

## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016

## NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: See “RATINGS” herein

*In the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Series 2016B Bonds, under existing law and assuming compliance by the City and County of Denver, Colorado (the “City”), with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be met subsequent to the issuance of the Series 2016B Bonds, with which the City has certified, represented and covenanted its compliance, interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, subject to certain exceptions, corporations. Also, in the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Series 2016B Bonds, under existing law and to the extent interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. See “TAX MATTERS” for a more detailed discussion.*

**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**  
 \$ \_\_\_\_\_\*  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2016B (INDEX RATE) (NON-AMT)**

Dated: Date of Delivery

Due: November 15, as shown on the inside cover page

The Series 2016B Bonds are being issued by authority of the City’s home rule charter and ordinances adopted pursuant thereto in order to refund and redeem certain outstanding Airport System revenue bonds and pay the costs of issuing the Series 2016B Bonds, all as further described herein. Capitalized terms used on this cover page are defined herein.

The Series 2016B Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York (“DTC”) which will serve as securities depository for the Series 2016B Bonds. Beneficial Ownership Interests in the Series 2016B Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2016B Bonds by the rules and operating procedures applicable to the DTC book-entry system as described herein. Investors may purchase Series 2016B Bonds in book-entry form only.

The Series 2016B Bonds will initially bear interest at an Index Rate as determined by the Index Agent. Upon satisfaction of certain conditions set forth in the Series 2016B Supplemental Ordinance, the Series 2016B Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method, provided however, that all Series 2016B Bonds must have the same Interest Rate Determination Method. See “SERIES 2016B BONDS.” **This Official Statement is not intended to provide information about the Series 2016B Bonds after the commencement of a new Index Rate Period or after conversion to another Interest Rate Determination Method.** The aggregate principal amount, maturity date, price, Applicable Spread, interest payment dates, Index Rate Index, and other information relating to the Series 2016B Bonds are summarized in the SUMMARY OF OFFERING following this cover page.

The Series 2016B Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See “THE SERIES 2016B BONDS—Redemption Terms of the Series 2016B Bonds” herein. The Series 2016B Bonds are subject to mandatory tender as described in “THE SERIES 2016B BONDS—Mandatory Tender Provisions.”

No letter of credit or other credit or liquidity facility will be in effect for the Series 2016B Bonds during the Index Rate Period. The Series 2016B Bonds are subject to mandatory tender and remarketing at the end of the Index Rate Period and on any date on which the Series 2016B Bonds are subject to redemption at the option of the City. The City, for and on behalf of its Department of Aviation, expects funds from such remarketing to be applied to pay the purchase price of the Series 2016B Bonds upon mandatory tender. The City is not obligated to provide any other funds for the purchase of the Series 2016B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Series 2016B Bonds upon mandatory tender. If there are insufficient funds to purchase any Series 2016B Bonds at the end of any Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will bear interest at the Stepped Rate. See “SUMMARY OF OFFERING” and “THE SERIES 2016B BONDS—Insufficient Funds; Stepped Rate.” If there are insufficient funds to purchase any Series 2016B Bonds prior to the end of any Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will continue to bear interest at the Index Rate then in effect.

The Series 2016B Bonds are special obligations of the City, for and on behalf of its Department of Aviation, payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts as described herein. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the Owners or Beneficial Owners of the Series 2016B Bonds, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016B Bonds. The Series 2016B Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State.

The purchase and ownership of Beneficial Ownership Interests in the Series 2016B Bonds involve investment risks. Prospective purchasers should read this Official Statement in its entirety, giving particular attention to the matters discussed under “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

*Purchasers of Beneficial Ownership Interests in the Series 2016B Bonds will be deemed to have consented to certain proposed amendments to the City’s Senior Bond Ordinance as discussed herein.*

\* Preliminary, subject to change.

The Series 2016B Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Hogan Lovells US LLP, Denver, Colorado, Bond Counsel to the City, and Becker Stowe Partners LLC, Denver, Colorado, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kristin M. Bronson, Esq., City Attorney, and Ballard Spahr LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriter by Sherman & Howard L.L.C., Denver, Colorado. It is expected that delivery of the Series 2016B Bonds will be made through the facilities of DTC on or about \_\_\_\_\_, 2016.

**BofA Merrill Lynch**

Dated: \_\_\_\_\_, 2016

**SUMMARY OF OFFERING**  
**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**  
**\$\_\_\_\_\_\***  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2016B (INDEX RATE) (NON-AMT)**

<b>Maturity Date:</b>	<b>November 15, 2031*</b>
<b>Price:</b>	<b>100%</b>
<b>Authorized Denominations:</b>	<b>\$5,000 or any integral multiple thereof</b>
<b>Interest Rate Determination Method<sup>1</sup>:</b>	<b>Index Rate</b>
<b>Index Rate Index:<sup>2</sup></b>	<b>70% of One-month LIBOR</b>
<b>Applicable Spread:</b>	
<b>Interest Payment Dates:</b>	<b>First Business Day of each month, commencing January 3, 2017</b>
<b>Record Date for Interest Payments:</b>	<b>Business Day next preceding an Interest Payment Date</b>
<b>Purchase Date Following End of Initial Index Rate Period:<sup>3</sup></b>	
<b>First Optional Redemption Date:</b>	
<b>Remarketing Agent:</b>	<b>To be appointed by the City prior to the Purchase Date</b>
<b>CUSIP:<sup>4</sup></b>	

<sup>1</sup> Upon satisfaction of certain conditions set forth in the Series 2016B Supplemental Ordinances, the Series 2016B Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method. See "SERIES 2016B BONDS." This Official Statement is not intended to provide information about the Series 2016B Bonds after conversion to another Interest Rate Mode, other than the Stepped Rate, or upon establishment of a new Index Rate following the end of the initial Index Rate Period.

<sup>2</sup> The initial Index Rate from the date of issuance to the day immediately prior to the first Interest Payment Date on January 3, 2017 is \_\_\_\_\_%.

<sup>3</sup> The Series 2016B Bonds are subject to mandatory tender and remarketing on the day following the last day of the initial Index Rate Period.

<sup>4</sup> A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services managed by Standard & Poor's Capital IQ on behalf of The American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the City, the Department or the Underwriter takes responsibility for the accuracy of such CUSIP numbers now or at any time in the future. The CUSIP number for any maturity of the Series 2016B Bonds may be changed after the issuance of the Series 2016B Bonds as the result of various subsequent actions, including, without limitation, a refunding of all or a portion of such maturity or 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 Series 2016B Bonds.

**SELECTED CITY OFFICIALS AND CONSULTANTS**

**Mayor**

Michael B. Hancock

**City Council**

Albus Brooks, President

Kendra Black	Paul Kashmann
Jolon Clark	Robin Kniech
Rafael Espinoza	Paul D. López
Kevin Flynn	Wayne New
Stacie Gilmore	Deborah Ortega
Christopher Herndon	Mary Beth Susman

**Auditor**

Timothy M. O'Brien

**Cabinet Officials**

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Brendan J. Hanlon	Manager of Finance/Chief Financial Officer
Kristin M. Bronson, Esq.	City Attorney
Brad Buchanan	Manager/Executive Director of Community Planning and Development
Jose Cornejo	Manager/Executive Director of the Department of Public Works
Kim Day	Manager/Chief Executive Officer of the Department of Aviation
Allegra "Happy" Haynes	Manager/Executive Director of the Department of Parks and Recreation
Penny May	Manager/Executive Director of the Department of General Services
Robert M. McDonald	Manager/Executive Director of the Department of Environmental Health
Stephanie O'Malley	Manager/Executive Director of the Department of Safety

**Clerk and Recorder, *Ex-Officio* Clerk**

Debra Johnson

**Department of Aviation**

Gisela Shanahan	Executive Vice President/Chief Financial Officer
Eric Hiraga	Executive Vice President/Chief of Staff
Ken Greene	Executive Vice President/Chief Operating Officer
Patrick Heck	Executive Vice President/Chief Commercial Officer
Darryl Jones	Executive Vice President/Chief Real Estate Officer
Xavier S.L. DuRán, Esq.	Executive Vice President/General Counsel

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New York, NY

**Bond Counsel**

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Denver, Colorado	Denver, Colorado

**Special Counsel**

Ballard Spahr LLP  
Denver, Colorado

## PRELIMINARY NOTICES

This Official Statement does not constitute an offer to sell the Series 2016B Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the City, the Financial Consultant or the Underwriter to give any information or to make any representation other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. The information contained in this Official Statement has been obtained from the City and other sources that are deemed reliable.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered 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 provisions or sections of this Official Statement. The offering of the Series 2016B Bonds is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2016B Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved of the Series 2016B Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“ORIGINAL BOUND FORMAT”) OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [\_\_\_\_\_]. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITY TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

In connection with the offering of the Series 2016B Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2016B Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2016B Bonds to dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated in the SUMMARY OF OFFERING and such public offering prices may be changed from time to time by the Underwriter.

## FORWARD-LOOKING STATEMENTS

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,” “anticipate,” “intend,” “expect,” “plan,” “projected” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain such risks and possible variations in results, see “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

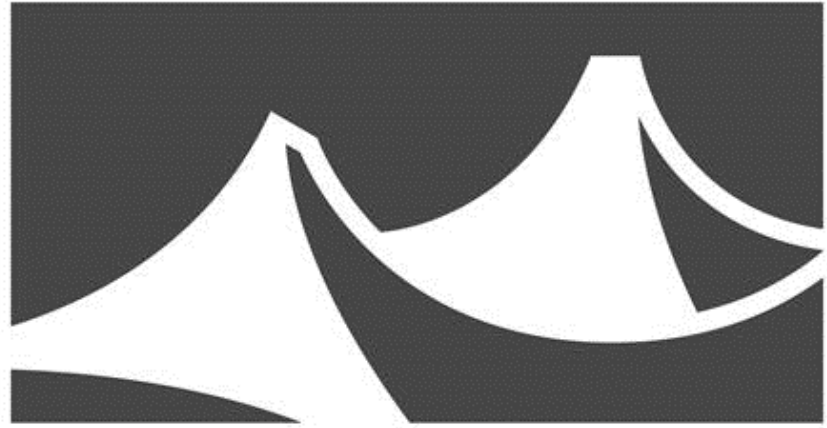
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DENVER INTERNATIONAL AIRPORT

**DEN**



**OFFICIAL STATEMENT**  
**RELATING TO**  
**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

\$ \_\_\_\_\_\*  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2016B (INDEX RATE) (NON-AMT)**

**INTRODUCTION**

This Official Statement, which includes the cover page, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the City and County of Denver, Colorado (the “City”), for and on behalf of its Department of Aviation (the “Department”) of its Airport System Revenue Bonds, Series 2016B (Index Rate) (the “Series 2016B Bonds”).

Unless otherwise defined herein, capitalized terms used herein are defined in “APPENDIX A — GLOSSARY OF TERMS.”

**The Issuer**

The City is a political subdivision of the State of Colorado (the “State”). The Denver Municipal Airport System (the “Airport System”) is owned by the City and the power to operate, maintain and control the Airport System is vested in the Department. The City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution with the authority to issue its own revenue bonds or other financial obligations in the name of the City. Denver International Airport (the “Airport”) is the primary asset of the Airport System.

**Denver International Airport**

*General.* The Airport is the primary air carrier airport for the Denver air service region. According to statistics compiled by Airports Council International for 2015, the Airport was ranked as the 6<sup>th</sup> busiest airport in the nation and the 19<sup>th</sup> busiest airport in the world based on total passengers in 2015 and served approximately 54 million passengers in 2015. See “THE AIRPORT SYSTEM,” “DENVER INTERNATIONAL AIRPORT” and “AVIATION ACTIVITY AND AIRLINES.”

*Passenger Traffic and Airport System Revenues.* There are 24 passenger airlines currently providing scheduled service at the Airport, including ten major/national passenger airlines, six foreign flag passenger airlines and eight regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines, including Federal Express and United Parcel Service, provide service at the Airport.

With a few exceptions, the Airport has experienced continual growth in both passenger traffic and associated revenues since it opened in 1995. The Airport served approximately 27.0 million enplaned passengers (passengers embarking on airplanes) in 2015, constituting an approximately 1.1% increase compared to 2014, and approximately 26.7 million enplaned passengers in 2014, constituting an approximately 1.7% increase compared to 2013. In 2015, the Airport experienced the highest number of

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\* Preliminary, subject to change.

annual enplaned passengers since it opened in 1995. Approximately 64% of passengers originated their travel at the Airport in 2015, compared to approximately 61% in 2014. Approximately 36% of passengers made connecting flights at the Airport in 2015, compared to approximately 39% in 2014.

[add highlights of nine month comparison data when available]

Future levels of aviation activity and enplaned passenger traffic at the Airport will depend on many local, regional, national and international factors, including economic and political conditions, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline mergers, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry and capacity of the national air traffic control system and of the Airport.

For further information regarding passenger traffic at the Airport and financial information concerning the Airport System, see generally “SECURITY AND SOURCES OF PAYMENT — Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements,” “AVIATION ACTIVITY AND AIRLINES,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements” and “FINANCIAL INFORMATION — Historical Financial Operations — Management’s Discussion and Analysis of Financial Performance — Passenger Facility Charges.”

***Major Air Carriers Operating at the Airport.*** The principal air carrier operating at the Airport is United Airlines, together with its United Express regional commuter affiliates (“United” or the “United Group”), accounting for 42.3% of passenger enplanements at the Airport in 2015. The Airport is a primary connecting hub in United’s route system both in terms of passengers and flight operations. Under a Use and Lease Agreement with the City (the “United Use and Lease Agreement”), United currently leases 52 full-service contact gates and 14 ground loading positions.

Southwest Airlines (“Southwest”) had the second largest market share at the Airport in 2015. Southwest commenced service at the Airport in January 2006 and since that time has had strong and continued growth in airline service, accounting for 29.4% of enplanements at the Airport in 2015. The Airport completed an expansion of Concourse C in November 2014 that added additional gates for Southwest to utilize. Southwest currently leases 23 gates at the Airport under a Use and Lease Agreement with the City.

Frontier Airlines Inc. and its affiliates (“Frontier” or the “Frontier Group”) had the third largest market share at the Airport in 2015, accounting for 12.4% of enplanements at the Airport in 2015. The Airport is presently Frontier’s only hub and in 2015 was the busiest airport in the Frontier system. Frontier currently leases 8 gates at the Airport under a Use and Lease Agreement with the City. In November 2013, Frontier was acquired by Indigo Partners LLC based in Phoenix, Arizona from Republic Holdings and transformed its business model from a low-cost carrier to an ultra-low-cost carrier in 2015.

On December 9, 2013, American Airlines and US Airways announced the completion of a merger to form the American Airlines Group (“American”). American received a single FAA operating certificate on April 8, 2015. With no connecting enplaned passenger traffic, American does not use the Airport as a major hub, accounting for 6.1% of enplanements at the Airport in 2015.

Except for the United Group, Southwest, Frontier and American, no single airline accounted for more than 5% of passenger enplanements at the Airport in 2015 or more than 5% of any of the airline

rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues in 2015.

For further information regarding the major air carriers operating at the Airport, see "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "AVIATION ACTIVITY AND AIRLINES," "AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements."

***The Airport Capital Program.*** The Airport is in the process of developing a new capital program for the years 2017 through 2021 (the "Preliminary 2017-2021 Capital Program"). For a description of projects expected to be included in the Preliminary 2017-2021 Capital Program, see "CAPITAL PROGRAM." The Airport's last adopted capital program, which was developed in 2012-2013 for the period 2013-2018, had an estimated cost of approximately \$1.4 billion (in 2013 dollars). Major projects included in the 2013-2018 Capital Program consist of the Hotel and Transit Center, the expansion of Concourse C to add gates, and [additional projects]. See "DENVER INTERNATIONAL AIRPORT – Hotel and Transit Center."

### **The Series 2016B Bonds**

***Authorization.*** The Series 2016B Bonds are being issued by authority of the City's home rule charter (the "City Charter"), the State's Supplemental Public Securities Act and the General Bond Ordinance effective in November 1984, as amended and supplemented (the "General Bond Ordinance"), and a supplemental ordinance (the "Series 2016B Supplemental Ordinance") to be approved by the Denver City Council (the "City Council") prior to the issuance of the Series 2016B Bonds. The General Bond Ordinance and the Series 2016B Supplemental Ordinance and any Supplemental Ordinances adopted by the City Council after the adoption of the Series 2016B Supplemental Ordinance are referred to herein collectively as the "Senior Bond Ordinance." The covenants and undertakings of the City with respect to the Senior Bond Ordinance and the Series 2016B Bonds are covenants and undertakings of the City, for and on behalf of the Department. Certain amendments to the Senior Bond Ordinance have been proposed by the City but have not been adopted by the City Council (the "Proposed Amendments"). See "Consent to Proposed Amendments to the Senior Bond Ordinance" below, "THE SERIES 2016B BONDS – Authorization," "SECURITY AND SOURCES OF PAYMENT – Proposed Amendments to the Senior Bond Ordinance," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE" and "APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE."

