089	3,527,769
Professional and consulting fees	1,963,378	1,759,020	1,445,611	1,568,317
Retirement	2,143,496	2,242,325	1,989,607	1,784,590
Other	<u>512,407</u>	<u>974,914</u>	<u>764,031</u>	<u>541,002</u>
Total operating expenses before major maintenance and depreciation	24,805,912	26,281,518	24,348,764	23,988,213
Major maintenance	<u>4,028,010</u>	<u>4,404,000</u>	<u>4,192,635</u>	<u>3,257,674</u>
Total operating expenses before depreciation	<u>28,833,922</u>	<u>30,685,518</u>	<u>28,541,399</u>	<u>27,245,887</u>
Non-operating expenses				
Interest expense	12,457,213	13,243,455	13,385,303	14,848,982
Net loss on disposal of assets	-	-	1,895,415	18,100,146
Other	<u>177,837</u>	<u>170,618</u>	<u>167,190</u>	<u>189,495</u>
Total non-operating expenses	<u>12,635,050</u>	<u>13,414,073</u>	<u>15,447,908</u>	<u>33,138,623</u>
Total expenses before depreciation	<u>\$ 41,468,972</u>	<u>\$ 44,099,591</u>	<u>\$ 43,989,307</u>	<u>\$ 60,384,510</u>

Discussion of the variances from prior year and budget are included earlier in the Financial Highlights section.



(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
Management's Discussion and Analysis
June 30, 2013 and 2012

Capital Assets. During fiscal year 2013, the Authority's capital spending and accruals totaled approximately \$29,260,000. Major projects were: Runways & Taxiways - \$16,544,000; Noise Mitigation, Land Acquisition, Relocation and Sound Insulation - \$4,650,000; construction of Administrative, Parking and Terminal Projects - \$5,485,000; and purchase of equipment - \$2,424,000. Fixed assets acquired and projects completed and capitalized during the year totaled approximately \$27,318,000. A summary of capital asset activity can be found in Note 6 to the financial statements.

Additionally, the major capital asset disposition by the Authority during fiscal year 2013 was the transfer of a portion of the land previously acquired under the FAA approved Part 150 Noise Mitigation, Land Acquisition and Relocation Program to the Commonwealth of Kentucky for forgiveness of debt as explained under Deposit from Commonwealth of Kentucky within Note 8. This land had a book value of approximately \$16,040,000. Under this program, as further explained under Part 150 Land Acquisition Program within Note 8, the Authority bought residential parcels, relocated the families and demolished the homes which were considered incompatible within close proximity to the airport. This property is being resold for commercial or industrial uses. The transfer of this land includes the attachment of avigation easements, airport servitudes and other deed restrictions on the property which severely restrict the use and consequently the value of the property and give the Authority these rights in perpetuity. As such Avigation Easements associated with the property were recorded and valued at \$3,208,000 which is included in the net gain of \$3,368,000.

Debt. Currently, the Authority has bonds outstanding of \$308,425,000 of which \$288,775,000 is considered long term. Future revenues of the Authority are pledged to pay debt service on all of the bonds. Major projects that have been funded by the debt are terminal construction and renovation, parking garage and lot construction, airfield expansions and upgrades, land acquisitions, hangar construction and upgrades at Bowman Field. A summary of changes in long-term debt and annual debt service requirements are found in Note 7 to the financial statements.

Requests for Information. The financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Director of Finance and Accounting, P.O. Box 9129, Louisville, KY 40209.

Respectfully submitted,



Dorothy M. Caulk, CPA
Director of Finance and Accounting

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS				
Current assets, unrestricted				
Cash and equivalents	\$ 9,612,851	\$ 8,745,149	\$ 1,818,345	\$ 1,929,724
Land held for sale	-	-	358,588	-
Investments, at amortized cost plus accrued interest	25,039,356	30,278,274	2,900,616	-
Fees and rentals receivable, net	3,641,653	4,690,378	5,042,428	2,389,944
Due from component unit	3,283,423	3,189,268	-	-
Supplies and prepaid expenses	<u>1,075,508</u>	<u>905,215</u>	-	-
Total unrestricted current assets	42,652,791	47,808,284	10,119,977	4,319,668
Current assets, restricted				
Cash and equivalents	25,967,819	32,593,557	-	-
Cash – land fund	3,286,451	735,342	-	-
Interest receivable	44,468	48,475	-	-
Grants receivable	2,432,499	1,040,329	-	-
Investments, at amortized cost plus accrued interest – land fund	-	<u>1,997,803</u>	-	-
Total restricted current assets	<u>31,731,237</u>	<u>36,415,506</u>	-	-
Total current assets	74,384,028	84,223,790	10,119,977	4,319,668
Noncurrent assets, unrestricted				
Fees and rentals receivable, net	-	-	7,500,000	-
Capital assets not being depreciated	350,533,703	358,269,590	10,252,366	9,379,272
Depreciable capital assets, net	171,967,718	175,557,796	10,389,859	11,080,954
Deferred loan and bond cost, net of accumulated amortization of \$10,048,135 as of 2013 and \$8,712,097 as of 2012	<u>11,365,110</u>	<u>12,706,355</u>	<u>2,748,049</u>	<u>2,943,176</u>
Total unrestricted noncurrent assets	533,866,531	546,533,741	30,890,274	23,403,402
Noncurrent assets, restricted				
Cash – PFC fund	1,384,426	339,994	-	-
Cash and equivalents	539,147	6,336,149	-	-
Investments – PFC fund	6,998,057	5,000,073	-	-
Investments, at amortized cost plus accrued interest	<u>45,725,814</u>	<u>36,237,988</u>	-	-
Total restricted noncurrent assets	<u>54,647,444</u>	<u>47,914,204</u>	-	-
Total noncurrent assets	<u>588,513,975</u>	<u>594,447,945</u>	<u>30,890,274</u>	<u>23,403,402</u>
Total assets	<u>\$ 662,898,003</u>	<u>\$ 678,671,735</u>	<u>\$ 41,010,251</u>	<u>\$ 27,723,070</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corp	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
LIABILITIES				
Current liabilities (payable from unrestricted current assets)				
Accounts payable	\$ 10,008,094	\$ 7,708,697	\$ 46,835	\$ 183,030
Due to the Authority	-	-	3,283,423	3,189,268
Accrued expenses and other	1,122,627	1,099,414	19,594	19,594
Loans payable	-	-	1,361,208	1,260,690
Deferred income	<u>641,481</u>	<u>918,172</u>	-	-
Total unrestricted current liabilities	11,772,202	9,726,283	4,711,060	4,652,582
Current liabilities (payable from restricted current assets)				
Bonds payable	19,650,000	18,715,000	-	-
Accounts payable	2,504,007	619,007	-	-
Accrued interest	<u>6,008,708</u>	<u>6,448,663</u>	-	-
Total restricted current liabilities	<u>28,162,715</u>	<u>25,782,670</u>	-	-
Total current liabilities	39,934,917	35,508,953	4,711,060	4,652,582
Long-term debt				
Bonds and loans payable	288,775,000	308,425,000	12,774,367	13,174,896
Other liabilities				
Deposit from UPS land option	7,819,551	7,819,551	-	-
Unamortized bond premium, net	7,862,519	8,693,645	-	-
Deposit from Commonwealth of Kentucky	2,524,824	18,724,824	-	-
Other liabilities	83,600	83,600	-	-
Revolving coverage (payable from restricted assets)	<u>4,300,000</u>	<u>4,300,000</u>	-	-
Total other liabilities	<u>22,590,494</u>	<u>39,621,620</u>	-	-
Total liabilities	<u>\$ 351,300,411</u>	<u>\$ 383,555,573</u>	<u>\$ 17,485,427</u>	<u>\$ 17,827,478</u>
NET POSITION				
Invested in capital assets	\$ 206,652,490	\$ 189,864,212	\$ -	\$ -
Restricted for debt service	71,456,199	68,108,496	-	-
Restricted for capital projects	10,427,865	6,881,004	-	-
Unrestricted net position	<u>23,061,038</u>	<u>30,262,450</u>	<u>23,524,824</u>	<u>9,895,592</u>
Total net position	<u>\$ 311,597,592</u>	<u>\$ 295,116,162</u>	<u>\$ 23,524,824</u>	<u>\$ 9,895,592</u>

See accompanying notes to financial statements.

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LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2013 and 2012

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Operating revenues				
Rentals and concessions	\$ 42,083,873	\$ 41,649,697	\$ 1,003,725	\$ 693,086
Landing and field use fees	19,287,529	18,543,247	-	-
Land sales, net of cost	-	-	514,514	7,137,290
TIF revenues	-	-	4,269,241	2,409,637
Total operating revenues	<u>61,371,402</u>	<u>60,192,944</u>	<u>5,787,480</u>	<u>10,240,013</u>
Operating expenses				
Operations and general maintenance	14,795,153	14,689,347	-	-
Administrative, general, planning and engineering	<u>10,010,759</u>	<u>9,659,417</u>	<u>220,522</u>	<u>454,280</u>
Total operating and maintenance	24,805,912	24,348,764	220,522	454,280
Major maintenance	4,028,012	4,192,635	-	-
Depreciation and amortization	<u>28,496,851</u>	<u>28,044,865</u>	<u>691,095</u>	<u>525,686</u>
Total operating expenses	<u>57,330,775</u>	<u>56,586,264</u>	<u>911,617</u>	<u>979,966</u>
Operating income	4,040,627	3,606,680	4,875,863	9,260,047
Non-operating revenues (expenses)				
Investment earnings, net	1,175,015	1,226,404	3,903	375
Interest expense	(12,457,213)	(13,385,303)	(435,792)	(584,784)
Passenger facility charges	6,823,983	6,697,614	-	-
Net gain (loss) on disposal of assets	3,501,318	(1,895,415)	-	-
Other expenses	<u>(177,837)</u>	<u>(167,190)</u>	<u>-</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>(1,134,734)</u>	<u>(7,523,890)</u>	<u>(431,889)</u>	<u>(584,409)</u>
Income (loss) before capital contributions and extraordinary item	2,905,893	(3,917,210)	4,443,974	8,675,638
Extraordinary item	-	-	9,185,258	-
Capital contributions	<u>13,575,537</u>	<u>7,137,717</u>	<u>-</u>	<u>-</u>
Change in net position	16,481,430	3,220,507	13,629,232	8,675,638
Net position, beginning of year	<u>295,116,162</u>	<u>291,895,655</u>	<u>9,895,592</u>	<u>1,219,954</u>
Net position, end of year	<u>\$ 311,597,592</u>	<u>\$ 295,116,162</u>	<u>\$ 23,524,824</u>	<u>\$ 9,895,592</u>

