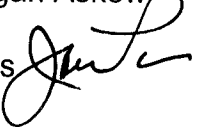


**TAFT STETTINIUS & HOLLISTER LLP**

**M E M O R A N D U M**

**TO:** Joseph Kelly; Logan Askew  
**FROM:** James E. Parsons   
**DATE:** December 3, 2009  
**RE:** Distillery District Project

The following are my recommendations to the LFUCG relating to the proposal to issue \$3.2 million in bonds for the certain public infrastructure projects related to the Distillery Project (the "Project").

First of all, it is my understanding that if LFUCG acts now, the debt would be issued as a general obligation of the LFUCG. However, as the Project was approved by Council, the commitment of LFUCG was to pledge incremental revenues that were created. The Local Participation Agreement approved by Council is clear that any bonds issued by LFUCG shall not be considered a pledge of the full faith and credit of the City. I understand that the Developer has requested greater participation of LFUCG, but all of the approvals granted to date do not commit LFUCG to back the bonds. Normally, TIF bonds are issued by a local government similar to conduit bonds, with the security for the bonds being obtained by the Developer through a letter of credit or similar instrument.

Secondly, when the Project was presented to the Council committee the Developer explained that approval by LFUCG and the State would provide the Developer the boost needed to obtain Project financing. However, now the Developer is requesting LFUCG to expend significant funds without financing for the Project being in place. It is one thing to pledge revenues for the Project before financing is in place; however, to expend public funds before the Project financing is in place is very risky. It is customary that before public funds are expended for a private project, that financing and other private commitments be in place to insure the Project will occur. Without that, LFUCG has no reasonable assurance that there will be funds generated to support the payment of bonds. The Developer has a great concept, but he does not have the financing in place to complete or even significantly start the Project.

Furthermore, there is no agreement in place requiring the Developer to undertake the Project. I would recommend that before bonds are issued for the public infrastructure components of the Project, that an agreement between the Developer and LFUCG be executed setting forth the duties and obligations of each party and the terms upon which bonds will be issued for the Project, including reasonable assurances that the Project will be constructed.