***Purpose/Refunding Plan.*** The proceeds of the Series 2016B Bonds, together with other available Airport System moneys, will be used to current refund and redeem the Airport System Revenue Bonds, Series 2014A (the "Series 2014A Bonds") and pay the costs of issuing the Series 2016B Bonds. The Series 2014A Bonds are referred to herein as the "Refunded Bonds." See also "REFUNDING PLAN" and "FINANCIAL INFORMATION – Senior Bonds."

***Maturity, Principal and Interest.*** The Series 2016B Bonds will be issued in the aggregate principal amount, bear interest at the rates per annum (computed on the basis of a 365/366-day year and actual days elapsed) and mature on the dates and in the principal amounts set forth in "SUMMARY OF OFFERING" on the inside cover page hereof. Upon issuance and during the initial Index Rate Period, the Series 2016B Bonds will bear interest from their date of issuance at the Index Rate Index plus the Applicable Spread of \_\_\_\_%. Interest on the Series 2016B Bonds while bearing interest at an Index Rate will be payable on the first Business Day of each calendar month (each an "Interest Payment Date") during the Index Rate Period. The first Interest Payment Date for the Series 2016B Bonds is January 3, 2017. The initial Index Rate with respect to the Series 2016B Bonds will be the Index Rate in effect as of

the date of issuance of \_\_\_\_% and will apply for the period from and including the date of issuance to and including the day immediately prior to the first Interest Payment Date. Until the end of the Index Rate Period, the Index Rate for the Series 2016B Bonds will be calculated by the Series 2016B Paying Agent, acting as index agent (the “Index Agent”), as described in “THE SERIES 2016B BONDS — Interest Rate Determination Methods.”

The Series 2016B Bonds are subject to redemption prior to maturity as described in “THE SERIES 2016B BONDS — Redemption Terms of the Series 2016B Bonds.”

***Book-Entry Only System.*** The Series 2016B Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York (“DTC”), which will serve as securities depository for the Series 2016B Bonds. Ownership interests in the Series 2016B Bonds (“Beneficial Ownership Interests”), in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through participants in the DTC system (“DTC Participants”). Such Beneficial Ownership Interests will be recorded in the name of the purchasers thereof (“Beneficial Owners”) on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest, the receipt of notices and other communications, transfers and various other matters with respect to the Series 2016B Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “THE SERIES 2016B BONDS — General Provisions; Interest Rate” and “APPENDIX D — DTC BOOK-ENTRY SYSTEM.”

***Special Obligations.*** The Series 2016B Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a pledge of Net Revenues (as defined herein) of the Airport System and certain Airport System funds and accounts held under the Senior Bond Ordinance, on a parity with all other bonds that have been issued or may be issued in the future and that are outstanding from time to time under the Senior Bond Ordinance (referred to herein collectively as the “Senior Bonds”). None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the registered Owners (the “Owners”) or Beneficial Owners of the Series 2016B Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016B Bonds. The Series 2016B Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State. See “SECURITY AND SOURCES OF PAYMENT — Pledge of Net Revenues.”

The definition of Senior Bonds also includes Hedge Facility Obligations and Credit Facility Obligations related to the Senior Bonds (the “Senior Obligations”), which have a lien on the Net Revenues on a parity with the lien on the Senior Bonds. See “FINANCIAL INFORMATION – Outstanding Senior Bonds” for a description of outstanding Credit Facility Obligations. See “APPENDIX A — GLOSSARY OF TERMS” for the definitions of Hedge Facility Obligations and Credit Facility Obligations.

***Further Information.*** For further information regarding the Series 2016B Bonds, see generally “THE SERIES 2016B BONDS,” “FINANCIAL INFORMATION,” “APPENDIX A — GLOSSARY OF TERMS,” and “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

## **Tax Matters**

In the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Series 2016B Bonds, under existing law and assuming compliance by the City, with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be met subsequent to the

issuance of the Series 2016B Bonds, with which the City has certified, represented and covenanted its compliance, interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, subject to certain exceptions, corporations. Also, in the respective opinions of Bond Counsel to the City to be delivered upon the issuance of the Series 2016B Bonds, under existing law and to the extent interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. See “TAX MATTERS” for a more detailed discussion.

### **Series 2016A Bonds**

Prior to the issuance of the Series 2016B Bonds, the City expects to issue its Airport System Revenue Bonds, Series 2016A in an aggregate principal amount of \$[\_\_\_\_\_] \* (the “Series 2016A Bonds”) in order to provide funds, together with other available Airport System moneys, to (i) current refund and redeem all or a portion of the Airport System Revenue Bonds, Series 2006A (the “Series 2006A Bonds”), (ii) advance refund, defease and redeem all or a portion of the Airport System Revenue Bonds, Series 2007B (the “Series 2007B Bonds”) and Airport System Revenue Bonds, Series 2007E (the “Series 2007E Bonds”), and (iii) pay the costs of issuing the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT – Additional Parity Bonds” herein. The Series 2016A Bonds are to be issued as Senior Bonds and will be offered pursuant to a separate Official Statement dated \_\_\_\_\_, 2016.

### **Outstanding Senior Bonds, Subordinate Obligations, and Subordinate Hedge Facility Obligations**

Upon the issuance of the Series 2016B Bonds, there will be \$[\_\_\_\_\_] \* aggregate principal amount of Senior Bonds Outstanding. The City, for and on behalf of the Department, has entered into various Credit Facility Obligations in connection with certain outstanding Senior Bonds. See “FINANCIAL INFORMATION – Outstanding Senior Bonds” for a description of outstanding Credit Facility Obligations.

The City, for and on behalf of the Department, has previously issued various series of Subordinate Bonds. After the principal or mandatory sinking fund payments due on November 15, 2016 are made, the Series 2013A-B Subordinate Bonds will be outstanding in the aggregate principal amount of \$705,615,000 and the Series 2015A Subordinate Bonds will be outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. The City does not currently maintain a Commercial Paper facility and no Subordinate Commercial Paper Notes are currently outstanding. The City has also entered into various Subordinate Hedge Facility Obligations relating to Senior Bonds that are secured by a pledge of the Net Revenues that is subordinate to that of the Senior Bonds. See “FINANCIAL INFORMATION — Subordinate Bonds — Other Subordinate Obligations — Subordinate Commercial Paper Notes — Master Derivatives Policy.”

### **Additional Senior Bonds and Senior Obligations and Subordinate Bonds and Subordinate Obligations**

The City, for and on behalf of the Department, may issue additional Senior Bonds and enter into additional Senior Obligations upon the satisfaction of certain conditions set forth in the Senior Bond Ordinance, and may issue additional Subordinate Bonds and enter into Subordinate Obligations upon the satisfaction of certain conditions set forth in the Subordinate Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT — Issuance of Additional Senior Bonds — Issuance of Additional

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\* Preliminary, subject to change.

Subordinate Bonds and Subordinate Obligations,” “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

### **Continuing Disclosure**

Pursuant to Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”), the City will deliver a Continuing Disclosure Undertaking in respect of the Series 2016B Bonds in which it will agree to provide or cause to be provided annually via the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system certain additional financial information and operating data concerning the Airport System and to provide contemporaneous notice of certain specified events. See “CONTINUING DISCLOSURE” and “APPENDIX G — FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the annual information and the events for which notice is to be provided and other terms of the Continuing Disclosure Undertaking. Within a five-year period from the date of this Official Statement, the City has complied in all material respects with previous undertakings.

### **Additional Information**

Brief descriptions of the Series 2016B Bonds, the City, the Department, the Airport, the Airport System, the Senior Bond Ordinance, and certain other documents are included in this Official Statement and the appendices hereto. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2016B Bonds, copies of the Senior Bond Ordinance may be obtained from the City and the Department.

Inquiries regarding information about the Airport System contained in this Official Statement may be directed to the Department of Aviation – Finance at (303) 342-2000. Inquiries regarding other City financial matters contained in this Official Statement may be directed to R. O. Gibson, Manager of Cash, Risk and Capital Funding, at (720) 913-9383.

### **Investment Considerations**

The purchase and ownership of Beneficial Ownership Interests in the Series 2016B Bonds involve certain investment risks. Prospective purchasers should read this Official Statement in its entirety, giving particular attention to the matters discussed under “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

### **Forward Looking Statements**

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the Federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” 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. See “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Forward Looking Statements.”

**Miscellaneous**

The cover page, inside cover pages, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from officers, employees and records of the City and the Department and from other sources believed to be reliable. The information herein 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 City, the Department or the Airport System since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement is not to be construed as a contract or agreement between the City, for and on behalf of the Department, or the Underwriter and the purchasers, Owners or Beneficial Owners of any of the Series 2016B Bonds.

**REFUNDING PLAN**

**Purpose of the Series 2016B Bonds**

The Series 2016B Bonds, together with other available Airport System moneys, will be used to current refund and redeem all of the Series 2014A Bonds currently outstanding in the aggregate principal amount of \$\_\_\_\_\_ and pay the costs of issuance of the Series 2016B Bonds.

Prior to the issuance of the Series 2016B Bonds, the City expects to issue the Series 2016A Bonds in order to provide funds, together with other available Airport System moneys, to (i) current refund and redeem all or a portion of the Series 2006A Bonds, (ii) advance refund, defease and redeem all or a portion of the Series 2007B Bonds and the Series 2007E Bonds, and (iii) pay the costs of issuing the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT – Additional Parity Bonds” herein. The Series 2016A Bonds are offered pursuant to a separate Preliminary Official Statement dated \_\_\_\_\_, 2016.

**Estimated Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2016B Bonds.

**Sources:**

Principal amount of the Series 2016B Bonds .....	\$ _____
Other available Airport System moneys .....	_____
	\$ _____

**Uses:**

Redemption of the Series 2014A Bonds.....	\$ _____
Costs of Issuance <sup>1</sup> .....	_____
	\$ _____

<sup>1</sup> Includes Underwriter’s discount, legal fees and other costs of issuance for the Series 2016B Bonds. See also “UNDERWRITING.”

## **THE SERIES 2016B BONDS**

This Official Statement generally describes the Series 2016B Bonds while bearing interest at the initial Index Rate in the initial Index Rate Period. Prospective purchasers of the Series 2016B Bonds bearing interest during an Interest Rate Period other than the initial Index Rate Period should not rely on this Official Statement. The summary of certain provision of the Series 2016B Bonds set forth in this Official Statement is only applicable to the Series 2016B Bonds bearing interest at the initial Index Rate during the initial Index Rate Period or at a Stepped Rate. If the Interest Rate Period is converted from an Index Rate Period to any other Interest Rate Determination Method, other than the Stepped Rate, or if a new Index Rate Period is established on or prior to the end of the initial Index Rate Period, such Series 2016B Bonds will be subject to mandatory tender for purchase. In that case, it is expected that the City will prepare a new disclosure document to describe the new Interest Rate Determination Method or the new Index Rate Period, as applicable, with respect to any such Series 2016B Bonds.

Upon satisfaction of conditions set forth in the Series 2016B Supplemental Ordinance, including mandatory tender and remarketing, the Series 2016B Bonds may be changed at the election of the City to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate), provided however, that all Series 2016B Bonds must have the same Interest Rate Determination Method and (except for any Series 2016B Credit Provider Bonds and Series 2016B Bonds bearing interest at a Commercial Paper Rate) all Series 2016B Bonds must bear interest at the same interest rate. See “APPENDIX A — GLOSSARY OF TERMS” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE—[\_\_\_\_\_].”

Reference is hereby made to the Senior Bond Ordinance in its entirety for the detailed provisions pertaining to the Series 2016B Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system. See “APPENDIX A — GLOSSARY OF TERMS,” “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” and “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” for a summary of certain provisions of the Senior Bond Ordinance and the Proposed Amendments, including, without limitation, provisions relating to other Interest Rate Modes and conversion among Interest Rate Modes, certain covenants of the City, the rights and remedies of the Owners of the Series 2016B Bonds upon an Event of Default (as defined herein) under the Senior Bond Ordinance, provisions relating to amendments of the Senior Bond Ordinance, and procedures for defeasance of the Series 2016B Bonds.

### **Authorization**

Pursuant to the home rule article of the State constitution, the State’s Supplemental Public Securities Act and the City Charter, the City, for and on behalf of the Department, may issue bonds payable solely from and secured by a senior pledge of Net Revenues to defray the cost of acquiring, improving and equipping municipal airport facilities. Such revenue bonds constitute special obligations, do not evidence a debt or indebtedness of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, charter or statutory provision or limitation and may be issued without prior voter approval.

Pursuant to the City Charter, the City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution. The Department is owned by the City and the Chief Executive Officer of the Department of Aviation (the “Manager”) is the governing body of the Department. See “THE AIRPORT SYSTEM — Management.” The Department has the authority to issue its own revenue bonds or other financial obligations in the name of the City payable solely from revenues of the Airport System, as authorized by ordinance after approval and authorization by the



Manager. The assets of the Airport System are owned by the City and operated by the Department as a self-sustaining business activity. The Department is not authorized to levy any taxes in connection with the Airport System.

The Series 2016B Bonds will be issued pursuant to the Senior Bond Ordinance, including the Series 2016B Supplemental Ordinance to be approved by the City Council prior to the issuance of the Series 2016B Bonds and any Proposed Amendments that may be adopted after issuance of the Series 2016B Bonds. See “SECURITY AND SOURCES OF PAYMENT – Proposed Amendments to the Senior Bond Ordinance,” “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE” and “APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

The City has appointed Zions Bank, a division of ZB, National Association, Denver, Colorado, to serve as paying agent (the “Paying Agent”) and registrar (the “Registrar”) for the Series 2016B Bonds.

### **DTC Book-Entry System**

The Series 2016B Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2016B Bonds. Beneficial Ownership Interests in the Series 2016B Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired. Transfers of Beneficial Ownership Interests will be effected by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2016B Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX D — DTC BOOK-ENTRY SYSTEM.”

Principal and interest payments with respect to the Series 2016B Bonds will be made by the Paying Agent to Cede & Co., as the Owner of the Series 2016B Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D — DTC BOOK-ENTRY SYSTEM.”

*None of the City, the Department, the Underwriter, the Paying Agent or the Registrar for the Series 2016B Bonds has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2016B Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2016B Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2016B Bonds or (5) any other related matter.*

### **General Provisions; Interest Rate**

Upon issuance and during the initial Index Rate Period, the Series 2016B Bonds will bear interest from their delivery date at the Index Rate Index plus the Applicable Spread of \_\_\_%. Interest on the Series 2016B Bonds while bearing interest at an Index Rate will be payable on the first Business Day of each calendar month during the Index Rate Period and on the final maturity date or redemption date of the Series 2016B Bonds. The first Interest Payment Date for the Series 2016B Bonds is January 3, 2017. Interest on the Series 2016B Bonds bearing interest at an Index Rate will be computed on the basis of a 365/366-day year and actual days elapsed. The Record Date for the Series 2016B Bonds while bearing interest at the Index Rate will be the Business Day next preceding each Interest Payment Date. The Series

2016B Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Other Interest Payment Dates for the Series 2016B Bonds are each Conversion Date and the final maturity date or any redemption date. See “APPENDIX A — GLOSSARY OF TERMS,” AND “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

The interest rate for the Series 2016B Bonds will be equal to the sum of: (A) the Index Rate Index (defined below) then in effect, as determined by the Index Agent, and (B) the Applicable Spread set forth in the SUMMARY OF OFFERING. The initial Index Rate with respect to the Series 2016B Bonds will be the Index Rate of \_\_\_\_% in effect as of the date of issuance and will apply for the period from and including the date of issuance to and including the day immediately prior to the first Interest Payment Date. Until the end of the Index Rate Period, the Index Rate for the Series 2016B Bonds will be calculated by the Series 2016B Paying Agent, acting as index agent (the “Index Agent”), as described below under “—Interest Rate Determination Methods.” In no event may the Index Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum. See “APPENDIX A — GLOSSARY OF TERMS.”