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 62,143,436	\$ 59,425,895	\$ -	\$ -
Land sales, lease revenue, and TIF revenues	-	-	4,922,109	2,556,161
Payments to suppliers	(17,051,328)	(18,117,939)	(393,716)	(661,918)
Payments to employees	(7,400,956)	(7,394,890)	-	-
Net cash flows provided by operating activities	37,691,152	33,913,066	4,528,393	1,894,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	12,183,367	7,405,476	-	-
Passenger facility charges	6,823,983	6,697,614	-	-
Acquisition and construction of capital assets	(29,258,257)	(23,280,054)	(1,296,538)	(5,656,315)
Proceeds from sale of assets	75,016	494,376	-	-
Proceeds from issuance of debt	-	-	1,019,862	5,145,857
Principal paid on capital debt	(18,715,000)	(17,680,000)	(1,319,873)	(248,076)
Net proceeds received from the Authority	-	-	87,540	260,381
Interest paid on capital debt, net of capitalized interest	(12,897,168)	(13,128,051)	(234,050)	(383,000)
Fees paid on bonds	(172,630)	(200,923)	-	-
Net cash flows used for capital and related financing activities	(41,960,689)	(39,691,562)	(1,743,059)	(881,153)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities of investments	83,878,868	66,217,935	4,498,506	-
Cash advances to component unit	(87,540)	(260,381)	-	-
Purchase of investments	(88,127,957)	(91,534,965)	(7,399,122)	-
Investment income	646,669	600,574	3,903	375
Net cash flows provided by (used for) investing activities	(3,689,960)	(24,976,837)	(2,896,713)	375
Net increase (decrease) in cash and equivalents	(7,959,497)	(30,755,333)	(111,379)	1,013,465
Cash and equivalents, beginning of year	48,750,191	79,505,524	1,929,724	916,259
Cash and equivalents, end of year	<u>\$ 40,790,694</u>	<u>\$ 48,750,191</u>	<u>\$ 1,818,345</u>	<u>\$ 1,929,724</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30,		June 30,	
	2013	2012	2013	2012
Operating income	\$ 4,040,627	\$ 3,606,680	\$ 4,875,863	\$ 9,260,047
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	28,496,850	28,044,865	691,095	525,686
Sale of land to relieve debt	-	-	-	(7,137,290)
Changes in assets and liabilities:				
Fees and rentals receivable	1,048,725	(666,598)	(967,227)	(542,775)
Deferred income	(276,691)	(100,451)	-	-
Supplies and prepaid expenses	(170,293)	398,337	-	-
Accounts payable	4,528,721	2,410,228	(173,195)	(211,425)
Accrued expenses and other	23,213	220,005	-	-
Land	-	-	101,857	-
	-	-	101,857	-
Net cash provided by operating activities	<u>\$ 37,691,152</u>	<u>\$ 33,913,066</u>	<u>\$ 4,528,393</u>	<u>\$ 1,894,243</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

The Authority has retainage and accounts payable related to construction in progress of approximately \$2,305,000 and \$2,650,000 as of June 30, 2013 and 2012, respectively. The Authority recorded a gain on sale of assets of approximately \$3,501,000 as of June 30, 2013 and a loss on sale of assets of approximately \$1,895,000 as of June 30, 2012.

The Authority capitalized interest expense of approximately \$136,000 and \$131,000 in 2013 and 2012, respectively.

The Authority transferred land with a book cost of approximately \$16.0 million to relieve the deposit from the Commonwealth of Kentucky of approximately \$16.2 million.

LRZC financed the purchase of capital assets through accounts payable of approximately \$37,000 and \$161,000 in 2013 and 2012, respectively.

LRZC sold land with a book value of approximately \$2.3 million to relieve loans payable of approximately \$9.2 million and interest charges of approximately \$215,000 in 2012.

See accompanying notes to financial statements.

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Louisville Regional Airport Authority (the “Authority”) is a municipal corporation established by Chapter No. 77 of the 1928 Public Acts of the Commonwealth of Kentucky and existing pursuant to Kentucky Revised Statutes Chapter 183. The Board consists of the Mayor of Louisville Metro, seven members appointed by the Mayor of Louisville Metro and three members appointed by the Governor of the Commonwealth of Kentucky.

The Authority is responsible for the operation of Louisville International Airport, primarily a commercial operations airport, and Bowman Field, primarily a general aviation and reliever airport, in Louisville, Jefferson County, Kentucky. Costs of operating the Authority are recovered primarily through user charges. Primary revenue sources are:

Rentals and Concessions: These are revenues from airlines, fixed base operators, rental car companies, parking lot, food, gift shop and other commercial tenants. Leases generally are for terms from one to five years and require rentals based on the volume of business of the lessee, with specified minimum rentals.

Landing and Field Use Fees: These fees are generally from scheduled airlines and nonscheduled commercial aviation and are assessed based on the landed weight of the aircraft. The scheduled airline fee structure is assessed pursuant to use agreements between the Authority and the signatory airlines. The Authority entered into a Landing Fee Surcharge Agreement beginning July 1, 2003 with one of its commercial tenants to provide financial support for a terminal renovation project. The revenue generated from this agreement was approximately \$529,000 and \$532,000 for fiscal years 2013 and 2012, respectively.

Construction and Equipment Grants: Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority, the Commonwealth of Kentucky, or from other state allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expenses as capital contributions.

A summary of the significant accounting policies consistently applied in the accompanying financial statements is presented to assist in the understanding the Authority’s financial statements.

Basis of Accounting: The Authority is accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority has adopted GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The adoption of this statement requires the Authority to discretely present the legally separate, tax-exempt Louisville Renaissance Zone Corporation (LRZC) as a component unit of the Authority. See Note 16 for further LRZC disclosures.

Net Position: The Authority's net position is classified as follows:

Invested in Capital Assets – Net of Related Debt: The Authority's investment in capital assets, net of outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Net position is reported as restricted when constraints placed on use are either externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority's restricted assets are expendable.

Unrestricted Net Position: Net position whose use by the Authority is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board.

Release of Restricted Net Position: When an expense or outlay is incurred for which both restricted and unrestricted net position is available, the Authority's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Cash and Equivalents: For purposes of these financial statements, the Authority considers all highly liquid investments (including restricted assets and accrued interest) with a maturity of three months or less when purchased to be cash equivalents. Both restricted and unrestricted amounts are included on the statements of cash flows.

Fees and Rentals Receivable: Receivables are reported at present value less the estimated portion that is expected to be uncollectible. As of June 30, 2013 and 2012, the allowance for uncollectible accounts was \$130,000 and \$160,000, respectively.

Investments: Investment securities are recorded at amortized cost and are not materially different from fair value. Investments are made only in government-backed securities. All investments are held in the Authority's name. It is management's intention to reinvest all maturing funds.

Capital Assets: The Authority's property and facilities that were transferred from the United States Government in 1948 are stated at approximate reproduction costs in 1948. Other donated assets are stated at approximate market value at the date the assets were placed into service. Substantially all other assets are stated at cost. The interest carrying costs of facilities being constructed are capitalized during their construction period based on the Authority's average borrowing rate related to outstanding debt less interest income associated with the proceeds of such debt. Interest cost capitalized was approximately \$136,000 and \$131,000 during 2013 and 2012, respectively.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority's depreciation policy requires that all qualifying assets with costs in excess of \$50,000 and an expected useful life of three years or greater to be capitalized. Depreciation of facilities and equipment is provided on all depreciable assets, including those acquired with construction and equipment grants, over the estimated useful lives of the respective assets using the straight-line method. Estimated useful lives are as follows:

Land improvements	10 - 25 years
Buildings	10 - 25 years
Utility systems	5 - 20 years
Vehicles and other	5 - 15 years
Computer equipment and software	3 years

Nondepreciable capital assets include land (including easements), construction in progress and certain land acquisition costs.

Deferred Bond Costs: Amortization of bond issue costs and bond discounts is computed on the straight-line method (which approximates the effective-interest method) over the lives of the related bonds.

Deferred Income: Deferred income consists of concessionaire rentals and payments received in advance, which will be recognized as revenue when earned.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Operating Revenues and Expenses: Operating revenues and expenses for enterprise funds are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

New Financial Reporting Standards: The GASB has issued the following Statements:

GASB has issued the following statements which were effective for FY 2013 or FY 2012: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for fiscal years beginning after December 15, 2011. The implementation in the current year had no effect on the financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which are effective for fiscal years beginning after December 15, 2011 and December 15, 2012, respectively. During the year, the Authority implemented GASB Statement No. 63. The Airport has determined that GASB Statement No. 63 had no material effect on its financial statements. The Authority has not yet determined the effect GASB Statement No. 65 may have on its financial statements when adopted next year.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, GASB has issued the following statements which are effective for years FY 2014 and later: GASB Statement No. 66, *Technical Corrections – 2012*, and GASB Statements No. 67 and No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 69, *Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees*. The Authority has not yet determined the effect, if any, that the adoption of these statements may have on its financial statements.