“Index Rate Index” means, with respect to the Series 2016B Bonds, the One Month LIBOR Index Rate; provided, that if the City obtains an Favorable Opinion of Bond Counsel, "Index Rate Index" may mean such other index as is determined by the City in consultation with the Remarketing Agent at the commencement of an Index Rate Period in accordance with the Series 2016B Supplemental Ordinance.

“One Month LIBOR Index” means the British Banker’s Association average of interbank offered rates in the London market for Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.

“One Month LIBOR Index Rate” means a per annum rate of interest established on each Index Rate Determination Date equal to the product of (i) the One Month LIBOR Index multiplied by (ii) the Applicable Factor. The Applicable Factor for the initial Interest Rate Period is 70%. If such index is not published or otherwise made available, the Index Rate Index to which the Applicable Spread will be applied shall be an index or rate agreed upon by the City and the Remarketing Agent, but in no event in excess of the Maximum Interest Rate.

“Index Rate Determination Date” means a date that is two London Banking Days preceding the date of a Conversion to the Index Rate Period, a date that is two London Banking Days preceding each Purchase Date during the Index Rate Period, and a date that is two London Banking Days preceding each Interest Payment Date during the Index Rate Period; provided, that if the City specifies alternative dates as “Index Rate Determination Dates” for the Series 2016B Bonds in the Pricing Notice delivered in connection with the Conversion of such Bonds, “Index Rate Determination Date” shall mean the dates specified in such Pricing Notice.

The Index Rate Index is determined by third parties and the City is not responsible or accountable for its determination, the securities used in its determination, or the procedures used in its determination.

**The Series 2016B Bonds will be subject to mandatory tender and remarketing on [\_\_\_\_], which is at the end of the Index Rate Period that begins on the delivery date for such Series 2016B Bonds, as shown in the SUMMARY OF OFFERING. The City expects to apply funds from such remarketing to pay the purchase price of the Series 2016B Bonds. The City is not obligated to provide any other funds for the purchase of the Series 2016B Bonds other than**

remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the purchase price of the Series 2016B Bonds upon such mandatory tender. If there are insufficient funds to purchase the Series 2016B Bonds at the end of any Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will bear interest at the Stepped Rate. See “—Insufficient Funds; Stepped Rate” below and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE - \_\_\_\_\_.”

The Series 2016B Bonds are also subject to mandatory tender and remarketing, at the option of the City, on any date on which the Series 2016B Bonds are subject to redemption at the option of the City. If there are insufficient funds to purchase any Series 2016B Bonds prior to the end of the initial Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will continue to bear interest at the Index Rate then in effect. See “—Redemption Terms of the Series 2016B Bonds,” “—Mandatory Tender Provisions,” and “—Mandatory Tender for City Purchase of Series 2016B Bonds at Election of City” below.

No letter of credit or other credit or liquidity facility will be in effect for the Series 2016B Bonds during the Index Rate Period. During the Index Rate Period, the Series 2016B Bonds are not subject to optional tender by the Owners thereof.

Upon satisfaction of conditions set forth in the Series 2016B Supplemental Ordinance, including mandatory tender and remarketing, the Series 2016B Bonds may be changed at the election of the City to another Interest Rate Mode calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate), provided however, that all Series 2016B Bonds must have the same Interest Rate Determination Method and (except for any Series 2016B Credit Provider Bonds and Series 2016B Bonds bearing interest at a Commercial Paper Rate) all Series 2016B Bonds must bear interest at the same interest rate. See “—Conversion of Interest Rate Determination Method” below.

**This Official Statement is not intended to provide information about the Series 2016B Bonds after conversion to another Interest Rate Determination Method, other than the Stepped Rate, or upon establishment of a new Index Rate Period.**

#### **Redemption Terms of the Series 2016B Bonds**

*Optional Redemption.* The Series 2016B Bonds bearing interest at the Index Rate are subject to redemption at the option of the City in whole or in part, in Authorized Denominations, on: (1) the day following the last day of any Index Rate Period, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium; and (2) any day designated by the City in the Pricing Notice relating to the initial Index Rate Period, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, with premium, if any, as designated by the City in the Pricing Notice. In its Pricing Notice for the Series 2016B Bonds, the City designated any date on or after [\_\_\_\_\_, 20\_\_] as a date the Series 2016B Bonds may be redeemed at the option of the City at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest, if any, without premium. See “SUMMARY OF OFFERING” for specific redemption terms of the Series 2016B Bonds.

*Mandatory Redemption.* The Series 2016B Bonds are subject to mandatory redemption by the City on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

**Series 2016B Bonds**

Redemption Date (November 15)	Sinking Fund Installment	Redemption Date (November 15)	Sinking Fund Installment
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\* Final Maturity

**Purchase In Lieu of Redemption**

In lieu of mandatory redemption, the City may surrender to the Series 2016B Paying Agent for cancellation any Series 2016B Bonds purchased on the open market, and such Series 2016B Bonds are to be cancelled by the Series 2016B Paying Agent. If any Series 2016B Bonds are so cancelled, the City may designate the Sinking Fund Installments or portions thereof within such Series 2016 Bonds so purchased that are to be reduced as a result of such cancellation. The City agrees that any Series 2016B Bonds so purchased on the open market in lieu of mandatory redemption are to be surrendered promptly to the Series 2016B Paying Agent for cancellation.

**General Redemption Provisions**

***Selection for Redemption.*** The City shall designate which subseries and maturities of such Series 2016B Bonds are to be called for optional redemption pursuant to the Series 2016B Supplemental Ordinance; provided that, prior to the successful remarketing of the Series 2016B Bonds and division thereof into applicable subseries, any partial redemption of the Series 2016B Bonds is to be applied to reduce scheduled Sinking Fund Installments of the Series 2016B Bonds for such date as designated by the City, subject to minimum Authorized Denominations. If less than all of the Series 2016B Bonds maturing by their terms on any one date are to be redeemed at any one time, the Series 2016B Paying Agent is required to select the Series 2016B Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and promptly notify the City in writing of the numbers of the Series 2016B Bonds so selected for redemption. For purposes of such selection, the Series 2016B Bonds are to be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

***Notice of Redemption.*** Notice of redemption is to be given at least 30 days prior to the Redemption Date by electronic means, by registered or certified mail, or by overnight delivery service to (1) the Securities Depository (initially DTC), (2) the EMMA system, and (3) any rating agency then maintaining a rating on the Series 2016A Bonds. The actual receipt by DTC or its nominee of written notice of redemption of Series 2016A Bonds is not a condition precedent to such redemption if the notice has in fact been duly given, and failure of DTC or its nominee to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date.

***Conditional Notice of Redemption; Rescission.*** Any notice of optional redemption of the Series 2016B Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice is to be of no force and effect and the City will not be required to redeem such Series 2016B Bonds and the redemption will not be made. The Series 2016B Paying Agent is required within a reasonable time thereafter to give notice to the persons and in the

manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. In addition, the City may, at its option, on or prior to the date fixed for redemption in any notice of redemption of the Series 2016B Bonds, rescind and cancel such notice of redemption by written request of the City to the Series 2016B Paying Agent, and the Series 2016B Paying Agent is required to mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

***Effect of Redemption.*** Notice of redemption having been duly given pursuant to the Senior Bond Ordinance and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2016B Bonds (or portions thereof) so called for redemption being held by the Series 2016B Paying Agent, on the redemption date designated in such notice the Series 2016B Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Thereafter, interest on such Series 2016B Bonds shall cease to accrue, and said Series 2016B Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Senior Bond Ordinance.

***Redemption of Beneficial Ownership Interests.*** The Registrar will be required to send notice of redemption of the Series 2016B Bonds only to Cede & Co. (or subsequent nominee of DTC) as the registered Owner thereof. Receipt of such notice initiates DTC's standard call. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in "APPENDIX D — DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2016B Bonds properly called for redemption or any other action premised on that notice.

### **Interest Rate Determination Methods**

***Generally.*** The Series 2016B Bonds will initially bear interest at an Index Rate. The City has the right to change the Interest Rate Determination Method for all (but not less than all) of the Series 2016B Bonds to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate, or Fixed Rate). See "—Conversion of Interest Rate Determination Method" below. The Series 2016B Bonds will have an Index Agent, which initially will be the Series 2016B Paying Agent.

The Series 2016B Bonds are not subject to tender for purchase and remarketing at the option of the Owner or Beneficial Owners of such Series 2016B Bonds. The Series 2016B Bonds are subject to mandatory tender for purchase as described below under "—Mandatory Tender Provisions." There is no letter of credit or other credit or liquidity facility in effect for any of the Series 2016B Bonds while the Series 2016B Bonds bear interest at an Index Rate.

***Index Rate.*** Until such time as the Series 2016B Bonds are successfully converted to another Interest Rate Determination Method, such Series 2016B Bonds will bear interest at the Index Rate determined by the Index Agent. The initial Index Rate with respect to the Series 2016B Bonds shall apply to the period commencing on the date of issuance and ending on the day immediately prior to the first Interest Payment Date. Thereafter, each Index Rate shall apply to the period commencing on and including an Interest Payment Date (whether or not a Business Day) to but not including the following Interest Payment Date.

Pursuant to the Series 2016B Supplemental Ordinance with respect to any subsequent Index Rate Periods, the duration of the Index Rate Period, the Stepped Rate to be applicable to such Series 2016B Bonds should sufficient funds be unavailable for their purchase at the end of such Index Rate Period, the next Purchase Date, the Index Rate Index, the frequency with which the Index Rate will be recalculated, the Interest Payment Dates applicable to the Series 2016B Bonds and any alternative Index Rate Determination Dates are required to be specified in the Pricing Notice given with respect to the Conversion of such Series 2016B Bonds to the Index Rate Period or with respect to any new Index Rate and Index Rate Period for any Series 2016B Bonds then bearing interest at an Index Rate. See “—Index Rate Continuation” and “Insufficient Funds; Stepped Rate” below.

***Calculation of Index Rate.*** The Index Rate for the Series 2016B Bonds will be calculated on each Index Rate Determination Date (preceding the date on which such Index Rate is to become effective) and will be equal to: (A) the Index Rate Index on the Index Rate Determination Date, plus (B) the Applicable Spread, and such Index Rate will be rounded to the nearest one hundred thousandth of one percent (0.00001%). The Index Agent will calculate the Index Rate and furnish the Index Rate to the Series 2016B Paying Agent (if the Series 2016B Paying Agent is not also the Index Agent) and the City by Electronic means no later than the Business Day next succeeding each Index Rate Determination Date. Upon the request of an Owner, the Series 2016B Paying Agent shall confirm by Electronic means the Index Rate then in effect. Alternatively, the Series 2016B Paying Agent may make such information available by readily accessible Electronic means.

In no event may the Index Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum. The determinations of the initial Index Rate and all subsequent Index Rates shall be conclusive and binding upon the City, the Series 2016B Paying Agent, the Remarketing Agent, the Index Agent and the Owners absent manifest error. See “APPENDIX A — GLOSSARY OF TERMS.”

***Index Rate Continuation.*** On any date the Series 2016B Bonds in an Index Rate Period are subject to optional redemption, or as of the Purchase Date of any Series 2016B Bonds in an Index Rate Period, unless the City has given a Conversion Notice with respect to the Conversion of the Series 2016B Bonds to another Interest Rate Determination Method, the City may establish a new Index Rate Period for such Series 2016B Bonds by delivery of a written notice (an “Index Rate Continuation Notice”) to the Series 2016B Paying Agent, the Index Agent (if the Series 2016B Paying Agent is not the Index Agent), and the Remarketing Agent no less than 35 Business Days prior to the effective date of the new Index Rate Period.

The City is required to deliver a Pricing Notice to the Series 2016B Paying Agent no later than five Business Days prior to the effective date of the new Index Rate Period. The Pricing Notice delivered in connection with a new Index Rate Period must specify: (1) the duration of the Index Rate Period, (2) the optional redemption provisions applicable to such Series 2016B Bonds during such Index Rate Period, if any, (3) the Stepped Rate to be applicable to such Series 2016B Bonds should insufficient funds be available to purchase such bonds at the end of such Index Rate Period, (4) the proposed next Purchase Date, if any, (5) the Index Rate Index, if other than the One Month LIBOR Index Rate, (6) the frequency with which the Index Rate shall be recalculated, (7) the proposed Interest Payment Dates applicable to such Series 2016B Bonds while bearing interest in an Index Rate Period, and (8) alternative Index Rate Determination Dates and Stepped Rate Determination Dates, if any.

The first day of such new Index Rate Period shall be a Purchase Date on which such Series 2016B Bonds are subject to optional redemption or to mandatory tender pursuant to the applicable provisions of the Series 2016B Supplemental Ordinance. The Series 2016B Bonds will be subject to mandatory tender on the first day of such new Index Rate Period for purchase at its Purchase Price. No new Index Rate Period shall become effective unless an Opinion of Bond Counsel delivered on (and as

of) the first day of the new Index Rate Period and unless all such Outstanding Series 2016B Bonds are successfully remarketed in the new Index Rate Period. **Unsuccessful attempts to remarket to a new Index Rate Period prior to the end of the initial Index Rate Period do not result in a change in the Index Rate or Index Rate Period and the Owners of the Series 2016B Bonds will continue to hold such Series 2016B Bonds at the existing Index Rate until the end of the existing Index Rate Period.**

**Notice to Owners.** Upon receipt of an Index Rate Continuation Notice from the Treasurer or any other Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the first day of the proposed new Index Rate Period, the Series 2016B Paying Agent must give notice by first-class mail to the Owners of the affected Series 2016B Bonds, the Index Agent (if the Series 2016B Paying Agent is not the Index Agent) and the Remarketing Agent, which notice will (1) state in substance that a new Index Rate Period is to be established for such Series 2016B Bonds on the applicable Index Rate Conversion Date if the conditions specified in the Series 2016B Supplemental Ordinance (and generally described in such notice) are satisfied on or before such date, (2) state that a new Index Rate Period shall not be established unless an Opinion of Bond Counsel is delivered to the Series 2016B Paying Agent on (and as of) the first day of the new Index Rate Period and all such Series 2016B Bonds are successfully remarketed in the new Index Rate Period and at the new Index Rate on the first day thereof, and contain the additional information required to be contained in the Conversion Notice.

**End of Index Rate.** In the event the City has not given an Index Rate Continuation Notice or a Conversion Notice with respect to Series 2016B Bonds bearing interest at an Index Rate at the time required, or if the conditions to the effectiveness of a new Index Rate Period and new Index Rate or the conditions to Conversion to another Interest Rate Determination Method are not satisfied, then on the day following the last day of the current Index Rate Period, a Weekly Rate Period shall automatically commence for such Series 2016B Bonds, provided that, unless a Series 2016B Liquidity Instrument is in effect with respect to such Series 2016B Bonds, such Series 2016B Bonds shall not be subject to optional tender and such Series 2016B Bonds shall bear interest at a rate of interest equal to the Stepped Rate until they are successfully remarketed.

**The Series 2016B Bonds will not have a Series 2016B Liquidity Instrument in effect on the Conversion Date. Any failure to remarket all such Series 2016B Bonds at a new Index Rate or to convert any such Series 2016B Bonds to another Interest Rate Determination Method does not constitute an Event of Default under the Series 2016B Supplemental Ordinance. See “Insufficient Funds; Stepped Rate” below.**

### **Insufficient Funds; Stepped Rate**

For any Series 2016B Bonds bearing interest at the Index Rate and not supported by a Series 2016B Liquidity Instrument, if sufficient funds are not available for the purchase of all Series 2016B Bonds tendered or deemed tendered and required to be purchased on any Purchase Date following the end of the applicable Index Rate Period, all Series 2016B Bonds shall automatically convert to a Weekly Rate Period and bear interest at a rate of interest equal to the Stepped Rate (defined below) from the date of such failed purchase (the “Failed Tender Date”) until all such Series 2016B Bonds are purchased, such rate to be determined in accordance with the Series 2016B Supplemental Ordinance, and all tendered Series 2016B Bonds are required to be returned to their respective Owners. Notwithstanding anything to the contrary in the Series 2016B Supplemental Ordinance, such Series 2016B Bonds bearing interest in a Weekly Rate Period at the Stepped Rate shall not be subject to optional tender by the Owners thereof. Interest on the Series 2016B Bonds while in the Weekly Rate Period bearing interest at the Stepped Rate will be payable on the first Business Day of each month following the Failed Tender Date and the Record Date for such payment of interest will be the Business Day next preceding such Interest Payment Date. No Opinion of Bond Counsel is required in connection with this automatic adjustment to a Weekly Rate

Period. Such failed purchase and return do not constitute an Event of Default. In addition, the Remarketing Agent shall remain obligated to remarket the Series 2016B Bonds and such Series 2016B Bonds remain subject to optional and mandatory redemption, mandatory tender for purchase, and Conversion as provided in the Series 2016B Supplemental Ordinance. **None of the Series 2016B Bonds will be supported by a Series 2016B Liquidity Instrument during the initial Index Rate Period.**

From the Failed Tender Date until all of the Series 2016B Bonds are purchased as required by the Series 2016B Supplemental Resolution, such Series 2016B Bonds shall, during each Weekly Rate Period (or portion thereof), bear interest at the applicable Stepped Rate calculated by the Index Agent on each Stepped Rate Determination Date. On each Stepped Rate Determination Date (defined below), the Series 2016B Paying Agent is required to furnish the Stepped Rate calculations to the Series 2016B Paying Agent and to the City by Electronic means.

The initial Stepped Rate with respect to the Series 2016B Bonds shall be applicable during the period from and including the Failed Tender Date to and including the following Wednesday (unless the Failed Tender Date is a Wednesday, in which event the initial rate will only apply to such Wednesday) and, thereafter, the Stepped Rate with respect to a Series 2016B Bond will apply for each Calendar Week, unless a change in spread occurs within a Calendar Week, until such Series 2016B Bond is purchased. The Index Agent's calculations of the Stepped Rate or Rates for any Calendar Week shall reflect any applicable changes in the Stepped Rate that, by definition, will occur during such period, including any applicable changes in the spread to be applied to the Stepped Rate Index.

Notwithstanding anything to the contrary in the Series 2016B Supplemental Ordinance, while the Series 2016B Bonds bear interest at the Stepped Rate, the rate of interest applicable to such Series 2016B Bonds during each Calendar Week shall be the Stepped Rate, calculated as set forth in this section above, including any applicable changes in the actual rate of interest that occur during such Calendar Week as reflected in such calculations.

The "Stepped Rate" means the rate or rates of interest applicable with respect to any Series 2016B Bonds should insufficient funds be available to purchase such Series 2016B Bonds in connection with a mandatory tender at the end of an Index Rate Period during which such Series 2016B Bonds are not supported by a Series 2016 Liquidity Instrument. With respect to the Series 2016B Bonds during the initial Index Rate Period, the Stepped Rate shall be: (a) for the period from and including the Failed Tender Date to but excluding the ninetieth (90th) day thereafter a per annum interest rate equal to the Stepped Rate Index plus 2.50%; (b) for the period from and including the ninetieth (90th) day after the Failed Tender Date to but excluding the one hundred eightieth (180th) day after the Failed Tender Date, a per annum interest rate equal to the greater of (i) the Stepped Rate Index plus 5.00% or (ii) 7.50%; and (c) thereafter, the Maximum Interest Rate; provided that the Stepped Rate shall never be less than the rate of interest applicable to such Series 2016B Bonds on the Business Day prior to the Failed Tender Date. Notwithstanding anything to the contrary in this definition of the Series 2016B Supplemental Ordinance, the Stepped Rate shall never exceed twelve percent (12%) per annum.

"Stepped Rate Determination Date" means the applicable Failed Tender Date and each Wednesday thereafter or, if any such Wednesday is not a Business Day, then the next preceding Business Day, such date being the same day the SIFMA Swap Index is expected to be published or otherwise made available to the Index Agent, and if the SIFMA Swap Index is published on a different day, such day will be the Stepped Rate Determination Date. The Stepped Rate Index so calculated will apply to the Calendar Week from and including the immediately succeeding Thursday to and including the following Wednesday or, for the initial period, from the Failed Tender Date to and including the Wednesday following the Failed Tender Date, unless the Failed Tender Date is a Wednesday in which event such rate



will be based on the SIFMA Swap Index determined on the prior Wednesday and will only apply on the Failed Tender Date.

“Stepped Rate Index” means an index specified by the City in the Pricing Notice delivered in connection with the Conversion of the Series 2016B Bonds to an Index Rate Period or with the continuation of an Index Rate Period with respect to such Series 2016B Bonds pursuant to the terms of the Series 2016B Supplemental Ordinance. During the initial Index Rate Period for the Series 2016B Bonds, the Stepped Rate Index is the SIFMA Swap Index.

“Failed Tender Date” means, for any Series 2016B Bonds bearing interest at an Index Rate, the date on which sufficient funds are not available for the purchase of all Series 2016B Bonds tendered or deemed tendered and required to be purchased at the end of the Index Rate Period as described in the Series 2016B Supplemental Ordinance.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA.

### **Conversion of Interest Rate Determination Method**

***Right of Conversion.*** The Interest Rate Determination Method for the Series 2016B Bonds is subject to conversion from one Interest Rate Determination Method to another from time to time at the option of the City, with such right to be exercised by delivery of a Conversion Notice to the Series 2016B Paying Agent, the Index Agent, if any, and the Remarketing Agent for the Series 2016B Bonds to be converted. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Series 2016B Paying Agent is to give notice by first-class mail to the Owners of the Series 2016B Bonds in accordance with the Series 2016B Supplemental Ordinance. See “APPENDIX A — GLOSSARY OF TERMS.” “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – [Conversion of Interest Rate Determination Method].”

The Conversion Notice must contain: (1) the proposed Conversion Date; (2) the new Interest Rate Determination Method to take effect; (3) if applicable, the terms upon which the Owners of the Series 2016B Bonds shall have the option to tender the Series 2016B Bonds for purchase during the new Interest Rate Determination Method; (4) if a Series 2016B Liquidity Instrument will be in effect for the Series 2016B Bonds after the proposed Conversion Date, the form and terms of such Series 2016B Liquidity Instrument for the Series 2016B Bonds; (5) if the Conversion is to the Fixed Rate, the redemption dates and redemption prices applicable to such Fixed Rate Period; and (6) modifications to the Sinking Fund Installments, if any. The Conversion Notice must be accompanied by (i) the proposed form of an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Series 2016B Supplemental Ordinance and (unless the Series 2016B Bonds are to be remarketed after the proposed Conversion as obligations that are not Tax-Exempt) will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the Series 2016B Bonds to be converted.

The Series 2016B Bonds bearing interest in an Index Rate Period are subject to Conversion at the option of the City on any date the Series 2016B Bonds are subject to optional redemption or any date on which the Series 2016B Bonds are subject to mandatory tender pursuant to the Series 2016B Supplemental Ordinance.

The Series 2016B Supplemental Ordinance provides that the City may rescind a Conversion Notice by giving written notice thereof to the Series 2016B Paying Agent and the Remarketing Agent on or prior to such proposed Conversion Date. If the Series 2016B Paying Agent receives notice of such rescission prior to the time the Series 2016B Paying Agent has given notice to the Owners of the Series 2016B Bonds, then the Conversion Notice previously delivered by the City shall be of no force and effect. If the Series 2016B Paying Agent receives notice from the City of rescission of the Conversion Notice after the Series 2016B Paying Agent has given notice to the Owners of the Series 2016B Bonds, then there will be no purchase or Conversion. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE-\_\_\_\_\_.”

***Failure to Convert.*** The Series 2016B Supplemental Ordinance includes provisions setting forth the procedures and conditions for the exercise by the City of its right of conversion of the Series 2016B Bonds from one Interest Rate Determination Method to another. Under certain circumstances, a planned conversion may not be completed.

The Series 2016B Supplemental Ordinance provides that with respect to any Conversion of the Series 2016B Bonds from an Index Rate Period not supported by a Series 2016B Liquidity Instrument, if the City fails to deliver the Opinion of Bond Counsel if required by the Series 2016B Supplemental Ordinance to the Remarketing Agent before the Conversion Date or if the Remarketing Agent has not successfully remarketed all Outstanding Series 2016B Bonds to be converted to the new Interest Rate Determination Method on the Conversion Date, the Interest Rate Determination Method shall not be converted and such Series 2016B Bonds shall not be deemed to have been tendered for purchase on the Conversion Date specified in the Conversion Notice and, except as otherwise provided in the Series 2016B Supplemental Ordinance with respect to failed Conversions on the day following the end of the Index Rate Period, such Series 2016B Bonds shall continue to bear interest at the Index Rate in effect prior to the proposed Conversion Date specified in the Conversion Notice. **Unsuccessful Conversions attempted prior to the end of the initial Index Rate Period do not result in a change in the Index Rate and the Owners of the Series 2016B Bonds will continue to hold such Series 2016B Bonds at the Index Rate until the end of the existing Index Rate Period.** With respect to failed Conversions on the day following the end of an Index Rate Period, any Series 2016B Bonds not remarketed will bear interest at the Stepped Rate. See “Insufficient Funds; Stepped Rate” above.

No Conversion is permitted to occur under the Series 2016B Supplemental Ordinance if at the time of such Conversion an Event of Default has occurred and is continuing.

### **Mandatory Tender Provisions**

The Series 2016B Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price (i) with respect to all Series 2016B Bonds, on the Conversion Date for such Series 2016B Bonds to a new Interest Rate Determination Method specified in a Conversion Notice or to a new Index Rate Period as specified in an Index Rate Continuation Notice (whether or not the proposed Conversion becomes effective on such date, unless such Series 2016B Bonds are being converted from an Index Rate Period not supported by a Series 2016B Liquidity Instrument and the proposed Conversion does not occur, in which case the Series 2016B Bonds subject to mandatory tender will not be purchased); and (ii) on a Purchase Date designated by the Treasurer or any other Authorized Representative pursuant to the Series 2016B Supplemental Ordinance. See “—Mandatory Tender for City Purchase of Series 2016B Bonds at Election of City” below.

With respect to a Series 2016B Bonds in an Index Rate Period, the Series 2016B Paying Agent shall give notice by first-class mail, not later than the thirtieth (30th) day prior to the date on which such Series 2016B Bonds are subject to mandatory tender pursuant to the Series 2016B Supplemental

Ordinance, which notice shall state that such Series 2016B Bonds are subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which Purchase Price shall be specified in such notice).

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 of Series 2016B Bonds will be governed by arrangements among them, and the City and the Series 2016B Paying Agent will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2016B Bonds.

### **Funding Mandatory Tenders of Series 2016B Bonds**

The City expects funds to be made available to purchase Series 2016B Bonds tendered for purchase pursuant to the mandatory tender provisions described above by having the Remarketing Agent remarket the tendered Series 2016B Bonds and having the proceeds applied to purchase the tendered Series 2016B Bonds.

The City is not obligated to provide any other funds for the purchase of the Series 2016B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Series 2016B Bonds upon mandatory tender. The Series 2016B Supplemental Ordinance provides that if sufficient funds are not available for the purchase of any Series 2016B Bonds tendered for purchase pursuant to the mandatory tender provisions described above, such Series 2016B Bonds shall bear interest at the Stepped Rate. See “—Insufficient Funds; Stepped Rate” above.

If such remarketing of the Series 2016B Bonds is not successful, the City may, in its sole discretion, apply other potential sources of payment to the payment of the Purchase Price of any Series 2016B Bonds. Principal of and accrued and unpaid interest on the Series 2016B Bonds are payable from Net Revenues on a parity with all other outstanding Senior Bonds (including Senior Obligations). See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Additional Senior Bonds; Subordinate Obligations.”

### **Mechanics and Timing of Mandatory Tenders**

The mechanics and timing of delivery and payment for Series 2016B Bonds tendered for purchase are addressed in the Series 2016B Supplemental Ordinance. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE [– THE SERIES 2016B SUPPLEMENTAL ORDINANCE – Mechanics of Optional and Mandatory Tenders.]”

### **Mandatory Tender for City Purchase of Series 2016B Bonds at Election of City**

The Series 2016B Bonds are subject to mandatory tender for purchase by the City, in whole or in part (such that the portion that is subject to mandatory tender for purchase pursuant to the Series 2016B Supplemental Ordinance and the portion not subject to such mandatory tender shall each be in Authorized Denominations), on any date such Series 2016B Bonds would be subject to optional redemption (each, an “Optional Purchase Date”) at a purchase price, with respect to the Series 2016B Bonds, equal to the principal amount of such Series 2016B Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date (the “Optional Purchase Price”). See “—Redemption Terms of the Series 2016B Bonds – *Optional Redemption*” above. In the event that the City determines to purchase any Series 2016B Bonds on any Optional Purchase Date, the City is required to provide the Series 2016B Paying Agent with written notice of such determination at least thirty-five (35) days prior to the Optional Purchase Date, which notice is required to specify the Series 2016B Bonds, the principal

amount of such Series 2016B Bonds that are to be purchased, and the Optional Purchase Date on which such purchase is to occur.

When the Series 2016B Paying Agent receives notice from the City of its determination to purchase Series 2016B Bonds pursuant to the above paragraph, the Series 2016B Paying Agent is required to give notice, in the name of the City, of the mandatory tender for purchase of such Series 2016B Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional Purchase Date to the owners of any Series 2016B Bonds or portions of Series 2016B Bonds to be purchased at their addresses appearing in the bond register, with a copy to the Remarketing Agent. Receipt of such notice of mandatory tender for purchase is not a condition precedent to the mandatory tender for purchase of the Series 2016B Bonds and failure of any owner of a Series 2016B Bond to receive any such notice or any defect in such notice will not affect the validity of the proceedings for the mandatory tender for purchase of the Series 2016B Bonds pursuant to the provisions of the Series 2016B Supplemental Ordinance described herein. 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 of Series 2016B Bonds will be governed by arrangements among them, and the City and the Series 2016B Paying Agent will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2016B Bonds.

If less than all of the Outstanding Series 2016B Bonds are to be called for mandatory tender for purchase pursuant to the Series 2016B Ordinance, the principal amount and maturity of such Series 2016B Bonds to be purchased shall be selected by the City in its sole discretion. If less than all of the Series 2016B Bonds of like maturity shall be called for mandatory tender for purchase, the particular Series 2016B Bonds or portions of Series 2016B Bonds to be purchased shall be selected at random by the Series 2016B Paying Agent in such manner as the Series 2016B Paying Agent in its discretion may deem fair and appropriate; provided, however, that in selecting portions of Series 2016B Bonds for purchase, the Series 2016B Paying Agent shall treat each Series 2016B Bond as representing that number of Series 2016B Bonds of the minimum Authorized Denomination for the Series 2016B Bonds that is obtained by dividing the principal amount of such Series 2016B Bond by the minimum Authorized Denomination for the Series 2016B Bonds.

If all Outstanding Series 2016B Bonds bearing interest in an Index Rate Period are purchased by the City pursuant to the Series 2016B Supplemental Ordinance, then, notwithstanding anything to the contrary in the Series 2016B Supplemental Ordinance, (i) the date of such purchase by the City will be deemed to be the Purchase Date for such Series 2016B Bonds, and (ii) the Index Rate will be deemed to have expired on the day immediately preceding such Purchase Date. Upon the City's successful purchase of such Series 2016B Bonds, such Series 2016B Bonds shall be subject to Conversion and remarketing without notice of Conversion being provided by the City.

## **SECURITY AND SOURCES OF PAYMENT**

### **Pledge of Net Revenues**

The Series 2016B Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a senior pledge of the Net Revenues on a parity with all other outstanding Senior Bonds (including Senior Obligations). The Series 2016B Bonds are also payable under certain circumstances from the Bond Reserve Fund as discussed in "Bond Reserve Fund" below. The City has irrevocably pledged the Net Revenues and funds on deposit in the Bond Fund and the Bond Reserve Fund to the payment of the Series 2016B Bonds and other Senior Bonds. The Series 2016B Bonds do not constitute general obligations of the City, the State or any other political subdivision or agency of the State, and neither the full faith and credit nor the taxing power of the City is pledged to the

payment of the Series 2016B Bonds. None of the properties of the Airport System has been pledged or mortgaged to secure payment of the Series 2016B Bonds.

Upon the issuance of the Series 2016B Bonds and the refunding of the Series 2014A Bonds, the aggregate principal amount of all outstanding Senior Bonds and Subordinate Bonds will be \$[\_\_\_\_\_]\* and \$894,955,000, respectively, assuming the principal or mandatory sinking fund payments due on November 15, 2016 are made. The City, for and on behalf of the Department, also has entered into a Subordinate Credit Facility Obligation and various Subordinate Hedge Facility Obligations that have a lien on the Net Revenues on a parity with the lien of the Subordinate Bonds. See “FINANCIAL INFORMATION – Outstanding Senior Bonds – Outstanding Subordinate Bonds and – Other Subordinate Obligations.”