NOTE 2 – CASH AND EQUIVALENTS

All of the Authority's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. The balances of each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Authority's policy regarding custodial credit risk for deposits is for all overnight repurchase agreements to be fully collateralized by U.S. government securities held by the Authority or by the Authority's agent in the Authority's name. Cash and equivalents consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 3,550	\$ 3,550
Deposits with financial institutions	14,280,178	11,687,715
Repurchase agreements	<u>26,506,966</u>	<u>37,058,926</u>
	<u>\$ 40,790,694</u>	<u>\$ 48,750,191</u>

The following table categorizes deposits with financial institutions as an indication of the level of risk associated with such deposits:

	<u>2013</u>	<u>2012</u>
Covered by federal depository insurance	\$ 500,000	\$ 384,029
Uninsured and collateralized	<u>14,369,334</u>	<u>11,958,327</u>
Bank balance	<u>\$ 14,869,334</u>	<u>\$ 12,342,356</u>
Carrying amount	<u>\$ 14,280,178</u>	<u>\$ 11,687,715</u>

NOTE 3 – INVESTMENTS

At June 30, 2013, the Authority's investment balances were as follows:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Maturity</u>	<u>Rating</u>
Fannie Mae	\$ 12,499,412	8/14/2013 through 8/7/2018	Aaa
Federal Home Loan Bank	58,639,743	8/20/2013 through 2/18/2015	Aaa
Freddie Mac	2,990,099	10/15/2013	Aaa
Kentucky Asset/Liability	525,084	4/1/2015	Aaa
Federal Government Money Market	<u>3,108,889</u>		Aaa
	<u>\$ 77,763,227</u>		

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – INVESTMENTS (Continued)

At June 30, 2012, the Authority's investment balances were as follows:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Maturity</u>	<u>Rating</u>
Fannie Mae	\$ 13,469,306	10/30/2012 thru 8/7/2018	Aaa
Federal Home Loan Bank	51,263,193	12/28/2012 thru 6/28/2013	Aaa
Freddie Mac	5,971,325	8/28/2012	Aaa
Tennessee Valley Authority	700,853	3/15/2013	Aaa
Federal Government Money Market	<u>2,109,461</u>		Aaa
	<u>\$ 73,514,138</u>		

Investment balances are presented on the Statement of Net Position under the following captions for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Unrestricted investments	\$ 25,039,356	\$ 30,278,274
Restricted investments, current	-	1,997,803
Restricted investments, noncurrent	<u>52,723,871</u>	<u>41,238,061</u>
Total investments	<u>\$ 77,763,227</u>	<u>\$ 73,514,138</u>

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority is currently limited to investing unrestricted funds in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment. Restricted investments, however, relate primarily to the scheduled repayment of bonds issued by the Authority. These investments mature such that proceeds from investments will become available in order to pay debt service.

Credit Risk: The Authority only has investments in U.S. Treasuries or other debt securities backed by the U.S. Government or the Commonwealth of Kentucky.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of the custodian.

Concentration of Credit Risk: Unrestricted funds invested in U.S. Government Agencies are not limited. At June 30, 2013 and 2012, approximately \$25,039,336 and \$30,278,274 were invested in U.S. Government agency obligations, respectively. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 – RESTRICTED ASSETS

The Authority's restricted assets, generally available for debt service requirements and airport improvements are as follows:

	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Grants Receivable</u>	<u>Total</u>
<u>June 30, 2013</u>					
Bond funds	\$ 26,506,966	\$ 36,955,079	\$ -	\$ 2,432,499	\$ 65,894,544
Revolving debt- coverage	-	8,770,735	44,468	-	8,815,203
Land proceeds	3,286,451	-	-	-	3,286,451
PFC funds	<u>1,384,426</u>	<u>6,998,057</u>	<u>-</u>	<u>-</u>	<u>8,382,483</u>
	<u>\$ 31,177,843</u>	<u>\$ 52,723,871</u>	<u>\$ 44,468</u>	<u>\$ 2,432,499</u>	<u>\$ 86,378,681</u>
<u>June 30, 2012</u>					
Bond funds	\$ 38,929,706	\$ 27,427,190	\$ -	\$ 1,040,329	\$ 67,397,225
Revolving debt- coverage	-	8,810,798	48,475	-	8,859,273
Land proceeds	735,342	1,997,803	-	-	2,733,145
PFC funds	<u>339,994</u>	<u>5,000,073</u>	<u>-</u>	<u>-</u>	<u>5,340,067</u>
	<u>\$ 40,005,042</u>	<u>\$ 43,235,864</u>	<u>\$ 48,475</u>	<u>\$ 1,040,329</u>	<u>\$ 84,329,710</u>

The Authority's Airport System Revenue Bond Resolution adopted by the Authority's Board in 1983 required that the Authority collect net revenues equal to at least 125% of the aggregate debt service for the fiscal year. During 1995, the Authority amended the resolution to allow revolving coverage of the debt service. This revision requires the Authority to restrict assets equal to 25% of the highest annual aggregate debt service for the current or future fiscal year which approximated \$8,800,000 at June 30, 2013 and 2012. Upon maturity of the debt service, the portion of these assets which were funded by the airlines will be credited to the appropriate airline cost centers. As of June 30, 2013 and 2012, this reimbursement amount was approximately \$4,300,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority provides management services to LRZC. The amount due from LRZC was approximately \$3,283,000 and \$3,189,000 at June 30, 2013 and 2012, respectively.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 285,917,122	\$ 3,441,683	\$ -	\$ 289,358,805
Capital projects in progress:				
Construction projects	39,303,747	25,846,309	(24,398,012)	40,752,044
Land acquisition program	<u>33,048,721</u>	<u>3,413,641</u>	<u>(16,039,508)</u>	<u>20,422,854</u>
Total capital assets not being depreciated	358,269,590	32,701,633	(40,437,520)	350,533,703
Other capital assets:				
Land improvements	422,130,022	19,110,192	-	441,240,214
Buildings	138,497,332	1,383,370	-	139,880,702
Utility systems	41,231,324	263,693	(3,968)	41,491,049
Equipment (excluding automotive)	13,830,232	1,143,950	(381,482)	14,592,700
Vehicle and automotive equipment	9,478,336	1,974,918	(427,888)	11,025,366
Furniture and fixtures	<u>5,036,156</u>	<u>-</u>	<u>(3,482)</u>	<u>5,032,674</u>
Total other capital assets	630,203,402	23,876,123	(816,820)	653,262,705
Less accumulated depreciation for:				
Land improvements	317,637,763	19,475,699	-	337,113,462
Buildings	81,315,757	5,627,666	-	86,943,423
Utility systems	34,536,413	1,012,465	(3,968)	35,544,910
Equipment (excluding automotive)	9,433,530	820,109	(381,482)	9,872,157
Vehicle and automotive equipment	6,886,851	462,330	(427,888)	6,921,293
Furniture and fixtures	<u>4,835,292</u>	<u>67,932</u>	<u>(3,482)</u>	<u>4,899,742</u>
Total accumulated depreciation	<u>454,645,606</u>	<u>27,466,201</u>	<u>(816,820)</u>	<u>481,294,987</u>
Other capital assets, net	<u>175,557,796</u>	<u>(3,590,078)</u>	<u>-</u>	<u>171,967,718</u>
Net capital assets	<u>\$ 533,827,386</u>	<u>\$ 29,111,555</u>	<u>\$ (40,437,520)</u>	<u>\$ 522,501,421</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 284,731,557	\$ 1,185,565	\$ -	\$ 285,917,122
Capital projects in progress:				
Construction projects	29,009,345	17,904,289	(7,609,887)	39,303,747
Land acquisition program	<u>31,689,615</u>	<u>4,346,343</u>	<u>(2,987,237)</u>	<u>33,048,721</u>
Total capital assets not being depreciated	345,430,517	23,436,197	(10,597,124)	358,269,590
Other capital assets:				
Land improvements	419,776,169	2,353,853	-	422,130,022
Buildings	134,886,896	3,610,436	-	138,497,332
Utility systems	41,231,324	-	-	41,231,324
Equipment (excluding automotive)	13,830,232	-	-	13,830,232
Vehicle and automotive equipment	9,311,006	653,340	(486,010)	9,478,336
Furniture and fixtures	<u>5,036,156</u>	<u>-</u>	<u>-</u>	<u>5,036,156</u>
Total other capital assets	624,071,783	6,617,629	(486,010)	630,203,402
Less accumulated depreciation for:				
Land improvements	298,618,592	19,020,886	(1,715)	317,637,763
Buildings	75,793,722	5,522,035	-	81,315,757
Utility systems	33,510,653	1,025,760	-	34,536,413
Equipment (excluding automotive)	8,490,382	943,148	-	9,433,530
Vehicle and automotive equipment	6,988,353	384,508	(486,010)	6,886,851
Furniture and fixtures	<u>4,713,348</u>	<u>121,944</u>	<u>-</u>	<u>4,835,292</u>
Total accumulated depreciation	<u>428,115,050</u>	<u>27,018,281</u>	<u>(487,725)</u>	<u>454,645,606</u>
Other capital assets, net	<u>195,956,733</u>	<u>(20,400,652)</u>	<u>1,715</u>	<u>175,557,796</u>
Net capital assets	<u>\$ 541,387,250</u>	<u>\$ 3,035,545</u>	<u>\$ (10,595,409)</u>	<u>\$ 533,827,386</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 – LONG-TERM DEBT

Bonds Payable: Bonds payable consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
1998 Series A Revenue Bonds, semi-annual interest payments at rates ranging from 3.80% to 5.30% through July 1, 2025 and various annual principal payments beginning July 1, 2019 through July 1, 2025, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	\$ 4,430,000	\$ 4,430,000
2001 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.50% to 5.75% through July 1, 2031, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	30,535,000	35,030,000
2001 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.00% to 5.50% through July 1, 2031, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	1,435,000	2,160,000
2002 Series A Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.386% - 0.498% for year ending June 30, 2013) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	37,450,000	38,650,000
2002 Series B Revenue Bonds, various annual principal payments with interest payments at 35 day intervals at variable rates (0.396% - 0.494% for year ending June 30, 2013) through July 1, 2032, secured by a lien on the proceeds of all Authority Revenue bonds, Bond Funds and Net Revenues.	29,975,000	30,950,000
2003 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.50% to 5.00% through July 1, 2013, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	1,725,000	3,370,000
2003 Series B Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 4.60% through July 1, 2023, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	4,975,000	5,330,000
2003 Series C Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 2.00% to 5.50% through July 1, 2023, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	87,025,000	92,800,000

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (Continued)

	<u>2013</u>	<u>2012</u>
2005 Series A Revenue Bonds, semi-annual interest payments at rates ranging from 4.38% to 5.00% through July 1, 2026 and various annual principal payments beginning July 1, 2018 through July 1, 2026, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	47,870,000	47,870,000
2008 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 4.50% to 5.50% through July 1, 2038 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	26,345,000	29,380,000
2011 Series A Revenue Bonds, various annual principal payments with semi-annual interest payments at rates ranging from 3.00% to 5.00% through July 1, 2020 secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds and Net Revenues.	\$ 32,395,000	\$ 32,905,000
2011 Series B Revenue Bonds, with semi-annual interest payments at rates ranging from 3.00% to 4.00% through July 1, 2017 and various annual principal payments beginning July 1, 2013 through July 1, 2017, secured by a lien on the proceeds of all Authority Revenue Bonds, Bond Funds, and Net Revenues.	<u>4,265,000</u>	<u>4,265,000</u>
Total debt	308,425,000	327,140,000
Less current portion	<u>19,650,000</u>	<u>18,715,000</u>
	<u>\$ 288,775,000</u>	<u>\$ 308,425,000</u>