“Net Revenues” is defined in the Senior Bond Ordinance to mean Gross Revenues of the Airport System remaining after the deduction of Operation and Maintenance Expenses. “Gross Revenues” generally constitutes any income and revenue lawfully derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project or otherwise, and includes primarily the rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof. Gross Revenues do not include, among other things, any passenger taxes or other passenger charges, including passenger facility charges (“PFCs”), imposed for the use of the Airport System, except to the extent included as Gross Revenues by the terms of any Supplemental Ordinance. Under the Series 2009A-B Supplemental Ordinance and under the Series 2012A-B Supplemental Ordinance, the City has included certain revenue derived from the PFCs in the Gross Revenues as further described under “FINANCIAL INFORMATION — Passenger Facility Charges — *Designated Passenger Facility Charges*.” “Operation and Maintenance Expenses” means, generally, all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System. For the complete definitions of Gross Revenues and Operation and Maintenance Expenses, see “APPENDIX A — GLOSSARY OF TERMS.”

### **Flow of Funds; Revenue Fund**

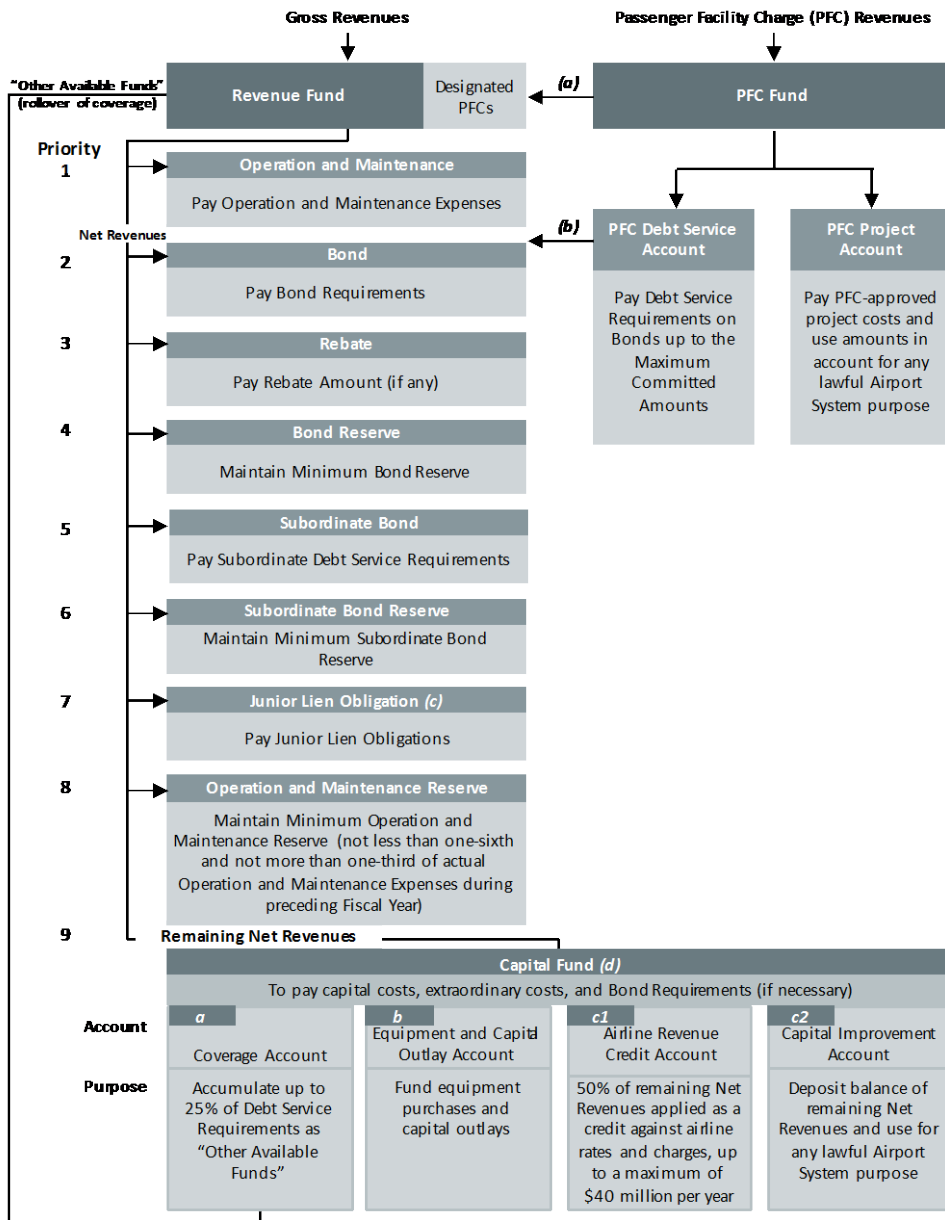
The application of Gross Revenues is governed by the provisions of the Senior Bond Ordinance and the Subordinate Bond Ordinance. The Senior Bond Ordinance creates the “City and County of Denver, Airport System Fund” (the “Airport System Fund”), and within the Airport System Fund a special fund designated the “City and County of Denver, Airport System Gross Revenue Fund” (the “Revenue Fund”). See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE— Airport System Fund.” The City is required to set aside in the Revenue Fund all Gross Revenues upon receipt. Moneys held in the Revenue Fund are then to be applied and deposited to various other funds and accounts established pursuant to the Senior Bond Ordinance and the Subordinate Bond Ordinance. Gross Revenues in the Revenue Fund are to be applied first to Operation and Maintenance Expenses, then to the Debt Service Requirements on the Senior Bonds, then to pay any required rebate amount, then to maintain the Minimum Bond Reserve in the Bond Reserve Fund for Senior Bonds, and then to the Subordinate Debt Service Requirements. See also “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Application of Revenues” for a further description of the application of Gross Revenues. The flow of funds under the Senior Bond Ordinance and the Subordinate Bond Ordinance is illustrated in the following diagram.

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\* Preliminary, subject to change.

## Flow of Funds Under the Senior Bond Ordinance and the Subordinate Bond Ordinance



- (a) Designated Passenger Facility Charges: Represents one-third of the PFCs received by the City (currently \$1.50 of the \$4.50 PFC) that will be considered Gross Revenues under the Senior Bond Ordinance through 2018, and will continue as part of Gross Revenues until the City determines that such PFCs shall no longer be included in Gross Revenues for purposes of the Senior Bond Ordinance. See "FINANCIAL INFORMATION — Passenger Facility Charges — Designated Passenger Facility Charges."
- (b) Committed Passenger Facility Charges: Two-thirds of the PFCs received by the City (currently \$3.00 of the \$4.50 PFC) are irrevocably committed through 2018 to the payment of Debt Service Requirements on Senior Bonds, and may continue to be committed thereafter as determined by the City. See "FINANCIAL INFORMATION — Passenger Facility Charges — Irrevocable Commitment of Certain PFCs to Debt Service Requirements for Senior Bonds."
- (c) Pursuant to Ordinance No. 66, Series of 2001, the City created the Junior Note Obligation Account in connection with the development of the Airport Hotel. See "DENVER INTERNATIONAL AIRPORT – Hotel and Transit Center."
- (d) The account structure for the Capital Fund may be established by the City as necessary for accounting purposes. The accounts are not required by the Senior Bond Ordinance and the Subordinate Bond Ordinance.

## **Bond Reserve Fund**

The Senior Bond Ordinance creates the Bond Reserve Fund within the Airport System Fund. Amounts on deposit in the Bond Reserve Fund are available to pay debt service on all the Senior Bonds. Pursuant to the Senior Bond Ordinance, the City is required, after making required monthly deposits to the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account of the Bond Fund, to credit Net Revenues to the Bond Reserve Fund in substantially equal monthly installments so as to accumulate the Minimum Bond Reserve, being the maximum annual Debt Service Requirements on outstanding Senior Bonds, within 60 months from the first day of the month next succeeding each date on which any series of Senior Bonds is issued or on which the amounts credited to the Bond Reserve Fund are less than the Minimum Bond Reserve. The Proposed Amendments would amend the definition of “Minimum Bond Reserve” in certain respects. See “APPENDIX A – GLOSSARY OF TERMS” and “APPENDIX C – PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.” Amounts on deposit in the Bond Reserve Fund are not available to pay debt service on any obligations other than Senior Bonds.

Upon the issuance of the Series 2016B Bonds, the amount on deposit in the Bond Reserve Fund will be at least equal to the Minimum Bond Reserve. The Minimum Bond Reserve with respect to any future series of Senior Bonds may, in the discretion of the City, be accumulated over a period of as long as 60 months. Subject to certain limitations, any Supplemental Ordinance may provide for the deposit of a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, provided that any such Credit Facility is required to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund. To date, the City has funded the Bond Reserve Fund solely with bond proceeds and available Airport System moneys.

## **Additional Parity Bonds**

The City may issue additional Senior Bonds under the Senior Bond Ordinance (“Additional Parity Bonds”) to pay the cost of acquiring, improving or equipping Airport Facilities and to refund, pay and discharge any Senior Bonds, Credit Facility Obligations (as defined herein), Subordinate Bonds (being bonds or other securities or obligations relating to the Airport System payable from Net Revenues and having a lien thereon subordinate and junior to the lien thereon of Senior Bonds) or other securities or obligations. As described more fully in “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Additional Parity Bonds,” in order to issue Additional Parity Bonds, other than for a refunding of Senior Bonds, the City is required to satisfy certain requirements (the “Additional Bonds Test”), including obtaining, among other things, a report of an Airport Consultant estimating the ability of the Airport System to meet the requirements of the Rate Maintenance Covenant in each year of the forecast period, and a certificate of an Independent Accountant setting forth for the last audited Fiscal Year, or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of Additional Senior Bonds, as determined by the Independent Accountant, (1) the Net Revenues, together with any Other Available Funds, for such period and (2) the aggregate Debt Service Requirements for the Outstanding Senior Bonds and the Additional Senior Bonds proposed to be issued, for such period; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts in the Bond Fund for the Senior Bonds and to the credit of the Bond Reserve Fund for the Senior Bonds and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate Debt Service Requirements for the Outstanding Senior Bonds and the Additional Senior Bonds proposed to be issued for such period.

The Senior Bond Ordinance provides that Debt Service Requirements on Senior Bonds that are payable from irrevocably committed amounts are excluded from the calculation of Debt Service

Requirements for determining compliance with the requirements for the issuance of Additional Parity Bonds. For purposes of the Additional Bonds Test, the Committed Passenger Facility Charges are considered to be irrevocably committed to the payment of Debt Service Requirements on Senior Bonds. See “PFC Fund and PFC Debt Service Account,” “Rate Maintenance Covenant,” and “Historical Debt Service Coverage” below and “FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges.”

The Series 2016B Bonds are being issued to refund the Series 2014A Bonds, and therefore the Additional Bonds Test is not applicable to their issuance. See “REFUNDING PLAN.”

### **Subordinate Bonds and Other Subordinate Obligations**

As of December 1, 2016, assuming the principal or mandatory sinking fund payments due on November 15, 2016 are made, the Series 2013A-B Subordinate Bonds will be outstanding in the aggregate principal amount of \$705,615,000 and the Series 2015A Subordinate Bonds will be outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. The City, for and on behalf of the Department, has entered into a Subordinate Credit Facility to secure the Series 2015A Subordinate Bonds. The City’s obligation to the financial institution providing such Subordinate Credit Facility constitutes a Subordinate Credit Facility Obligation under the Subordinate Bond Ordinance. See “FINANCIAL INFORMATION — Subordinate Bonds — Other Subordinate Obligations.”

The City does not currently maintain a Commercial Paper facility and no Subordinate Commercial Paper Notes are currently outstanding. The City has also entered into various Subordinate Hedge Facility Obligations relating to Senior Bonds that are secured by a pledge of Net Revenues on a basis subordinate to the pledge of Net Revenues that secures the Senior Bonds. See “FINANCIAL INFORMATION — Subordinate Commercial Paper Notes — Master Derivatives Policy.”

### **Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements**

Set forth in the following table is a calculation of Net Revenues and debt service coverage of the outstanding Senior Bonds and Subordinate Debt Service Requirements from 2011 through 2015. PFCs set forth in the following table reflect amounts actually received in the applicable Fiscal Year, plus investment earnings thereon, and will differ from the PFCs appearing in the financial statements of the Airport System and elsewhere in this Official Statement that are reported on an accrual basis. No representation, warranty or other assurance is made or given that historical debt service coverage levels will be experienced in the future.



**Historical Net Revenues and Debt Service Coverage  
of the Senior Bonds and Subordinate Debt Service Requirements**  
(Amounts in thousands, except coverage ratios, and rounded)

	<b>Fiscal Year Ended December 31</b>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Gross Revenues, not including Designated Passenger Facility Charges <sup>1</sup>	\$670,753	\$679,008	\$708,846	\$751,428 <sup>7</sup>	\$754,688 <sup>7</sup>
Designated Passenger Facility Charges <sup>2</sup>	<u>34,950</u>	<u>34,271</u>	34,255	34,977	35,328
Gross Revenues <sup>1</sup>	705,703	713,279	743,101	786,4052	790,016
Operation and Maintenance Expenses <sup>1</sup>	<u>(312,278)</u>	<u>(318,394)</u>	<u>(349,987)</u>	<u>(355,769)</u>	<u>(377,199)</u>
Net Revenues	393,425	394,885	393,114	430,636	412,817
Other Available Funds <sup>3</sup>	<u>48,045</u>	<u>51,685</u>	<u>50,409</u>	<u>54,833</u>	<u>50,320</u>
Total Amount Available for Debt Service	\$441,469	\$446,570	\$443,524	\$485,469	\$463,137
Senior Bond Debt Service <sup>4</sup>	\$267,321	\$278,063	\$271,268	\$289,287	\$271,935
Committed Passenger Facility Charges <sup>5</sup>	<u>( 69,899)</u>	<u>( 68,543)</u>	<u>( 68,510)</u>	<u>( 69,953)</u>	<u>( 70,656)</u>
Debt Service Requirements for the Senior Bonds	\$197,421	\$209,520	\$202,758	\$219,334	\$201,279
Debt Service Coverage for the Senior Bonds	224%	213%	219%	221%	230%
Subordinate Debt Service Requirements <sup>6</sup>	\$ 37,935	\$ 38,043	\$40,059	\$49,088	\$61,233
Debt Service Requirements for the Senior Bonds	<u>197,421</u>	<u>209,520</u>	<u>\$202,758</u>	<u>\$219,334</u>	<u>\$201,279</u>
Aggregate Debt Service Requirements for the Senior Bonds and Subordinate Debt Service Requirements	\$235,356	\$247,562	\$242,817	\$268,422	\$262,512
Aggregate Debt Service Coverage for the Senior Bonds and Subordinate Debt Service Requirements	188%	180%	183%	181%	176%

<sup>1</sup> Gross Revenues and Operation and Maintenance Expenses in this table are determined in accordance with the definitions of such terms in the Senior Bond Ordinance, and are not directly comparable to the information provided in “FINANCIAL INFORMATION — Historical Financial Operations.” See also “Pledge of Net Revenues” above in this section and “APPENDIX A — GLOSSARY OF TERMS.”

<sup>2</sup> Reflects that portion of PFC revenues included in the Airport System’s Gross Revenues for Fiscal Years 2011 through 2015. See “FINANCIAL INFORMATION — Passenger Facility Charges — Designated Passenger Facility Charges.”

<sup>3</sup> Other Available Funds is defined in the Senior Bond Ordinance to mean for any Fiscal Year the amount determined by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year. See “APPENDIX A — GLOSSARY OF TERMS.”

<sup>4</sup> Senior Bond debt service not reduced by the irrevocably Committed Passenger Facility Charges but reduced by capitalized interest and certain other available funds irrevocably committed to the payment of Senior Bonds Debt Service Requirements, including the debt service on certain Senior Bonds that have been economically defeased. See “FINANCIAL INFORMATION — Senior Bonds — Outstanding Senior Bonds — Passenger Facility Charges.”

<sup>5</sup> Reflects that portion of PFC revenues which is irrevocably committed to the payment of Senior Bonds Debt Service Requirements through 2018. See “FINANCIAL INFORMATION — Passenger Facility Charges — Irrevocable Commitment of Certain PFCs to Debt Service Charges.”