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 327,140,000	\$ _____ -	\$ (18,715,000)	\$ 308,425,000	\$ 19,650,000

Changes in Long-Term Debt: The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 344,820,000	\$ _____ -	\$ (17,680,000)	\$ 327,140,000	\$ 18,715,000

The total interest incurred for the years ended June 30, 2013 and 2012 was approximately \$12,593,000 and \$13,516,000, respectively. Approximately \$136,000 and \$131,000 was capitalized as a component of the cost of capital assets constructed during 2013 and 2012, respectively. Approximately \$12,457,000 and \$13,385,000 was charged to expense in 2013 and 2012, respectively.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (Continued)

Annual Debt Service Requirements: The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013, are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 19,650,000	\$ 15,380,000	\$ 35,030,000
2015	18,265,000	14,467,000	32,732,000
2016	19,065,000	13,631,000	32,696,000
2017	20,005,000	12,665,000	32,670,000
2018	21,005,000	11,641,000	32,646,000
2019-2023	98,935,000	43,447,000	142,382,000
2024-2028	69,960,000	19,495,000	89,455,000
2029-2033	37,950,000	6,611,000	44,561,000
2034-2038	2,905,000	685,000	3,590,000
2039	<u>685,000</u>	<u>38,000</u>	<u>723,000</u>
	<u>\$ 308,425,000</u>	<u>\$ 138,060,000</u>	<u>\$ 446,485,000</u>

Outstanding Letters of Credit: At June 30, 2013 the Authority had \$135,000 of available letters of credit related to ongoing owner controlled insurance program claims incurred during the Louisville Airport Improvement Program. The outstanding balance was \$0 at June 30, 2013 and 2012.

In connection with the bond agreements, the Authority has to comply with a debt service coverage financial covenant. At June 30, 2013, the Authority was in compliance with this financial covenant.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Part 150 Land Acquisition Program: The Authority is acquiring certain residential properties surrounding the Louisville International Airport that are adversely impacted by noise. To accomplish this acquisition, the Authority has instituted a FAA approved Part 150 voluntary acquisition and relocation program. Under this program, residents in the noise-impacted areas may sell their property to the Authority at its appraised value. The Authority will also make a replacement housing payment, if applicable, and pay most closing and moving expenses. Once vacated, all residential and ancillary structures are demolished or moved from the noise-impacted area.

To assist residents in finding replacement housing, the Authority, in conjunction with the FAA, has developed an Innovative Housing Program at Heritage Creek. Through this program, the Authority has developed a subdivision located outside the noise-impacted areas, which consist of moderately priced houses similar to the houses of the residents seeking replacement. Residents participating in this program may exchange their residential property in the noise-impacted area for similar property in the new subdivision. This program will provide approximately 450 replacement lots at an estimated cost of \$26 million. This program was initially funded partially by a special grant from the FAA of \$10 million with remaining costs being paid with surplus funds of the Authority.

Upon completion of the Part 150 Land Acquisition Program, approximately 2,200 residential properties will have been acquired at an estimated cost of \$275 million. This includes costs of residences acquired, replacement housing payments, demolition and other related costs. At June 30, 2013, capital projects in progress include approximately \$20 million related to the Part 150 Land Acquisition Program which consists of total project expenditures to date of approximately \$263 million less \$242 million of costs related to land which has been sold or optioned for sale.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

For land purchased under this program, the FAA requires land no longer needed for noise compatibility purposes be stripped of its residential development rights and sold at fair market value at the earliest practicable time. The portion of the sale proceeds which is proportionate to the FAA's share of land acquisition costs will either, (1) be returned to the FAA, or (2) be reinvested in an approved noise compatibility project as approved by the FAA. At the time of such sales, significant losses on impairment, asset reallocations or gains, may occur. The Authority retains certain rights in perpetuity associated with this land that is sold.

Deposit from Commonwealth of Kentucky: In September 1994, the Authority and the Commonwealth of Kentucky (the Commonwealth) entered into a "Memorandum of Understanding" (M.O.U.) in which the Commonwealth agreed to relieve the Authority from its future obligations (principal and interest) pertaining to the 1982 and 1988 Commonwealth of Kentucky Economic Development Bonds (Bonds) in exchange for the construction and transfer of property and other assets as specified in the M.O.U. The Bonds with a recorded amount of \$9,820,125 were retired in the year ending June 30, 2000. The full release is estimated at approximately \$10,200,000, which is the present value of the required bond payments over the remaining term of the bonds at the historical discount rate.

During Fiscal 1999, the Authority received an additional \$20,000,000 from the Commonwealth to acquire residential property under its Part 150 Land Acquisition Program. The Authority, in turn, agreed to transfer certain property to the Commonwealth. The Authority has a "Lease in Anticipation of Transfer" with the Commonwealth relating to this property.

On September 3, 2003, the Authority entered into a deed which transferred property to the Commonwealth at a value of \$10,386,337. The deed was filed with the County Clerk of Jefferson County, Kentucky on December 30, 2004. On March 27, 2009, the Authority entered into a deed which transferred additional property to the Commonwealth at a value of \$1,088,840. That deed was filed with the County Clerk of Jefferson County, Kentucky on May 15, 2009. On June 24, 2013, the Authority entered into a deed which transferred property to the Commonwealth at a value of \$16,200,000. The deed was filed with the County Clerk of Jefferson County on June 25, 2013. The entire amount of these transfers reduced the related liability.

The Authority expects to transfer additional property in the future, as specified by the Commonwealth of Kentucky, in order to satisfy the remaining obligations.

Deposit From UPS Land Option: In December 1996, the Authority and United Parcel Service, Inc. (UPS) executed a UPS/RAA Deal Points memo that summarized an intended exchange and sale of property. The memo was a non-binding expression of intent subject to definitive agreements and approvals. In December 1996, UPS made an advance payment of \$3,500,000 to the Authority for the intended purchase and option of land under this agreement. In January 1999, the Authority and UPS formally entered into a Property Exchange and Agreement of Sale whereby UPS agreed to transfer certain property to the Authority, the Authority agreed to transfer certain property to UPS, and the Authority granted UPS options to purchase certain real property. The agreements identified the areas to be optioned but did not identify specific tracts of land.

In December 2003, UPS entered into a Lease in Anticipation of Transfer for a portion of the area included in the agreements. Under the lease, a portion of the lease payments were to be applied to the purchase price of the land under the agreement. The area under lease was stipulated to be a part of the second option, at which time lease payments would no longer be due. In December 2006, UPS exercised the second option with an advance payment to the Authority of \$4,531,250. The portion of lease payments received applicable to the purchase of land total \$162,851.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

In fiscal 2009, the Authority transferred land valued at \$374,550 in partial settlement of the advances. The Authority expects to transfer additional property in the future, as specified by UPS, in order to satisfy the remaining obligations under the agreements.

Litigation: From time to time, the Authority is a party to litigation involving routine matters and is subject to certain other claims which arise in the normal course of business. In management's opinion, the ultimate resolution of the claims is not expected to have a material adverse effect on the Organization's financial position, change in net position or cash flow.

NOTE 9 – SPECIAL FACILITY REVENUE BONDS (Conduit Debt)

Special Facility Revenue Bonds totaling \$148,800,000 (UPS) and \$15,500,000 (Airis / Federal Express) issued during fiscal year 1999 and \$42,600,000 (UPS) issued in fiscal year 2006 (collectively, the Facility Bonds), were issued to finance the acquisition and construction of facilities of UPS and Airis / Federal Express (collectively, the Companies). Although taking the legal form of a financing lease between the Authority and the Companies, the substance of these arrangements is that the Facility Bonds constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Authority or a pledge of Authority revenues. Repayment of the Facility Bonds and related interest is unconditionally the obligation of the Companies. As such, no liability relating to the Facility Bonds is included in the accompanying financial statements.

On September 24, 2012, Aero Term, the successor of Airis, elected to refinance the remaining balance of the Airis / Federal Express Special Facility Revenue Bonds through other financing. The bonds are no longer a conduit debt issue of the Authority. At June 30, 2013 and 2012, Special Facility Revenue Bonds outstanding aggregated \$191,400,000 and \$200,265,000, respectively.

NOTE 10 – DEFERRED COMPENSATION PLAN

The Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). The Plans are administered by ICMA Retirement Corporation and Kentucky Retirement Systems, are available to all Authority employees, and allow each employee to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement or death. Employee contributions to the 457 Plan for the years ended June 30, 2013 and 2012 totaled approximately \$105,000 and \$101,000, respectively, and contributions to the 401(k) Plan for the same years were approximately \$148,000 and \$127,000, respectively.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net position. The Authority, therefore, does not show these assets and liabilities on the statements of net position.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS

All employees hired after May 1, 2001 are required to participate in a defined benefit plan administered by the County Employees Retirement System of Kentucky (CERS) under the Kentucky Retirement Systems (KRS), a cost-sharing multiple-employer public employee retirement system. All then current Authority employees as of May 1, 2001 who worked more than one hundred hours per month could elect to participate in either CERS or the Kentucky Public Employees Deferred Compensation Authority 401(k) Plan.

County Employees Retirement System of Kentucky

The eligible payroll for employees covered by the Plan was approximately \$8,225,000 and \$7,967,000, out of a total payroll of approximately \$8,710,000 and \$8,600,000 for the years ended June 30, 2013 and 2012, respectively.

For members participating prior to September 1, 2008 the following applies: Employees who retire at or after age 65 with 48 months of credited services are entitled to a retirement benefit, payable monthly for life, between 2.0% and 2.2% of their final compensation multiplied by his or her service credit. Final compensation is the average of the five fiscal years during which the employee had the highest average monthly salary. Benefits vest upon reaching five years of service. Any non-hazardous employee with twenty-seven years of service may retire at any time with full benefits. Any hazardous employee with twenty years of service may retire at any time with full benefits. Vested employees with less than the required minimum years of service may retire at or after age fifty-five and receive reduced retirement benefits. The CERS also provides health, death and disability benefits. Benefits are established by state statute.