<sup>6</sup> Includes amounts required to pay any Subordinate Bonds and any Subordinate Obligations, as defined in the Subordinate Bond Ordinance, including Subordinate Hedge Facility Obligations. See “FINANCIAL INFORMATION — Other Subordinate Obligations.”

<sup>7</sup> These amounts reflect an adjustment to Gross Revenues to exclude \$17,214,747 and \$18,597,856 of rental car customer facility charges (“CFCs”) in 2014 and 2015, respectively. In Fiscal Years 2014 and 2015, CFCs collected from rental car companies were included as Gross Revenues in the Airport’s audited financial statements attached hereto as APPENDIX E. However, CFCs are not included in Gross Revenues under the General Bond Ordinance.

Sources: Audited financial statements of the Airport System for Fiscal Years 2011-2015, and Department of Aviation management records.

**PFC Fund and PFC Debt Service Account**

The Senior Bond Ordinance creates within the Airport System Fund the “City and County of Denver, Colorado, Airport System Revenue Bonds, PFC Fund” (the “PFC Fund”), including therein the PFC Debt Service Account and the PFC Project Account. Under the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund (collectively, the “PFC Supplemental Ordinances”), the City has

agreed to deposit a portion of the PFC revenues (generally two-thirds of the PFC revenues received by the City from time to time) in the PFC Debt Service Account and has irrevocably committed a maximum amount of PFCs, to the extent credited to the PFC Debt Service Account, to the payment of Debt Service Requirements on Senior Bonds through Fiscal Year 2018, as further discussed in “Rate Maintenance Covenant” below in this section and “FINANCIAL INFORMATION – Passenger Facility Charges – Irrevocable Commitment of Certain PFCs to Debt Service Requirements.” See also “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – PFC Fund.”

### **Capital Fund**

The Senior Bond Ordinance also creates the “City and County of Denver, Airport System Capital Improvement and Replacement Fund” (the “Capital Fund”) within the Airport System Fund, which may be used to pay: the costs of acquiring, improving or equipping any Airport Facilities (as defined in “APPENDIX A — GLOSSARY OF TERMS”), to the extent such costs are not Operation and Maintenance Expenses; the costs of extraordinary and major repairs, renewals, replacements or maintenance items relating to any Airport Facilities of a type not properly defrayed as Operation and Maintenance Expenses; and the Bond Requirements (as defined in “APPENDIX A — GLOSSARY OF TERMS”) of any Senior Bonds, or payments due for Subordinate Bonds, if such payment is necessary to prevent any default in such payment. The Capital Fund is to be funded from Net Revenues and certain other amounts as provided in the Senior Bond Ordinance.

The account structure for the Capital Fund is not mandated by either the Senior Bond Ordinance or the Subordinate Bond Ordinance, but rather may be established by the City as necessary for accounting purposes. The City currently maintains the following accounts of the Capital Fund: the Coverage Account, the Equipment and Capital Outlay Account, the Airline Revenue Credit Account and the Capital Improvement Account for the purposes described in the flow of funds diagram set forth above in the subsection entitled “Flow of Funds; Revenue Fund.”

### **Rate Maintenance Covenant**

The City has covenanted in the Senior Bond Ordinance (the “Rate Maintenance Covenant”) to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each calendar year (each a “Fiscal Year”) the Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance Expenses and for the greater of either (1) the amounts needed for making the required cash deposits to the credit of the several subaccounts of the Bond Fund (except the Redemption Account) and to the credit of the Bond Reserve Fund with respect to the Senior Bonds, and to the credit of the several accounts and subaccounts of the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or (2) an amount equal to not less than 125% of the aggregate Debt Service Requirements on the Senior Bonds for the Fiscal Year. See “Flow of Funds; Revenue Fund” and “Historical Debt Service Coverage” below, as well as “FINANCIAL INFORMATION – Capital Fund.”

If Gross Revenues in any Fiscal Year, together with Other Available Funds, are less than the amounts specified above, upon receipt of the audit report for the Fiscal Year, the Manager is to direct the Airport Consultant to make recommendations as to the revision of the schedule of rentals, rates, fees and charges. Upon receiving these recommendations or giving reasonable opportunity for them to be made, the Manager, on the basis of the recommendations and other available information, is to revise the schedule of rentals, rates, fees and charges for the use of the Airport as may be necessary to produce the required Gross Revenues. The Senior Bond Ordinance provides that if the Manager complies with this requirement, no Event of Default under the Senior Bond Ordinance will be deemed to have occurred even

though the Gross Revenues, together with Other Available Funds, are not actually sufficient to provide funds in the amount required for such Fiscal Year.

If the City anticipates that it will not be able to meet the Rate Maintenance Covenant, the Senior Bond Ordinance also gives the City the option, in addition to or in lieu of the foregoing, to reduce Operation and Maintenance Expenses or Debt Service Requirements, including irrevocably committing additional amounts to pay Debt Service Requirements. Increasing rentals, rates, fees and charges for the use of the Airport or reducing Operating and Maintenance Expenses would be subject to contractual, statutory and regulatory restrictions as discussed in “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting the Airport,” and could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport less attractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. However, pursuant to the Use and Lease Agreements that have been executed between the City and various airlines operating at the Airport (the “Signatory Airlines”), the Signatory Airlines acknowledge that the rate base for rentals, fees and charges must generate gross revenues, which together with Other Available Funds must be sufficient to satisfy the Rate Maintenance Covenant of the General Bond Ordinance, and the Airlines agree to pay such rentals, rates, fees and charges. See also “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Airlines Use and Lease Agreements.”

The term “Debt Service Requirements” in the Senior Bond Ordinance provides that, in any computation required by the Rate Maintenance Covenant, there is to be excluded from Debt Service Requirements amounts that have been irrevocably committed to make such payments. See “APPENDIX A – GLOSSARY OF TERMS.” As described in “PFC Fund and PFC Debt Service Account” above, the City has irrevocably committed a portion of the moneys (currently the revenues derived from \$3.00 portion of the \$4.50 PFC) collected from PFCs to the payment of Debt Service Requirements on the Senior Bonds through Fiscal Year 2018. This irrevocable commitment means that for purposes of determining compliance with the Rate Maintenance Covenant, the debt service to be paid from irrevocably committed PFCs is treated as a reduction in the Debt Service Requirements of Senior Bonds in each Fiscal Year through 2018. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS,” “FINANCIAL INFORMATION – Senior Bonds – Passenger Facility Charges” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

### **Proposed Amendments to the Senior Bond Ordinance**

Certain amendments to the Senior Bond Ordinance that were proposed and consented to by the requisite amount of the registered owners of the Senior Bonds, but not adopted by the City Council, are set forth in “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.” These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2016B Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth in Appendix C, and to the appointment of UMB Bank, n.a. as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance.

## **RISKS AND OTHER INVESTMENT CONSIDERATIONS**

The purchase and ownership of Beneficial Ownership Interests in the Series 2016B Bonds involve investment risks and considerations. Prospective investors should read this Official Statement in its entirety. The factors set forth below, among others, may affect the security for the Series 2016B Bonds.

### **Dependence on Levels of Airline Traffic and Activity**

The Series 2016B Bonds are payable solely from and secured by a senior pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the Senior Bond Ordinance. Gross Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions, population and economy of the Airport service region, national and local unemployment rate, political conditions including wars, other hostilities and acts of terrorism, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and route networks, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air transportation system and of the Airport, accidents involving commercial passenger aircraft, visa requirements and other limitations on the ability of foreign citizens to enter the United States, currency exchange rates, and the occurrence of pandemics and other natural and man-made disasters, some of which are discussed in further detail hereafter in this section. See also “AVIATION ACTIVITY AND AIRLINES” below.

The airline industry is cyclical and subject to competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant impact on the industry. As a result, airline financial performance can fluctuate dramatically from one reporting period to the next.

In addition to revenues received from the airlines, the Airport derives a significant portion of its revenues from parking and from concessionaires including merchandisers, car rental companies, restaurants, and others. See “FINANCIAL INFORMATION.” Past declines in Airport passenger traffic have adversely affected, and future declines may adversely affect, parking revenues and the commercial operations of many of such concessionaires. Severe financial difficulties affecting a concessionaire could lead to a reduction in, or failure to pay, rent due under its lease agreement with the Airport or could lead to the cessation of operations of such concessionaire.

### **Concentration of Airline Market Share**

The major air carriers operating at the Airport, by local market share, are United, Southwest, Frontier, and American as discussed below. These airlines have also completed mergers and consolidations that could affect their future market shares at the Airport to an extent that cannot currently be predicted. Historically, when airlines have reduced or ceased operations at the Airport, other airlines have absorbed the traffic with no significant adverse impact on Airport revenues. However, if United, Southwest, Frontier, or American ceased or significantly cut back operations at the Airport, Net Revenues, PFC collections, and costs for other airlines serving the Airport could be adversely affected.

United, at present, has the largest market share of all air carriers at the Airport. See “AVIATION ACTIVITY AND AIRLINES — Airline Information — *The United Group*” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — *United Use and*

*Lease Agreement.*” If United were to reduce or cease connecting service at the Airport, such flights would not necessarily be replaced by other airlines.

Southwest is currently the second largest air carrier operating at the Airport. See “AVIATION ACTIVITY AND AIRLINES — Airline Information — *Southwest*” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — *Generally.*”

Frontier is currently the third largest air carrier operating at the Airport. See “AVIATION ACTIVITY AND AIRLINES — Airline Information — *The Frontier Group*” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — *Generally.*”

American is currently the fourth largest air carrier operating at the Airport. See “AVIATION ACTIVITY AND AIRLINES — Airline Information — *American*” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — *Generally.*”

Except for the United Group, Southwest, Frontier, and American, no single airline accounted for more than 5% of passenger enplanements at the Airport in 2015 or more than 5% of either the airline rentals, fees and charges component of the Airport System’s operating revenues or the Airport System’s Gross Revenues in 2015. No assurances can be given with regard to the future level of activity of United, Southwest, Frontier, or American at the Airport, or that, in the event that the operations of these airlines at the Airport are reduced or discontinued, for whatever reason, such operations would be replaced by other carriers. See “Risk of Airline Bankruptcies” below, as well as “AVIATION ACTIVITY AND AIRLINES” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

### **Current Economic Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Previous recessions and periods of stagnant economic conditions in the U.S., Colorado and Denver contributed to reduced passenger traffic at the Airport. Further, the 2008-2009 recession and associated high unemployment and reduced discretionary income contributed to reduced airline travel demand at the Airport in those years. For economic and demographic information with respect to the Denver metropolitan area, see APPENDIX I.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economic conditions, trade balances, currency exchange rates, political relationships, and hostilities are important influences on passenger traffic at U.S. airports, including the Airport. Sustained future increases in passenger traffic at the Airport will depend in part on stable international conditions as well as national and global economic growth. See also “Dependence on Levels of Airline Traffic and Activity” above.

### **Financial Condition of the Airlines; Industry Consolidation**

The ability of the Airport to derive revenues from its operations depends largely upon the financial health of the airlines serving the Airport and the airline industry as a whole. The financial results of the airline industry are subject to substantial volatility and many carriers have had extended periods of unprofitability. Additional bankruptcy filings, mergers, consolidations and other major restructuring by airlines are possible. The City is not able to predict whether any future airline mergers, consolidations, reorganizations or liquidations will occur or the impact that any such events may have on the operations of the Airport. See also “Dependence on Levels of Airline Traffic and Activity — Current

Economic Conditions — Cost, Availability and Price Volatility of Aviation Fuel — Risk of Airline Bankruptcies” in this section and “AVIATION ACTIVITY AND AIRLINES” below.

### **Cost, Availability and Price Volatility of Aviation Fuel**

Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier’s operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in the Middle East or other petroleum producing regions could dramatically impact the price and availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. While fuel prices have declined significantly in the past few years, significant and prolonged increases in the cost of aviation fuel have had and are likely in the future to have an adverse impact on the air transportation industry by increasing airline operating costs and reducing airline profitability.

The City is not able to predict how continued uncertainty with respect to the cost, availability and volatility of prices of aviation fuel will impact the Airport or the airlines operating at the Airport. See “Dependence on Levels of Airline Traffic and Activity — Current Economic Conditions — Financial Condition of the Airlines; Industry Consolidation” above and “AVIATION ACTIVITY AND AIRLINES” below.

### **Ability to Meet Rate Maintenance Covenants**

As discussed in “SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant” the City has covenanted in the Senior Bond Ordinance to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each calendar year (each a “Fiscal Year”) the Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance Expenses and for the greater of either (1) the amounts needed for making the required cash deposits to the credit of the several subaccounts of the Bond Fund (except the Redemption Account) and to the credit of the Bond Reserve Fund with respect to the Senior Bonds, and to the credit of the several accounts and subaccounts of the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or (2) an amount equal to not less than 125% of the aggregate Debt Service Requirements on the Senior Bonds for the Fiscal Year.

If Gross Revenues in any Fiscal Year, together with Other Available Funds, are less than the amounts specified above, upon receipt of the audit report for the Fiscal Year, the Manager is to direct the Airport Consultant to make recommendations as to the revision of the schedule of rentals, rates, fees and charges. Upon receiving these recommendations or giving reasonable opportunity for them to be made, the Manager, on the basis of the recommendations and other available information, is to revise the schedule of rentals, rates, fees and charges for the use of the Airport as may be necessary to produce the required Gross Revenues. The Senior Bond Ordinance provides that if the Manager complies with this requirement, no Event of Default under the Senior Bond Ordinance will be deemed to have occurred even though the Gross Revenues, together with Other Available Funds, are not actually sufficient to provide funds in the amount required for such Fiscal Year.

Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires, and others, and/or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Airline Lease Agreements acknowledge the existence of the rate covenant under the Senior Bond Indenture and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

## **Air Travel Security, Public Health and Natural Disasters Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and are currently occurring in the Middle East and North Africa) and terrorist attacks (such as those occurring over the last year in Nice, Munich, Paris, Brussels and Istanbul, among other cities) may influence passenger travel behavior and air travel demand. Travel behavior may also be affected by anxieties about the safety of flying, the inconveniences and delays associated with more stringent security screening procedures, the potential exposure to severe illnesses (such as the Severe Acute Respiratory Syndrome outbreak in 2003, the H1N1 influenza outbreak in 2009 and 2010, and the current outbreak of the Zika virus in more than 50 countries and certain parts of Florida) and natural disasters (such as volcano eruptions, earthquakes and tsunamis), all of which could lead to the avoidance of airline travel or the use of alternate modes of transportation. Any decrease in passenger activity at the Airport would cause a corresponding decline in Gross Revenues. The City is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.

## **Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Use and Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs, and extensive federal legislation and regulations applicable to all domestic airports. It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City or whether such restrictions or legislation or regulations would adversely affect Gross Revenues. See also “AGREEMENTS FOR USE OF AIRPORT FACILITIES” and “FINANCIAL INFORMATION — Passenger Facility Charges — Federal Grants and Other Funding; Financial and Performance Audits.”

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Airport and on the airlines operating at the Airport. The United States Environmental Protection Agency (the “EPA”) has taken steps towards regulation of greenhouse gas (“GHG”) emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On June 10, 2015, the EPA proposed to find that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. The endangerment and a related cause/contribute finding were finalized on July 25, 2016 as the EPA Administrator found that GHGs emitted from certain classes of engines used in certain aircraft are contributing to air pollution that endangers public health and welfare. While the EPA has still not proposed or finalized aircraft engine GHG emissions standards, during the prior litigation, the EPA admitted that once such an endangerment finding and a related cause/contribute finding has been made, the mandatory language of section 231 of the Clean Air Act requires EPA to regulate. Therefore, the EPA proposed regulation is expected in 2017 and final regulations are expected in 2018.

## **Federal Funding; Impact of Federal Sequestration**

The Airport depends on federal funding not only in connection with grants and PFC authorizations but also because federal funding provides for TSA, air traffic control, and other FAA

staffing and facilities. The FAA currently operates under the FAA Modernization and Reform Act of 2012 (the “2012 Reauthorization Act”) and the FAA Extension, Safety, and Security Act of 2016 (the “2016 Reauthorization Act”) enacted into law on July 15, 2016. The 2012 Reauthorization Act retained the federal cap on PFCs at \$4.50 and authorized \$3.35 billion per year for the Airport Improvement Program (the “AIP”). The AIP provides funds to finance capital improvements to commercial, cargo and general aviation airports. AIP grant moneys include entitlement funds that are appropriated annually based on enplaned passengers as well as discretionary funds that are available at the discretion of the FAA. The 2016 Reauthorization Act extends the authority of the FAA and provides funding for the AIP at current levels through September 2017. The 2016 Reauthorization Act does not change the \$4.50 PFC rate and does not provide for any increases in such rate. See “FINANCIAL INFORMATION – Federal Grants and Other Funding; Financial and Performance Audits.”

FAA AIP expenditures are subject to congressional appropriation and no assurance can be given that the FAA will receive spending authority. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described below. The City is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the City would need to fund from other sources, (ii) result in adjustments to the Preliminary 2017-2021 Capital Program, and/or (iii) extend the timing for completion of certain projects.

Federal funding received by the Airport could also be adversely affected by implementation of certain provisions of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA operations, TSA budgets, and the availability of certain federal grant funds typically received annually by the Airport. These federal spending cuts would likely be spread over a number of years. In addition to adversely affecting the United States economy, commercial aviation operations throughout the United States could also be adversely affected due to layoffs or furloughs of federal employees responsible for certain critical federal airport functions. The full impact of such sequestration measures on the Airport is unknown at this time.

### **Airport Use and Lease Agreements**

A substantial portion of Gross Revenues available for payment of debt service is derived from rentals, fees and charges imposed upon the Signatory Airlines under the Use and Lease Agreements. Pursuant to the Use and Lease Agreements, each Signatory Airline has agreed to pay the rates and charges for its use of the Airport. The United Use and Lease Agreement expires in February 2035 and the other existing Use and Lease Agreements expire in December 2018 with the option to extend such agreements until December 31, 2020 pursuant to the terms of such agreements. Any of such Use and Lease Agreements may be terminated by the City or by a Signatory Airline, including United, under certain circumstances. No representations are made herein regarding whether additional Use and Lease Agreements will be executed or with respect to extensions or terminations thereof or that challenges will not be made by airlines to the rates and charges established by the City or its method of allocating particular costs. See “—Risk of Airline Bankruptcies” below and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

Upon the expiration or termination of a Use and Lease Agreement, an airline is required to surrender the leased premises to the City. Holding over by an Airline following the expiration of the term of a Use and Lease Agreement or any extension thereof, without an express agreement as to such holding over, is deemed to be a periodic tenancy on a month-to-month basis. In such case, an Airline is subject to all the terms and conditions of the Use and Lease Agreement. Rent, fees, and charges for each month of such holding over are required to be paid by the airline to the City in an amount that is generally equal to the monthly rental, fees, and charges required for the month prior to the end of the term of such



agreement. The City may encounter significant expenses, delays and potentially nonpayment of amounts owed by the airline following the expiration or termination of the related Use and Lease Agreement should the City be required to pursue legal action to enforce the Use and Lease Agreements.

### **Risk of Airline Bankruptcies**

Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future. The City cannot predict the extent to which any such events would impact the ability of the Airport to pay outstanding Senior Bonds, including the Series 2016B Bonds. See also “AVIATION ACTIVITY AND AIRLINES — Airline Information” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.” Most recently, Republic Airways Holdings Inc. filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in February 2016. The following is a discussion of various impacts to the Airport of an airline bankruptcy.

***Assumption or Rejection of Agreements.*** In the event an airline that has executed a Use and Lease Agreement or other executory contracts with the City seeks protection under the Bankruptcy Code, such airline or its bankruptcy trustee must determine whether to assume, reject, or assume and assign its agreements with the City within certain timeframes provided in the bankruptcy laws. In the event of assumption, the airline is required to cure any prior monetary defaults and provide adequate assurance of future performance under the applicable Use and Lease Agreement or other executory contracts. Generally, a debtor airline has 120 days to make the decision to assume, reject, or assume and assign leases of nonresidential real property but may seek a court order extending this deadline for up to an additional 90 days. A debtor may not extend the time to make a decision with respect to nonresidential real property leases beyond 210 days from the date on which the bankruptcy was commenced without the express written consent of the City.

Rejection of a Use and Lease Agreement or other executory agreement or contract will give rise to an unsecured claim of the City for damages. The amount of such damages in the case of a Use and Lease Agreement or other agreement is limited by the Bankruptcy Code. Certain amounts unpaid as a result of a rejection of a Use and Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield costs and costs associated with the baggage claim area and the underground automated guideway transit system, would be passed on to the remaining airlines under their respective Use and Lease Agreements, thereby increasing such airlines’ cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, adjustments could be made to terminal and concourse rents of nonairline tenants, although there can be no assurance that such other tenants would be financially able to absorb the increases.

With respect to any airline that may seek bankruptcy protection under the laws of a foreign country, the City is unable to predict what types of orders or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States. Typically, foreign airline bankruptcy proceedings obtain an order in the United States to recognize the foreign proceedings and stay the actions of creditors in the United States.

***Prepetition Obligations.*** During the pendency of a bankruptcy proceeding, absent a court order, a debtor airline may not make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City’s stream of payments from a debtor airline would be interrupted to the extent of prepetition goods and services, including accrued rent and landing fees. If the use and lease agreement of an airline in bankruptcy is rejected, the airline (or a successor trustee) may also seek to avoid and recover as preferential transfers certain payments, including landing fees and terminal rentals, paid by such airline in the 90 days prior to the date of the bankruptcy filing.

**PFCs.** Pursuant to 49 U.S.C. § 40117 (the “PFC Enabling Act”), the FAA has approved the City’s applications to require the airlines to collect and remit to the City a \$4.50 PFC on each enplaning revenue passenger at the Airport as further discussed in “FINANCIAL INFORMATION — Passenger Facility Charges.”

The PFC Enabling Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the City) 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 for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC Enabling Act provides certain statutory protections for the City of PFC collections. However, it is unclear whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a liquidation or cessation of business. The City also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such airline.

### **Availability of PFCs**

As described herein, one-third of the PFCs received by the Airport (currently \$1.50 of the \$4.50 PFC) are considered Gross Revenues under the Senior Bond Ordinance through 2018, and will continue to be defined as part of Gross Revenues until the City determines that such PFCs shall no longer be included in Gross Revenues for purposes of the Senior Bond Ordinance. In addition, two-thirds of the PFCs received by the City (currently \$3.00 of the \$4.50 PFC) are irrevocably committed through 2018 to the payment of Debt Service Requirements on Senior Bonds, and thereafter may be used to pay Debt Service Requirements or to fund eligible project costs. See “FINANCIAL INFORMATION — Passenger Facility Charges — *Designated Passenger Facility Charges* and — *Irrevocable Commitment of Certain PFCs to Debt Service Requirements for Senior Bonds.*” PFCs that are designated as Gross Revenues are taken into account in determining whether the rate covenant has been met as described under “SECURITY AND SOURCES OF PAYMENT – Rate Maintenance Covenant.”

The Airport’s receipt of PFC revenues is subject to several risks. First, the Airport’s current PFC authorization expires on February 1, 2029. Second, the amount of PFCs received by the Airport in future years depends on the actual number of PFC-eligible passenger enplanements at the Airport. If enplanements decline so will the Airport’s PFC revenues. Third, the Airport’s authority to impose PFCs may be terminated (subject to procedural safeguards) for various reasons, including for a failure by the Airport to observe FAA requirements regarding use of these revenues. See “FINANCIAL INFORMATION — Passenger Facility Charges.”

No assurance can be given that the Airport’s authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport, or that the Airport will not seek to decrease the amount of PFCs to be collected, provided that such decrease does not violate the City’s covenants in the Senior Bond Ordinance. A shortfall in PFC revenues may cause the Airport to increase rentals, fees and charges at the Airport to meet the debt service requirements on the Senior Bonds and/or require the Airport to identify other sources of funding for its capital program.

## **Access to Credit Markets; Availability of Funding for the Preliminary 2017-2021 Capital Program**

The City plans to access the credit markets in future years in order to issue additional Airport System revenue bonds to finance the Preliminary 2017-2021 Capital Program or future capital programs, remarket existing Airport System revenue bonds, and extend the terms of reimbursement agreements related to certain variable rate Senior Bonds. In order to extend or replace such reimbursement agreements, the City may determine that it is necessary to remarket such series of Senior Bonds, potentially resulting in increased Debt Service Requirements of the Senior Bonds. In addition, disruptions in the credit markets, like those which occurred in 2008-2010, may cause the City to reduce or delay portions of the Preliminary 2017-2021 Capital Program or future capital programs.

The funding plan for the Preliminary 2017-2021 Capital Program, as described herein, assumes that a combination of the proceeds of Airport System revenue bonds, commercial paper notes, moneys on deposit in the Airport's Capital Fund, various federal grants and other moneys will be received in amounts and at times necessary to pay the costs of the Preliminary 2017-2021 Capital Program. No assurance can be given that these sources of funding will actually be available in the amounts or on the schedule assumed.

See "CAPITAL PROGRAM," "FINANCIAL INFORMATION — Senior Bonds — Subordinate Bonds — Other Subordinate Obligations — Subordinate Commercial Paper Notes — Installment Purchase Agreements — Capital Fund — Federal Grants and Other Funding."

### **Airport Hotel Risks**

The principal sources of revenues from the Airport Hotel, which is owned by the Airport, are room rentals, food sales to guests and other related charges and fees. The primary risk associated with the receipt of room rentals and food sales is the occupancy level of the Airport Hotel. A number of factors that may impact the occupancy level which are beyond the control of the Airport or Westin DIA Hotel Operator, LLC, a Delaware limited liability company whose sole member is Starwood Hotels & Resorts Worldwide, Inc. ("Westin"), include adverse changes in the national economy and levels of tourism, competition from other hotels, sales taxes, energy costs, governmental rules and policies, gasoline and other fuel prices, airline fares and the national economy. In addition, because hotel rooms are rented for a relatively short period of time compared to most commercial properties, hotels respond more quickly to adverse economic conditions and competition than do other commercial properties that are rented for longer periods of time, which could impact, among other things, the average daily room rate ("ADR").

The occupancy rates and ADR of the Airport Hotel are also dependent in part on the national brand name recognition of Westin. If Westin's premium brand market power and position were to be reduced, or if Westin were to discontinue its services as the manager or fail to renew any of the management agreements in the future, these factors could adversely impact the occupancy rates and ADR of the Airport Hotel unless Westin were replaced by a comparable operator with national brand name recognition. In September 2016, Marriott International, Inc. acquired Starwood Hotels & Resorts Worldwide, Inc. The City is not able to predict the effect of such merger on Gross Revenues.

In the event gross operating revenues of the Airport Hotel are not sufficient in a particular month to pay Airport Hotel operating and maintenance expenses then due, amounts in the Revenue Fund not related to the Airport Hotel are to be applied to pay any such Airport Hotel expenses prior to the payment of debt service on any Senior Bonds.

## **Additional Rights of Certain Bondholders**

In 2014, the City completed the restructuring of multiple series of Senior Bonds bearing interest at variable rates. The restructuring consisted of extending the maturities and changing or establishing mandatory sinking fund redemption dates for such Series of Senior Bonds, which were purchased by certain financial institutions pursuant to reimbursement agreements entered into with the City. See “FINANCIAL INFORMATION—Outstanding Senior Bonds—Restructuring of Variable Rate Senior Bonds.” Such reimbursement agreements include representations, covenants and agreements of the City solely for the benefit of such financial institutions as owners of the restructured Senior Bonds in addition to those contained in the Senior Bond Ordinance. The covenants in a reimbursement agreement may be waived or modified with only the consent of the related financial institution as owner of the Senior Bonds and without consent of or notice to any owners of other Senior Bonds. The ability of the City to comply with such covenants can be affected by events beyond its control, and there can be no assurance that it will continue to meet such covenants.

An event of default under a reimbursement agreement could result in an event of default under the Senior Bond Ordinance. Under the Senior Bond Ordinance, the consent of the owners of not less than 10% in principal amount of the Senior Bonds is required to accelerate payment of the Senior Bonds upon an event of default. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – Remedies of Owners of the Bonds.”

## **Credit Risk of Swap Counterparties**

The City has entered into interest rate swap agreements with various financial institutions. See “FINANCIAL INFORMATION—Other Subordinate Obligations.” During and following the recent U.S. recession in 2007-2009, each of the Rating Agencies downgraded the claims-paying ability and financial strength ratings of many commercial banks and other financial institutions, though many of the institutions have subsequently been upgraded. The Rating Agencies could announce downgrades of these entities in the future, which could have a material adverse effect on the Airport, including significant increases in its debt service costs.

[The bankruptcy of a swap counterparty could result in a termination payment by the Airport under the swap agreements, and if the swap is not replaced or novated to another counterparty, could have a material adverse impact on the liquidity position of the Airport.] See “FINANCIAL INFORMATION—Other Subordinate Obligations.”

## **Forward Looking Statements**

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,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” 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. See “CAPITAL PROGRAM.”

## **Future Legislation and Regulation**

The Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, the TSA, Customs and Border Protection and the U.S. Department of Health. The City is unable to

predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airport.

### **Future Tax Developments**

Future or pending federal legislative proposals (if enacted), regulations, rulings or court decisions may cause interest on the Series 2016B Bonds to be subject, directly or indirectly, to federal income taxation or cause interest on the Series 2016B Bonds to be subject, directly or indirectly, to State or local income taxation, or may otherwise prevent beneficial owners of the Series 2016B Bonds from realizing the full current benefit of the tax status of such interest. Legislation or regulation actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2016B Bonds. Prospective purchasers of the Series 2016B Bonds should consult their tax advisors regarding any future, pending or proposed federal tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion. See “TAX MATTERS.”

### **MANAGEMENT OF THE AIRPORT SYSTEM**

Under the City Charter, the management, operation and control of the Airport System are delegated to the Department of Aviation under the direction of the Manager appointed by and responsible directly to the Mayor. The Manager of Finance, appointed by the Mayor, currently is the Chief Financial Officer and *ex-officio* Treasurer of the City and is responsible for the issuance of Airport System debt and for the investment of Airport System funds. The following section describes the senior management of the Airport.

**Kim Day** was appointed Manager of the Department of Aviation in March 2008 and was reappointed to this position by Michael B. Hancock, Mayor of the City, in July 2011. By Executive Order 140, Ms. Day’s title was changed to Chief Executive Officer in 2015. Ms. Day has more than 35 years of experience in the aviation industry and is a registered architect in California. Prior to joining the City, Ms. Day was an aviation consultant with LeighFisher (formerly known as Jacobs Consultancy Inc.), which previously served as the Airport Consultant. She had previously served as the Executive Director of Los Angeles World Airports (“LAWA”), the agency that manages the airports owned and operated by the City of Los Angeles, California, including Los Angeles International Airport, after having served as Deputy Director of Project and Facilities Development for LAWA. Prior to joining LAWA, Ms. Day worked for over 20 years as an architect, specializing in the planning and design of aviation projects.

**Brendan Hanlon** is the Chief Financial Officer for the City. Mr. Hanlon served as the City’s Budget Director for five years before being appointed to Chief Financial Officer by Mayor Hancock in February 2016. Mr. Hanlon has worked in the Mayor’s Office and the Budget Management Office in a variety of roles since 2002. He served as a member of the Denver Sheriff Department’s Reform Implementation Committee, acted as the budget analyst for Denver’s bid to win the 2008 Democratic Convention, managed the Better Denver bond process, and has brought his budget expertise to issues facing the city from health insurance to affordable housing. Mr. Hanlon holds a Bachelor’s degree in both history and political science and Master’s degree with a concentration in public budgeting from the University of Connecticut.

**Eric Hiraga** was appointed by Mayor Michael B. Hancock to the position of Executive Vice President and Chief of Staff of the Airport on January 1, 2012, after serving as Strategic Advisor in the Manager’s Office since 2009. In this capacity, he manages the Airport’s External Affairs Business Unit and is responsible for overseeing the Airport’s Executive Office, Air Service Development, Global Communications, Government Affairs, and the Executive Office administrated sections. Since joining the Airport in 2009 as Strategic Advisor, Mr. Hiraga has served in several “acting” capacities. Acting

posts include Director of Business Management Services, Manager of Capital Improvement Program, and Director of Financial Planning and Analysis. Prior to joining the Airport, Mr. Hiraga worked as Vice President of Development and Finance for a local real estate development firm and held several positions for the City including Debt Administrator for the Department of Finance and Economic Development Specialist for the Mayor's Office of Economic Development and International Trade.