For members participating after September 1, 2008 the following applies: Employees who retire at or after age 65 with 60 months of credited services are entitled to a retirement benefit, payable monthly for life, up to 2.0% of their final compensation multiplied by his or her service credit. Final compensation is calculated by taking the average of the last five full fiscal years of salary. Benefits vest upon reaching five years of service. Any non-hazardous employee, age fifty-seven or older, may retire at any time with full benefits if the member's age and years of service equal 87. Any hazardous employee with twenty-five years of service may retire at any time with full benefits. Vested employees with at least 120 months of service may retire at or after age sixty and receive reduced retirement benefits. The CERS also provides health, death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 5% of their salary to the CERS for a non-hazardous position and 8% for a hazardous position. Members with a participation date on or after September 1, 2008 will additionally contribute 1% to the KRS Insurance Fund, making the total contribution of their salaries 6% for non-hazardous and 9% for hazardous. The Authority was required by the same statute to contribute 19.55%, 18.96% and 16.93% of the covered employees' salaries for non-hazardous positions, and 37.60%, 35.76% and 33.25% for a hazardous position for 2013, 2012 and 2011, respectively. The contribution requirements for the year ended June 30, 2013 were approximately \$2,498,000, consisting of \$2,007,000 from the Authority and \$491,000 from employees; The contribution requirements for the year ended June 30, 2012 were approximately \$2,305,000, consisting of \$1,830,000 from the Authority and \$475,000 from employees; and for the year ended June 30, 2011 were approximately \$2,130,000, consisting of \$1,665,000 from the Authority and \$465,000 from employees.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Ten-year historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the CERS' Annual Financial Reports (which are a matter of public record). The most recent actuarial valuation was as of June 30, 2012. The Commonwealth of Kentucky's Comprehensive Annual Financial Reports should be referred to for additional disclosures related to the CERS (www.kyret.ky.gov).

In addition to the above defined benefit pension plan, effective May 1, 2001, all then current Authority employees could elect to have the amounts listed as "single/lump sum value" rolled over from the prior retirement plan into a 401(k) account with the Kentucky Public Employees Deferred Compensation Authority on their behalf if they chose not to participate in the CERS Plan. Thereafter, the Authority will contribute the same percentage of their annual income that the Authority is required to pay to CERS for similarly situated employees. This amount will continue to be contributed into the 401(k) account as long as they are employed by the Authority as a full-time regular (or project) employee and under this option. Employee contributions are not mandatory. Under this option, an employee can make voluntary contributions up to the maximum allowable by law. The Authority made contributions of approximately \$72,700 and \$75,800 for each year ending June 30, 2013 and 2012, respectively.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plans described in Notes 10 and 11, the Authority offered postemployment health care benefits to all employees who retired from the Authority prior to May 1, 2001 on or after attaining age 55 with at least ten years of service and to all disabled employees with at least one year of service who were injured on the job. The Authority contributes between 95% and 100% of the amount of medical insurance premiums approved by the Authority for such retired and disabled employees and their dependents. These contributions are recognized by the Authority as they are made. The cost of providing such benefits was approximately \$79,000 for 20 employees and \$78,000 for 22 employees during 2013 and 2012, respectively. The Plan may be terminated at the election of the Board without notice.

NOTE 13 – PROPERTY LEASED TO OTHERS

The Authority leases land and terminal and other facilities to certain airlines and others. The terms of these leases range from 1 month to 20 years. Some of the rentals and fees paid by certain airlines are based on the costs allocable to the respective cost centers including direct and indirect maintenance and operating expenses, major maintenance, capital equipment, amortization of the cost of capital improvements, annual revenue bond debt service, as well as any other adjustments needed to maintain the debt service coverage account or other deposits required under the Bond Resolution. Other leases contain fixed rents which may be subject to escalation. For the years ended June 30, 2013 and 2012, revenues from these leases were approximately \$13.6 million and \$13.7 million, respectively.

The Authority also enters into rental agreements with concessionaires for food and beverage, news and gift, rental car facilities, advertising and others. Generally, the agreements are for terms from 1 to 5 years and provide for a concession fee equal to the greater of a percentage of gross revenues or a minimum monthly guarantee (MMG). Certain agreements are subject to a variable MMG. Other agreements provide for a concession fee that is contingent on sales. For the years ended June 30, 2013 and 2012, revenues from such agreements were approximately \$9.7 million and \$9.0 million, respectively. Revenues from contingent rentals that are made up primarily of the excess over MMG and sales only based agreements were \$2.3 million and \$2.2 million for 2013 and 2012, respectively.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 13 – PROPERTY LEASED TO OTHERS (Continued)

All land and facility leases and concession agreements are accounted for as operating leases. Future revenues under these agreements, based on fixed terms or on 2013 actual rates and assuming current agreements are carried to contractual termination are as follows:

Year ended June 30,	<u>Land and Facilities</u>	<u>Concessions</u>	<u>Total</u>
2014	\$ 13,381,358	\$ 7,918,668	\$ 21,300,026
2015	12,555,011	7,906,646	20,461,657
2016	4,777,875	2,510,335	7,288,210
2017	3,199,551	118,600	3,318,151
2018	2,867,591	68,550	2,936,141
Thereafter	<u>15,879,695</u>	<u>-</u>	<u>15,879,695</u>
	<u>\$ 52,661,081</u>	<u>\$ 18,522,799</u>	<u>\$ 71,183,880</u>

NOTE 14 – PASSENGER FACILITY CHARGES

The Aviation Safety and Capacity Expansion Act of 1990 authorized domestic airports to impose a Passenger Facility Charge (PFC) on passengers. The Authority continued to impose a \$4.50 PFC on enplaning passengers for the years ended June 30, 2013 and 2012.

The FAA has authorized the Authority to collect total net PFC revenue of \$113,175,269 to be applied as follows:

For direct payment on capital project costs	\$ 25,896,329
To be applied to the debt service and related costs on the 2001 Series A and B Bonds issued to finance PFC approved project costs	<u>87,278,940</u>
	<u>\$ 113,175,269</u>

During the years ended June 30, 2013 and 2012, amounts of approximately \$6,824,000 and \$6,698,000, respectively, were received in passenger facility charges.

NOTE 15 – MAJOR CUSTOMERS

During fiscal years 2013 and 2012, the Authority earned approximately 26% of its operating revenues from one customer in each year.

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS

Organization: The LRZC entered into an Interlocal Cooperation Agreement with the Louisville Metro Government and the Commonwealth of Kentucky whereby funding will be provided by Tax Incremental Financing (“TIF”). Under this agreement, the LRZC is to acquire property and construct and maintain improvements to accomplish approved public purposes. To date, the LRZC has approval for an initial project totaling \$41.7 million primarily for land acquisition and infrastructure improvements. Upon completion of the initial project, approval for additional projects may be requested based on TIF funding availability.

The Louisville Regional Airport Authority’s (the “Authority”) Board members also serve as the LRZC’s Board. This causes the relationship between the Authority and the LRZC to be related entities resulting in LRZC being defined as a component unit of the Authority. Accordingly, the LRZC financial statements are presented in the Authority’s financial statements as a discretely presented component unit.

Land Held For Sale: As a public property corporation, land may be available for either lease or sale. The book value of land intended to be sold within one year is reclassified from Capital Assets to Land Available for Sale.

Fees Receivable: Receivables represent Tax Increment Financing (TIF) requests submitted to or earned from state and local governments. The LRZC has obtained information from the local government to calculate receivables from TIF revenue through December 31, 2009 and information from the state government to calculate receivables from TIF revenue through December 31, 2010. Additionally TIF receivables have been recorded for estimated TIF revenue earned through calendar year 2012 for which detailed information is not yet available to calculate. Amounts not expected to be collected within one year are reported as long-term receivable. Receivables are reported at fair value and are reduced by the estimated portion that is expected to be uncollectible. For the year ended June 30, 2013, management discounted the amount at an effective rate of approximately 15%. Interest is not normally charged on receivables. As of June 30, 2013, management has estimated all amounts to be fully collectible.

Revenues: LRZC recognizes revenue from land sales upon transfer of title. Revenue from the TIF agreements are recognized when reasonably measurable and determinable based on the terms of the respective agreements.

During Fiscal Year 2013, management determined it had obtained sufficient collection history to reasonably estimate TIF revenue earned through the most recent calendar year. TIF revenue included in operating revenue represents the estimated TIF revenue earned in the most recent calendar year as well as any differences between actual collections and prior estimates. TIF revenue reported as an extraordinary item represents the amount to record the catch-up of revenue for prior years that had not previously been recorded due to uncertainty of amounts or collections, which was deemed to be unusual in nature and an infrequent occurrence.

Investments: At June 30, 2013, the LRZC’s investment balances were as follows:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Maturity</u>	<u>Rating</u>
Fannie Mae	\$ 2,499,874	8/15/2013	Aaa
Federal Home Loan Bank	400,077	8/13/2013	Aaa
Federal Government Money Market	665		Aaa
	<u>\$ 2,900,616</u>		

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, LRZC is currently limited to investing in U.S. Government obligations and agencies with a stated maturity of not more than one year; however, with CEO and CFO approval, maturity can be two years for the investment.

Credit Risk: LRZC only has investments in U.S. Treasuries or other debt securities backed by the U.S. Government.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, LRZC may not be able to recover the value of investments or collateral securities that are in the possession of the custodian.

Concentration of Credit Risk: Investments in U.S. Government Agencies are not limited. At June 30, 2013, approximately \$2,900,616 was invested in U.S. Government agency obligations. Domestic bank obligations may not exceed 35% of invested assets per issuer or 50% of total invested assets for all issuers.

Capital Assets: The LRZC records capital assets at cost or at estimated fair value at the date of purchase. Costs that clearly relate to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, costs are allocated based on their relative fair value to the total project. Interest costs are capitalized while development is in progress. The LRZC depreciation policy is consistent with that of the Authority. Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 8,799,469	\$ -	\$ (460,444)	\$ 8,339,025
Construction projects	<u>579,803</u>	<u>1,333,538</u>	<u>-</u>	<u>1,913,341</u>
Total capital assets not being depreciated	9,379,272	1,333,538	(460,444)	10,252,366
Other capital assets:				
Land improvements	9,083,022	-	-	9,083,022
Utility systems	<u>3,114,054</u>	<u>-</u>	<u>-</u>	<u>3,114,054</u>
Total other capital assets	12,197,076	-	-	12,197,076
Less accumulated depreciation	<u>(1,116,122)</u>	<u>(691,095)</u>	<u>-</u>	<u>(1,807,217)</u>
Other capital assets, net	<u>11,080,954</u>	<u>(691,095)</u>	<u>-</u>	<u>10,389,859</u>
Net capital assets	<u>\$ 20,460,226</u>	<u>\$ 642,443</u>	<u>\$ (460,444)</u>	<u>\$ 20,642,225</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,664,932	\$ 415,000	\$ (2,280,463)	\$ 8,799,469
Construction projects	<u>605,915</u>	<u>5,402,315</u>	<u>(5,428,427)</u>	<u>579,803</u>
Total capital assets not being depreciated	11,270,847	5,817,315	(7,708,890)	9,379,272
Other capital assets:				
Land improvements	3,654,595	5,428,427	-	9,083,022
Utility systems	<u>3,114,054</u>	<u>-</u>	<u>-</u>	<u>3,114,054</u>
Total other capital assets	6,768,649	5,428,427	-	12,197,076
Less accumulated depreciation	<u>(590,436)</u>	<u>(525,686)</u>	<u>-</u>	<u>(1,116,122)</u>
Other capital assets, net	<u>6,178,213</u>	<u>4,902,741</u>	<u>-</u>	<u>11,080,954</u>
Net capital assets	<u>\$ 17,449,060</u>	<u>\$10,720,056</u>	<u>\$ (7,708,890)</u>	<u>\$ 20,460,226</u>

Long-Term Debt: LRZC has two loans payable to United Parcel Service (UPS) and one note payable to Louisville Paving as listed below:

	<u>2013</u>	<u>2012</u>
Loan payable to UPS to be paid in fourteen annual installments of principal, beginning September 21, 2008 and maturing on September 21, 2021. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	\$ 6,165,266	\$ 5,720,294
Loan payable to UPS to be paid in seven annual installments of principal beginning September 21, 2021 and maturing on September 21, 2027. Repayments on this loan are to be made solely from specified proceeds of LRZC activities.	5,097,889	5,097,889
Loan payable to be paid to Louisville Paving in sixty monthly installments of \$75,062, including interest at 6.5%, beginning March 1, 2012 and maturing on February 1, 2017. Repayments on this loan are secured by an assignment of certain rents under an operating lease.	<u>2,872,420</u>	<u>3,617,403</u>
Total loans payable	14,135,575	14,435,586
Less current portion	<u>1,361,208</u>	<u>1,260,690</u>
Long-term portion	<u>\$ 12,774,367</u>	<u>\$ 13,174,896</u>

(Continued)

LOUISVILLE REGIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE 16 – LOUISVILLE RENAISSANCE ZONE CORPORATION NOTES TO FINANCIAL STATEMENTS
 (Continued)

Annual Loan Repayment Requirements: The annual loan repayment requirements to maturity, including principal and interest, as of June 30, 2013, are estimated as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended June 30,			
2014	\$ 1,361,208	\$ 169,010	\$ 1,530,218
2015	1,469,692	120,005	1,589,697
2016	1,521,965	67,717	1,589,682
2017	1,275,109	14,377	1,289,486
2018	688,762	-	688,762
2019-2023	3,605,604	-	3,605,604
2024-2028	<u>4,213,235</u>	<u>-</u>	<u>4,213,235</u>
	<u>\$ 14,135,575</u>	<u>\$ 371,109</u>	<u>\$ 14,506,684</u>

Operating Lease of a Lessor: The LRZC entered into an operating lease with Ford Motor Company for 14.593 acres of land and land improvements that commenced on July 7, 2011 with an original term through December 2016 and an option to renew for five years. The lease includes ground rent, improvement rent, and commission rent components. The lease was amended as of April 12, 2012 to include additional improvements. The approximate future minimum lease payments to be received in each of the years remaining under the original term are as follows:

Year ended June 30,	
2014	\$ 1,097,410
2015	1,100,034
2016	1,102,710
2017	<u>483,669</u>
	<u>\$ 3,783,823</u>

Lease revenue recognized during the year ended June 30, 2013 and 2012 was \$1,003,725 and \$693,806, respectively. The net book value of the property subject to the lease was \$3,800,000 and \$4,100,000 at June 30, 2013 and 2012, respectively. The rent related to improvements is the primary source of repayment for the loan payable to be paid to Louisville Paving.

(Continued)

SUPPLEMENTAL INFORMATION

LOUISVILLE REGIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Year ended June 30, 2013
 (With comparative totals for 2012)

	2013			2012 Total
	Louisville International	Bowman Field	Total	
Operating revenues				
Landing and field use fees	\$ 19,241,191	\$ 46,338	\$ 19,287,529	\$ 18,543,247
Terminal area	9,663,876	77,421	9,741,297	9,519,598
Apron area	2,144,080	-	2,144,080	2,015,649
Parking and ground transportation	23,252,002	-	23,252,002	22,482,342
Aviation related facility leases	3,174,218	1,280,463	4,454,681	4,550,357
Land leases and other	1,878,558	191,634	2,070,192	2,130,279
Airport services	239,911	30,349	270,260	269,011
Other revenue	<u>152,048</u>	<u>(687)</u>	<u>151,361</u>	<u>682,461</u>
Total operating revenues	59,745,884	1,625,518	61,371,402	60,192,944
Operating expenses				
Operations and general maintenance				
Salaries, wages	7,045,912	381,386	7,427,298	7,489,164
Contracts	3,230,752	36,558	3,267,310	3,313,954
Utilities and fuel supplies	3,109,011	375,511	3,484,522	3,346,017
Supplies and other	994,167	170,831	1,164,998	1,083,800
Reimbursed costs	<u>(546,328)</u>	<u>(2,647)</u>	<u>(548,975)</u>	<u>(543,588)</u>
Total operations and general maintenance	13,833,514	961,639	14,795,153	14,689,347
Administrative, general, planning and engineering	<u>9,469,184</u>	<u>541,575</u>	<u>10,010,759</u>	<u>9,659,417</u>
Total operating expenses before major maintenance and depreciation	23,302,698	1,503,214	24,805,912	24,348,764
Major maintenance	3,866,812	161,200	4,028,012	4,192,635
Depreciation and amortization	<u>27,235,242</u>	<u>1,261,609</u>	<u>28,496,851</u>	<u>28,044,865</u>
Total operating expenses	<u>54,404,752</u>	<u>2,926,023</u>	<u>57,330,775</u>	<u>56,586,264</u>
Operating income (loss)	5,341,132	(1,300,505)	4,040,627	3,606,680
Non-operating revenues (expenses) and capital contributions				
Investment earnings, net	1,173,562	1,453	1,175,015	1,226,404
Interest expense	(12,457,213)	-	(12,457,213)	(13,385,303)
Passenger facility charge	6,823,983	-	6,823,983	6,697,614
Net (loss) gain on disposal of assets	3,501,318	-	3,501,318	(1,895,415)
Other expenses	(177,837)	-	(177,837)	(167,190)
Capital contributions	<u>13,344,645</u>	<u>230,892</u>	<u>13,575,537</u>	<u>7,137,717</u>
Net non-operating revenues (expenses)	<u>12,208,458</u>	<u>232,345</u>	<u>12,440,803</u>	<u>(386,173)</u>
Changes in net position	<u>\$ 17,549,590</u>	<u>\$ (1,068,160)</u>	<u>\$ 16,481,430</u>	<u>\$ 3,220,507</u>

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AIRPORT PROPERTY, FACILITIES AND EQUIPMENT
June 30, 2013

	Cost				Accumulated Depreciation				Net Balance June 30, 2013	
	Balance July 1, 2012	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2013	Balance July 1, 2012	Provisions	Retirements/ Adjustments		Balance June 30, 2013
Louisville International Airport										
Land	\$ 285,002,154	\$ -	\$ -	\$ 3,441,683	\$ 288,443,837	\$ -	\$ -	\$ -	\$ -	\$ 288,443,837
Land improvements – runways, taxiways, and aprons	305,671,107	-	-	17,925,180	323,596,287	222,483,674	12,773,441	-	235,257,115	88,339,172
Land improvements – ground transportation and other	100,992,975	-	-	935,126	101,928,101	87,466,266	5,885,332	-	93,351,598	8,576,503
Buildings	124,251,753	-	-	1,002,224	125,253,977	72,191,075	5,191,415	588	77,383,078	47,870,899
Utility systems	41,106,788	-	(3,968)	263,693	41,366,513	34,414,672	1,011,820	(3,969)	35,422,523	5,943,990
Equipment (excluding automotive)	13,555,666	-	(381,482)	1,143,950	14,318,134	9,166,749	812,324	(381,482)	9,597,591	4,720,543
Vehicles and automotive equipment	8,657,261	-	(385,756)	1,974,919	10,246,424	6,065,777	462,330	(385,756)	6,142,351	4,104,073
Furniture and fixtures	5,036,156	-	(3,482)	-	5,032,674	4,835,292	67,930	(3,481)	4,899,741	132,933
Capital projects in progress	71,919,747	27,833,282	(12,831,607)	(26,819,582)	60,101,840	-	-	-	-	60,101,840
Total Louisville International Airport	956,193,607	27,833,282	(13,606,295)	(132,807)	970,287,787	436,623,505	26,204,592	(774,100)	462,053,997	508,233,790
Bowman Field										
Land	914,968	-	-	-	914,968	14,490	2,070	-	16,560	898,408
Land improvements – runways, taxiways, and aprons	14,923,405	-	-	249,885	15,173,290	7,360,579	788,028	-	8,148,607	7,024,683
Land improvements – ground transportation and other	542,536	-	-	-	542,536	312,754	26,830	-	339,584	202,952
Buildings	14,245,579	-	-	381,146	14,626,725	9,124,682	435,663	-	9,560,345	5,066,380
Utility systems	124,536	-	-	-	124,536	121,741	645	-	122,386	2,150
Equipment (excluding automotive)	274,566	-	-	-	274,566	266,781	7,785	-	274,566	-
Vehicles and automotive equipment	821,074	-	(42,132)	-	778,942	821,074	-	(42,132)	778,942	-
Construction in progress	432,721	1,426,684	-	(786,347)	1,073,058	-	-	-	-	1,073,058
Total Bowman Field	32,279,385	1,426,684	(42,132)	(155,316)	33,508,621	18,022,101	1,261,021	(42,132)	19,240,990	14,267,631
Total Louisville International Airport and Bowman Field	\$ 988,472,992	\$ 29,259,966	\$ (13,648,427)	\$ (288,123)	\$ 1,003,796,408	\$ 454,645,606	\$ 27,465,613	\$ (816,232)	\$ 481,294,987	\$ 522,501,421

LOUISVILLE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2013

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
Chartis Aviation/National Union Fire Insurance Company of Pittsburg:		
General airport liability	07/31/2013	\$ 250,000,000
Optional war risk and other perils	07/31/2013	150,000,000
Optional TRIA	07/31/2013	250,000,000
Affiliated FM Insurance Co:		
All risk property	07/31/2013	500,000,000
Starr Indemnity and Liability Co:		
Public officials' liability covering board members and all employees	07/31/2013	10,000,000
Chubb Insurance Group/Federal Insurance Co:		
Blanket travel accident	07/31/2014	125,000
KEMI:		
Worker's compensation	07/31/2013	Statutory Limitations
Employer's liability	07/31/2013	1,000,000
Fidelity and Deposit Co. of Maryland		
Fidelity and crime covering board members and all employees	07/31/2014	
Employee dishonesty		500,000
Forgery/alteration		100,000
Theft		100,000
Travelers Insurance Company:		
Fiduciary liability	08/01/2014	1,000,000
Automobile coverage	07/31/2013	1,000,000
All risk unlicensed equipment	07/31/2013	8,848,233
US Fire Insurance Co:		
Accidental policy covering airport volunteers	01/01/2014	15,000 per person
Axis Surplus Insurance Co.:		
Media professional liability	03/15/2014	1,000,000

Note: The Authority approved and has comparable policies in place for those policies listed above that have an expiration date between June 30, 2013 and the submission of these statements.

APPENDIX E
BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the 2014 Series Bonds, payments of principal, premium, if any, and interest on 2014 Series Bonds to DTC, its nominee, Participants, defined below, or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interests in the 2014 Series Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC, and neither the Authority, the Trustee, nor the Underwriters make any representation as to the accuracy of such information.

General. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 2014 Series Bonds. The 2014 Series Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2014 Series Bond will be issued for each series of the 2014 Series Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2014 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2014 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 Series Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2014 Series Bonds are to be

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2014 Series Bonds, except in the event that use of the book-entry system for the 2014 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2014 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of 2014 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the 2014 Series Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2014 Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Airports Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2014 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2014 Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by the authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Series Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2014 Series Bond

certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Series Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the 2014 Series Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2014 Series Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2014 Series Bonds.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2014 SERIES BONDS UNDER THE RESOLUTION; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE 2014 SERIES BONDS ; (iv) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2014 SERIES BONDS; OR (v) ANY OTHER MATTER.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(TO BE DATED THE DATE OF ISSUANCE)

Louisville Regional Airport Authority
Louisville, Kentucky

Re: Louisville Regional Airport Authority
\$119,585,000 Airport System Revenue Refunding Bonds, 2014 Series A

The Airport System Revenue Refunding Bonds, 2014 Series A (the “*Bonds*”) of the Louisville Regional Airport Authority (the “*Authority*”) are in fully registered form; are dated the date hereof; are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on July 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on January 1 and July 1 of each year, commencing on January 1, 2015, at the interest rates per annum, as follows:

<u>Maturity July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$7,030,000	2.00%
2016	7,375,000	3.00
2017	7,615,000	3.00
2018	7,970,000	4.00
2019	8,785,000	5.00
2020	9,315,000	5.00
2021	9,880,000	5.00
2022	10,470,000	5.00
2023	11,070,000	5.00
2024	3,655,000	5.00
2025	3,990,000	5.00
2026	3,645,000	5.00
2027	3,945,000	5.00
2028	4,280,000	5.00
2029	4,580,000	5.00
2030	4,935,000	5.00
2031	2,980,000	4.00
2031	2,355,000	5.00
2032	3,180,000	4.00
2032	2,530,000	5.00

The 2014 Series A Bonds maturing on and after July 1, 2025 are subject to redemption prior to maturity at the option of the Authority, on any date on and after July 1, 2024, in whole or in part, by lot, in such order of maturity as shall be selected by the Authority, at a Redemption Price of 100% of the principal amount thereof being redeemed, plus accrued interest, if any, to the date fixed for redemption.

The Bonds are being issued pursuant to Sections 183.132 through 183.165, inclusive, Section 183.476 and Sections 183.630 through 183.740, inclusive, of the *Kentucky Revised Statutes*, as supplemented and amended, and Chapter 58 of the *Kentucky Revised Statutes*, as supplemented and amended, for the purpose of refunding certain outstanding obligations of the Authority, which were originally issued to improve and extend the airport system of the Authority (the “*Airport System*”).

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the members of the Authority, including without limitation a Master Bond Resolution adopted by the members of the Authority on May 14, 2014 (the “*Master Bond Resolution*”), and a First Supplemental Bond Resolution adopted by the members of the Authority on May 14, 2014 (the “*Supplemental Bond Resolution*” and, together with the Master Bond Resolution, the “*Resolution*”). On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the Commonwealth of Kentucky; that they are the lawful and enforceable obligations of the Authority in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable, together with the Airport System Revenue Refunding Bonds, 2014 Series B and the Taxable Airport System Revenue Refunding Bonds, 2014 Series C of the Authority being issued contemporaneously on the date hereof (collectively, the “*Other 2014 Bonds*”), with which the Bonds rank on a parity, solely from the net revenues of the Airport System of the Authority; and that the form of Bond prescribed for said issue is proper.

The Resolution permits, within the limitations therein provided, the issuance of additional bonds payable from the net revenues of the Airport System on a parity with the Bonds and the Other 2014 Bonds.

It is also our opinion that, subject to the compliance by the Authority with certain covenants, under present law, the interest on the Bonds is excludible from the gross income of the owners thereof for Federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the facilities refinanced with the proceeds of the Bonds or any person considered to be related to such person within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “*Code*”); however, such interest on the Bonds is included as an item of tax preference in computing the Federal alternative minimum tax for individuals and corporations under the Code. Failure to comply with certain of such covenants of the Authority could cause the interest on the Bonds to be includible in gross income of the owners thereof for Federal income tax purposes retroactively to the date of the issuance of the Bonds. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

It is also our opinion, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that (i) the interest on the Bonds is exempt from the individual income tax imposed under Section 141.020 of the *Kentucky Revised Statutes*, as supplemented and

amended, (ii) the interest on the Bonds is exempt from the corporate income tax imposed under Section 141.040 of the *Kentucky Revised Statutes*, as supplemented and amended, and (iii) the Bonds are exempt from the Kentucky property tax imposed under Section 132.190 of the *Kentucky Revised Statutes*, as supplemented and amended. We express no opinion with respect to any other taxes imposed by the Commonwealth of Kentucky or any political subdivisions of the Commonwealth of Kentucky. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts solely within the knowledge of the Authority. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(TO BE DATED THE DATE OF ISSUANCE)

Louisville Regional Airport Authority
Louisville, Kentucky

Re: Louisville Regional Airport Authority
\$3,285,000 Airport System Revenue Refunding Bonds, 2014 Series B

The Airport System Revenue Refunding Bonds, 2014 Series B (the “*Bonds*”) of the Louisville Regional Airport Authority (the “*Authority*”) are in fully registered form; are dated the date hereof; are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on July 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on January 1 and July 1 of each year, commencing on January 1, 2015, at the interest rates per annum, as follows:

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2015	\$310,000	2.00%
2016	325,000	3.00
2017	335,000	3.00
2018	345,000	4.00
2019	360,000	4.00
2020	375,000	5.00
2021	395,000	5.00
2022	410,000	5.00
2023	430,000	5.00

The 2014 Series B Bonds are not subject to redemption prior to maturity.

The Bonds are being issued pursuant to Sections 183.132 through 183.165, inclusive, Section 183.476 and Sections 183.630 through 183.740, inclusive, of the *Kentucky Revised Statutes*, as supplemented and amended, and Chapter 58 of the *Kentucky Revised Statutes*, as supplemented and amended, for the purpose of refunding certain outstanding obligations of the Authority, which were originally issued to improve and extend the airport system of the Authority (the “*Airport System*”).

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the members of the Authority, including without limitation a Master Bond Resolution adopted by the members of the Authority on May 14, 2014 (the “*Master Bond Resolution*”), and a First Supplemental Bond Resolution adopted by the members of the Authority on May 14, 2014 (the “*Supplemental Bond Resolution*” and, together with the Master Bond Resolution, the “*Resolution*”). On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued

under the laws of the Commonwealth of Kentucky; that they are the lawful and enforceable obligations of the Authority in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable, together with the Airport System Revenue Refunding Bonds, 2014 Series A and the Taxable Airport System Revenue Refunding Bonds, 2014 Series C of the Authority being issued contemporaneously on the date hereof (collectively, the "*Other 2014 Bonds*"), with which the Bonds rank on a parity, solely from the net revenues of the Airport System of the Authority; and that the form of Bond prescribed for said issue is proper.

The Resolution permits, within the limitations therein provided, the issuance of additional bonds payable from the net revenues of the Airport System on a parity with the Bonds and the Other 2014 Bonds.

It is also our opinion that, subject to the compliance by the Authority with certain covenants, under present law, the interest on the Bonds is excludible from the gross income of the owners thereof for Federal income tax purposes, and is not included as an item of tax preference in computing the Federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants of the Authority could cause the interest on the Bonds to be includible in gross income of the owners thereof for Federal income tax purposes retroactively to the date of the issuance of the Bonds. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

It is also our opinion, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that (i) the interest on the Bonds is exempt from the individual income tax imposed under Section 141.020 of the *Kentucky Revised Statutes*, as supplemented and amended, (ii) the interest on the Bonds is exempt from the corporate income tax imposed under Section 141.040 of the *Kentucky Revised Statutes*, as supplemented and amended, and (iii) the Bonds are exempt from the Kentucky property tax imposed under Section 132.190 of the *Kentucky Revised Statutes*, as supplemented and amended. We express no opinion with respect to any other taxes imposed by the Commonwealth of Kentucky or any political subdivisions of the Commonwealth of Kentucky. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts solely within the knowledge of the Authority. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

(TO BE DATED THE DATE OF ISSUANCE)

Louisville Regional Airport Authority
Louisville, Kentucky

Re: Louisville Regional Airport Authority
\$126,260,000 Taxable Airport System Revenue Refunding Bonds,
2014 Series C

The Taxable Airport System Revenue Refunding Bonds, 2014 Series C (the “*Bonds*”) of the Louisville Regional Airport Authority (the “*Authority*”) are in fully registered form; are dated the date hereof; are in denominations of \$5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on July 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on January 1 and July 1 of each year, commencing on January 1, 2015, at the interest rates per annum, as follows:

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2015	\$10,155,000	0.250%
2016	10,220,000	0.769
2017	10,290,000	1.313
2018	7,640,000	1.906
2019	7,265,000	2.286
2020	7,440,000	2.734
2021	8,015,000	2.984
2022	8,260,000	3.283
2023	8,535,000	3.483
2024	8,825,000	3.683
2025	9,145,000	3.833
2026	9,495,000	3.933
2027	3,115,000	4.033
2028	3,230,000	4.133

The 2014 Series C Bonds maturing on and after July 1, 2025 are subject to redemption prior to maturity at the option of the Authority, on any date on and after July 1, 2024, in whole or in part, on the basis of a pro rata pass-through distribution of the total principal amount of the 2014 Series C Bonds to be redeemed, in such order of maturity as shall be selected by the Authority, at a Redemption Price of 100% of the principal amount thereof being redeemed, plus accrued interest, if any, to the date fixed for redemption.

Additionally, the 2014 Series C Bonds are subject to optional redemption prior to maturity by the Authority, in whole or in part, on the basis of a pro rata pass-through distribution

of the total principal amount of the 2014 Series C Bonds to be redeemed, on any date, at the "Make-Whole Redemption Price," as defined in the 2014 Series C Bonds.

The Bonds are being issued pursuant to Sections 183.132 through 183.165, inclusive, Section 183.476 and Sections 183.630 through 183.740, inclusive, of the *Kentucky Revised Statutes*, as supplemented and amended, and Chapter 58 of the *Kentucky Revised Statutes*, as supplemented and amended, for the purpose of refunding certain outstanding obligations of the Authority, which were originally issued to improve and extend the airport system of the Authority (the "*Airport System*").

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the members of the Authority, including without limitation a Master Bond Resolution adopted by the members of the Authority on May 14, 2014 (the "*Master Bond Resolution*"), and a First Supplemental Bond Resolution adopted by the members of the Authority on May 14, 2014 (the "*Supplemental Bond Resolution*" and, together with the Master Bond Resolution, the "*Resolution*"). On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the Commonwealth of Kentucky; that they are the lawful and enforceable obligations of the Authority in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable, together with the Airport System Revenue Refunding Bonds, 2014 Series A and the Airport System Revenue Refunding Bonds, 2014 Series B of the Authority being issued contemporaneously on the date hereof (collectively, the "*Other 2014 Bonds*"), with which the Bonds rank on a parity, solely from the net revenues of the Airport System of the Authority; and that the form of Bond prescribed for said issue is proper.

The Resolution permits, within the limitations therein provided, the issuance of additional bonds payable from the net revenues of the Airport System on a parity with the Bonds and the Other 2014 Bonds.

It is also our opinion that, under present law, the interest on the Bonds is includible in the gross income of the owners thereof for Federal income tax purposes. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. The owners of the Bonds should consult their own tax advisors concerning the tax consequences of owning the Bonds.

It is also our opinion, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that (i) the interest on the Bonds is exempt from the individual income tax imposed under Section 141.020 of the *Kentucky Revised Statutes*, as supplemented and amended, and (ii) the Bonds are exempt from the Kentucky property tax imposed under Section 132.190 of the *Kentucky Revised Statutes*, as supplemented and amended. We express no opinion with respect to any other taxes imposed by the Commonwealth of Kentucky or any political subdivisions of the Commonwealth of Kentucky. Ownership of the Bonds may result in

other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts solely within the knowledge of the Authority. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

**LOUISVILLE REGIONAL AIRPORT AUTHORITY
AIRPORT SYSTEM REVENUE REFUNDING BONDS
2014 SERIES A (AMT),
AIRPORT SYSTEM REVENUE REFUNDING BONDS
2014 SERIES B (NON-AMT), AND
AIRPORT SYSTEM REVENUE REFUNDING BONDS
2014 SERIES C (TAXABLE)**

CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING, dated as of June 1, 2014 (the “Disclosure Undertaking”) is executed and delivered by the Louisville Regional Airport Authority (the “Authority”) in connection with the issuance of its \$119,585,000 Airport System Revenue Refunding Bonds, 2014 Series A (AMT) (the “2014 Series A Bonds”), its \$3,285,000 Airport System Revenue Refunding Bonds, 2014 Series B (Non-AMT) (the “2014 Series B Bonds”), and its \$126,260,000 Airport System Revenue Refunding Bonds, 2014 Series C (Taxable) (the “2014 Series C Bonds” and together with the 2014 Series A Bonds and the 2014 Series B Bonds, the “2014 Series Bonds”). The 2014 Series Bonds are being issued pursuant to the Master Bond Resolution adopted by the members of the Authority on May 14, 2014 (the “Master Resolution”), as supplemented by the First Supplemental Bond Resolution adopted by the members of the Authority on May 14, 2014, and as ratified and confirmed by a Resolution adopted by the members of the Authority on June 18, 2014, with respect to the 2014 Series Bonds (collectively, the “Resolution”). In that regard, the Authority covenants and agrees as follows:

Section 1. This Disclosure Undertaking is being executed and delivered by the Authority for the benefit of the Bondholders and in order to assist the purchaser(s) of the 2014 Series Bonds in complying with the U.S. Securities and Exchange Commission (“SEC”) Rule 15c2-12, as amended and official interpretations thereof (the “Rule”).

Section 2. In accordance with the Rule and this Disclosure Undertaking, the Authority agrees to provide, or to cause to be provided, certain Annual Financial Information to the Municipal Securities Rulemaking Board (“MSRB”), or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located <http://emma.msrb.org>. Such Annual Financial Information shall include the Authority’s Audited Financial Statements, if available by such date (or unaudited financial statements, if Audited Financial Statements are not available by such date, which must be prepared in accordance with the same accounting principles as are applicable to the Audited Financial Statements), together with supplemental data in respect of the financial information and operating data contained in the section of the Official Statement dated June 11, 2014 with respect to the 2014 Series Bonds entitled “Airport Operations Information.”

The Authority reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent

necessary or appropriate in the judgment of the Authority; provided that the Authority agrees that any such modification will be done at all times in a manner consistent with the Rule.

Such Annual Financial Information shall be submitted no later than 180 days after the end of each Fiscal Year ending on June 30, commencing June 30, 2014. If the Authority's Audited Financial Statements are not available, unaudited financial data shall be submitted instead and the Audited Financial Statements shall be submitted to the MSRB as soon as they are available.

Section 3. The Authority agrees to provide or to cause to be provided to the MSRB, notice of the occurrence of any Event not later than ten (10) business days after the occurrence of such Event. Each notice of an Event shall be so captioned and shall prominently state the title, date and CUSIP numbers of the 2014 Series Bonds. "Event" means any of the following events with respect to the 2014 Series Bonds, whether relating to the Authority or otherwise:

- 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 or other material notices or determinations by the Internal Revenue Service with respect to the tax-exempt status of the 2014 Series Bonds or other material events affecting the tax-exempt status of the 2014 Series Bonds;
- g. modifications to rights of the Bondholders, if material;
- h. optional, unscheduled or contingent 2014 Series Bond calls, if material;
- i. tender offers;
- j. defeasances;
- k. release, substitution, or sale of property securing repayment of the 2014 Series Bonds, if material;
- l. rating changes;
- m. bankruptcy, insolvency, receivership or similar event of the Authority;¹

¹ For the purposes of the event identified in Section 3.m above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under

- n. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- o. appointment of a successor or additional trustee or the change of name of a trustee, if material.

Upon any legal defeasance of 2014 Series Bonds, the Authority shall provide notice of such defeasance to the MSRB, which notice shall state whether the 2014 Series Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

The Authority may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Authority, any such other event is material with respect to the 2014 Series Bonds; but the Authority does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 4. The Authority agrees to provide or to cause to be provided in a timely manner, to the MSRB, notice of a failure by the Authority to provide the required financial information on or before the latest date set out in Section 2 above.

Section 5. The Authority reserves the right to terminate its obligation to provide annual financial and operating information and notices of Events as set forth above, if and when the Authority no longer remains an obligated person within the meaning of the Rule.

Section 6. The Authority acknowledges that its undertaking pursuant to the Rule described in this Disclosure Undertaking is intended to be for the benefit of the holders (including beneficial owners) of the 2014 Series Bonds and shall be enforceable by any holder of 2014 Series Bonds; provided that a 2014 Series Bondholder's right to enforce the provisions of this Disclosure Undertaking shall be limited to a right to obtain specific performance of the Authority's obligations pursuant to the provisions of this Disclosure Undertaking, and any failure by the Authority to comply with the provisions of this Disclosure Undertaking shall not be an event of default with respect to the 2014 Series Bonds under the Resolution. In the event of a failure of the Authority to comply with any provision of this Disclosure Undertaking, any 2014 Series Bondholder may take such actions as may be necessary and appropriate to obtain specific performance by court order to cause the Authority to comply with its obligations under this Disclosure Undertaking.

the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, 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 Authority.

Section 7. Nothing in this Disclosure Undertaking shall be deemed to prevent the Authority from providing any other information in addition to that which is required by this Disclosure Undertaking. If the Authority chooses to provide any information in addition to that which is specifically required by this Disclosure Undertaking, the Authority shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual report or notice of occurrence of a listed event.

Section 8. This Disclosure Undertaking shall inure solely to the benefit of the Authority, the purchaser of the 2014 Series Bonds and the holders from time to time of the 2014 Series Bonds, and shall create no rights in any other person or entity. Capitalized terms used in this Disclosure Undertaking but not defined herein shall have the meanings provided to them in this Disclosure Undertaking or the Resolution, as applicable.

IN WITNESS WHEREOF, the Authority has caused this Disclosure Undertaking to be executed and attested by its duly authorized representatives, all as of the date first above written.

LOUISVILLE REGIONAL AIRPORT
AUTHORITY

By: _____

Name: _____

Title: _____