**Darryl Jones** was named Chief Real Estate Officer and Executive Vice President of the Airport in June 2016. Mr. Jones is responsible for the continued development and economic expansion of the Airport's real estate program on 17,000 developable acres. Prior to his service at the Airport, Mr. Jones was vice president and development manager of Coventry Development Corporation, where he managed major land planning and development projects in Colorado, Florida and Texas. Mr. Jones has also served as the director of planning and government affairs for Oakwood Homes and as planning manager for the Community Development Department of the City of Greenwood Village, Colo. He holds a Master of City Planning from the Massachusetts Institute of Technology and a Bachelor of Arts in Landscape Architecture from the University of California, Berkeley. He currently serves as a member of the Greenwood Village city council.

**Gisela Shanahan** became the Chief Financial Officer and Executive Vice President of the Airport in 2015. Ms. Shanahan directs the financial and strategic management of the Airport's revenues and capital program. She has more than 10 years of airport experience and more than 20 years of experience in managing finances for complex, multi-unit organizations. Her role at the Airport encompasses budget, finance, accounting, capital planning and funding, business management services, internal audit, and financial planning and analysis. Prior to joining the Airport, Ms. Shanahan served as CFO of the Colorado Springs Airport before becoming controller and financial manager of Denver's Wastewater Enterprise. Ms. Shanahan holds a Bachelor of Science degree in Business Administration and Accounting with honors from the University of Maryland and a Master of Business Administration in Finance from the University of Nebraska. She is a Certified Public Accountant (Md.) and Chartered Global Management Accountant.

**Ken Greene** became Chief Operating Officer and Executive Vice President of the Airport in January 2015. Mr. Greene leads the business unit that includes Airport infrastructure management, technologies, Airport operations, the Hotel and Transit Center, special projects and administration, which consists of the Office of Human Resources and employee engagement and diversity. Mr. Greene joined the Airport in April 2009 as the Senior Advisor to Kim Day, and assumed the role of Deputy Manager for Maintenance at the end of that same year. In November 2011, he became the Deputy Manager for Airport Operations, and his responsibilities included managing Jeppesen terminal and three concourses, the airfield and ramp tower, security, customer service, the Denver Police, Denver Fire, and the Denver Health paramedics. He also served as the Airport's senior liaison with the FAA, TSA, FBI, and Customs and Border Protection. Mr. Greene's previous government experience included 17 years with the Port Authority of New York and New Jersey. His last position with the agency was Assistant Director, Operations for the airport system that included LaGuardia, Kennedy, Newark Liberty, and Teterboro Airports. He has a business degree from Boston University and a Master of Business Administration from Pace University in New York City.

**Patrick Heck** returned to the Airport in 2016 as Chief Commercial Officer and Executive Vice President for Global Development after serving five years as the Airport's Chief Financial Officer from 2009 to 2014. Mr. Heck is responsible for all Airport commercial revenue programs including the retail, food and beverage, commercial property, car rental, parking and ground transportation businesses. He is also in charge of airline affairs and air service development. Prior to his return to the Airport, Mr. Heck served as the Vice President of Commercial for Manchester Airports Group USA, leading the parking and public-private partnership aspects of the business. Prior to that position, he was the Chief Financial

Officer for Continuum Partners, a Denver-based real estate development firm. Mr. Heck began his nearly 20-year aviation career at United Airlines, holding several positions in finance, operations and sales and marketing. Mr. Heck holds a Master of Public Policy from the University of Chicago and a Bachelor of Arts in public policy and music from the University of Denver.

*Xavier S. L. DuRán, Esq.*, became Director of the Airport Legal Services section of the City Attorney's Office in July 2009. He is also an Executive Vice President of the Airport. In this capacity, Mr. DuRán is responsible for managing the legal staff and representing the Airport in various matters related to aviation, airport finance, real estate and concessions. Mr. DuRán has been with the City since July 1990. Prior to his tenure at the Airport, he served in a variety of positions, including as Director of the Litigation Section, until July 2009.

## **DENVER INTERNATIONAL AIRPORT**

The Airport serves as the primary air carrier airport for the Rocky Mountain region, and according to statistics compiled by Airports Council International for 2015, the Airport was ranked as the 6<sup>th</sup> busiest airport in the nation and the 19<sup>th</sup> busiest airport in the world based on total passengers in 2015. See "DENVER INTERNATIONAL AIRPORT" and "AVIATION ACTIVITY AND AIRLINES." The Airport site encompasses approximately 53 square miles located about 24 miles northeast of Denver's central business district. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road from Interstate 70.

### **Airfield**

The Airport's airfield includes six runways and related aircraft parking ramps, taxiways and perimeter taxiways. Five of the Airport's runways are 12,000 feet long by 150 feet wide, and the sixth runway is 16,000 feet long by 200 feet wide, making it the longest commercial service precision-instrument runway in North America. The airfield can accommodate fully loaded jumbo jets and large airliners, including the Airbus A-380, and can provide unrestricted global access for any airline using the Airport. Four of the Airport's runways have north/south alignments and two have east/west alignments, and are able to accommodate simultaneous parallel arrivals during poor weather conditions when instrument flight rules are in effect. The runway/taxiway lighting system, with lights embedded in the concrete pavement to form centerlines and stopbars at intersections, also allows air traffic controllers to guide pilots and direct them through the airfield during periods of poor visibility. The airfield has substantial expansion capabilities, having been designed to accommodate up to 12 runways. See also "CAPITAL PROGRAM" for a discussion of the airfield maintenance and improvements planned for the Airport.

Airfield facilities also include a FAA air traffic control tower and base building structures, an airport maintenance complex, four "rapid response" aircraft rescue and firefighting stations, de-icing pads, glycol storage/distribution/collection/recycling facilities and a hydrant fueling system. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES — Systems Leases."

### **Terminal Complex**

The passenger terminal complex consists of (1) a landside terminal, (2) three airside concourses currently having a total of 107 full-service contact gates and 42 ground loading positions, (3) the Airport Office Building, and (4) the Hotel and Transit Center (described below). The terminal and concourses are connected by an underground automated guideway transit system, or "AGTS," and an elevated walkway connects the terminal with the Airport Office Building and Concourse A. A shuttle bus system also is available for the emergency transportation of passengers between the landside terminal and Concourses B

and C. The landside terminal encompasses approximately 1.2 million square feet (exclusive of international customs facilities, terminal support area and mechanical/electrical space), and includes ticketing, baggage system facilities, including federal explosive detection systems installed “in-line” for the screening of checked baggage, passenger drop off/pick up, ground transportation, concessions and other general passenger support services. Concourse A, nearest the terminal, encompasses approximately one million square feet and includes 28 full-service contact gates, of which 10 gates are configured for international flights, as well as facilities dedicated to commuter airline operations. Concourse B encompasses approximately 1.7 million square feet and includes 52 full-service contact gates plus facilities dedicated for commuter airline operations. Concourse C encompasses approximately 765,000 square feet and currently includes 27 full-service contact gates. The Airport was designed to facilitate expansion to more than 250 full-service contact gates either through lengthening of the existing concourses or the construction of two additional concourses. For a discussion of the airline leases for gates on the concourses and space in the terminal, see “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — Other Agreements — *Terminal Complex Concessions.*”

Two multi-level parking structures adjacent to the landside terminal provide in excess of 16,000 public parking spaces, and both close-in and remote surface parking lots provide in excess of 26,000 additional parking spaces.

See “CAPITAL PROGRAM — The Preliminary 2017-2021 Capital Program” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Other Agreements — *Public Parking.*”

### **Hotel and Transit Center**

The 2013-2018 Capital Program included the addition of the Hotel and Transit Center (previously known as the South Terminal Redevelopment Program) to the landside terminal. The Hotel and Transit Center includes the 519-room Westin Denver International Airport hotel (as previously defined, the “Airport Hotel”), a 37,500-square-foot conference center, an 82,000-square-foot open-air plaza, and a train station (the “Airport Transit Center”) to serve RTD’s commuter rail service to downtown Denver.

***The Airport Hotel.*** The Airport Hotel opened in November 2015. The Airport and Westin entered into a Hotel Management Agreement dated April 11, 2011, as amended by a First Amendment dated January 14, 2015, a Second Amendment dated November 2, 2015, and a Third Amendment dated [\_\_\_\_], 2016 (collectively, the “HMA”), for the operation of the Airport Hotel. The HMA constitutes a “Qualified Management Agreement” for purposes of the Tax Code. Under the HMA, the Airport has engaged Westin to manage the Airport Hotel as the exclusive operator for fifteen years following the opening date of the Airport Hotel unless the HMA is terminated earlier pursuant to the provisions thereof. Westin has the right and the duty under the HMA to operate the Airport Hotel as a “first class” hotel in accordance with certain standards, policies and programs and in a manner reasonably calculated to optimize the financial performance of the Airport Hotel.

The Airport has the right to terminate the HMA based on, among other things, failure of Westin (or any other permitted successor or assign under the HMA, the “Hotel Manager”) to pay amounts due or to timely deposit revenues, as well as actions of Westin (or any other Hotel Manager) causing any Bonds issued to finance the capital costs of the Airport Hotel to lose their tax-exempt status. In addition, the HMA separately sets forth performance termination rights for failure of Westin (or any other Hotel Manager) to achieve certain performance tests in any two consecutive years beginning with the fourth operating year. In the event of a termination, Westin (or any other Hotel Manager) is required to cooperate with the Airport to minimize expenses, provide a final accounting and deliver all non-



proprietary books and records, licenses, permits and contracts, and to facilitate the orderly transfer of electronic records and data.

[Pursuant to the form of Cash Management Agreement (the “CMA”) attached to the HMA, the City established a Hotel Operating Account (the “Hotel Operating Account”) deemed to be an account within the Revenue Fund held under the Senior Bond Ordinance. The CMA also describes the following subaccounts to facilitate the City’s payment obligations under the HMA: the Senior Hotel FF&E Reserve Fund, the Senior Hotel CapEx Reserve Fund, the Hotel Operating Reserve Fund, and the Subordinate Hotel CapEx Reserve Fund. These subaccounts are subordinate to the payment of debt service on the Senior Bonds[, Subordinate Bonds and Subordinate Obligations] under the Senior Bond Ordinance. The flow of funds described in the HMA and the CMA are used for internal Airport accounting purposes and does not modify in any manner the flow of funds required under the Senior Bond Ordinance.][confirm]

Consistent with the Senior Bond Ordinance, the HMA and the CMA provide that all Gross Operating Revenues (as defined in the CMA) of the Airport Hotel will initially be deposited to the Hotel Operating Account and that such deposited amounts shall constitute Gross Revenues (as defined in the Senior Bond Ordinance). Pursuant to the CMA, Westin is required to pay Hotel O&M Expenses (which term is defined in the CMA and which expenses constitute Operation and Maintenance Expenses as defined in the Senior Bond Ordinance) from the Hotel Operating Account and to retain amounts needed for the payment of Hotel O&M Expenses in the Hotel Operating Account. The Hotel Manager is required to use all such funds for the payment of any Hotel O&M Expenses in accordance with the Hotel Management Agreement.

Amounts remaining in the Hotel Operating Account after the payment of Hotel O&M Expenses (referred to as Available Revenues, as further defined in the CMA), or as otherwise provided in the CMA, are required to be transferred to the Revenue Fund by the Hotel Manager on the first business day of each month. Such amounts are required be applied in accordance with the provisions of the Senior Bond Ordinance.

The HMA is in all respects subject to and subordinate to the Senior Bond Ordinance and to any other bond ordinances that amend, supplement, or replace the Senior Bond Ordinance. In the event that the Senior Bond Ordinance is amended after the date of the HMA, and such amendment imposes a material adverse burden on the Hotel Manager not otherwise contemplated by the HMA, the Hotel Manager is required to amend the HMA in such a manner necessary to comply with the amendments to the Senior Bond Ordinance. The City agreed to compensate the Hotel Manager in a manner which maintains or restores to the Hotel Manager the benefits expected to be received pursuant to the original terms of the HMA.

***Airport Transit Center.*** The Airport Transit Center opened in April 2016 and serves as the last station on RTD’s commuter rail service from downtown Denver to the Airport.

The City and the Regional Transportation District (“RTD”) entered into an Intergovernmental Agreement for Fastracks East Corridor/Denver International Airport dated March 16, 2010, as amended by a First Amendatory Agreement dated May 9, 2012 and a Second Amendatory Agreement dated May 16, 2015 (collectively, the “RTD Intergovernmental Agreement”), which contemplates the implementation of the Airport Transit Center, Peña Station, and additional Gateway Stations on the East Corridor Line. The Airport and RTD had different interpretations of the division of performance and payment responsibility in the area immediately south of the Airport Transit Center as set forth in the RTD Intergovernmental Agreement. The dispute was resolved in early 2016 and the City received reimbursement of the final agreed upon amount of \$7,793,515 from RTD.

## **Peña Station Project**

The City has developed a detailed plan for a transit-oriented community on 400 acres of City-owned and private property surrounding the Peña Boulevard Station (the “Peña Station Project”) located at 61st and Peña Boulevard on the RTD commuter rail line from the Airport to downtown Denver. Peña Boulevard Station opened in April 2016 and has an 800-stall private park-and-ride lot. The area surrounding the station is expected to be developed into a mixed-use, transit-oriented development with offices and housing, part of a proposed “airport city” surrounding the Airport. Nearby developments are planned to include residential housing, hotels, retail space, and offices.

On May 26, 2015, the City executed a Development Agreement with Rail Stop LLC, by which the City committed to invest Airport revenues to fund a portion of the public infrastructure costs for the Peña Station Project, which is located in the area served by certain special metropolitan districts. In exchange, the special metropolitan districts agreed to levy property taxes to reimburse the City over a period of 40 years. Construction of the public infrastructure is underway.

## **Other Facilities**

Various other facilities at the Airport include general aviation facilities, remote facilities for rental car companies (including customer service and vehicle maintenance operations), facilities constructed and used by cargo carriers, a U.S. Postal Service sorting and distribution facility and other Airport warehousing, office and distribution facilities and related infrastructure. Also located at the Airport are support facilities for United, including aircraft and ground support equipment maintenance and air freight facilities, and a flight kitchen built by United and subleased to LSG Sky Chefs (the brand name of LSG Lufthansa Service Holding AG) and support facilities originally built for Continental (now a subsidiary of United), including aircraft and ground support equipment maintenance, air freight and flight kitchen facilities, portions of which are currently being subleased to other users by Continental. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Other Building and Ground Leases” and “FINANCIAL INFORMATION — Senior Bonds — Special Facilities Bonds.”

## **CAPITAL PROGRAM**

It is Airport management’s practice to develop a capital program for the Airport System and reevaluate the capital needs of the Airport System on a regular basis to reflect changes in, among other things (i) the type of projects that it plans to undertake based on current and projected aviation demand and major maintenance needs of facilities and/or equipment, (ii) the scope and timing of individual projects, (iii) project costs, and (iv) the timing and amount of available funding sources.

As discussed more fully below, the Airport is in the process of developing a new capital program for the years 2017 through 2021 (the “Preliminary 2017-2021 Capital Program”). The Airport’s last adopted capital program, which was developed in 2012-2013 for the period 2013-2018, had an estimated cost of approximately \$1.4 billion (in 2013 dollars). Major projects included in the 2013-2018 Capital Program consist of the Hotel and Transit Center, the expansion of Concourse C to add gates, and [additional projects].

## Preliminary 2017-2021 Capital Program

The Preliminary 2017-2021 Capital Program is expected to include a preliminary list of projects with a total cost of approximately \$1.5 billion in the following areas of the Airport:

	in thousands <sup>1</sup>
Terminal Complex/other	\$1,156.5
Airfield	171.1
Roads	166.2
Commercial land development	22.5
<b>TOTAL</b>	<b>\$1,516.3</b>

<sup>1</sup> Totals may not add due to rounding.

Source: Department of Aviation.

The scope, timing, and cost of specific projects in each of the major Airport areas listed above is currently being evaluated by Airport management with respect to, among other things, the following:

- The timing and amount of certain potential sources of funding, including those from amounts on deposit within the Capital Fund, grants-in-aid from the FAA and/or the Transportation Security Administration (TSA), prior bond proceeds, additional Airport revenue bonds, and a private developer
- Any environmental issues
- Projected average airline costs per enplaned passenger, coverage ratios for all (senior and subordinate) bonds, and the Airport's cash position

Based on the Preliminary 2017–2021 Capital Program, Airport management currently expects that between approximately \$750 million and \$900 million of additional Airport revenue bonds could be issued by the City to fund a portion of the Preliminary 2017-2021 Capital Program. All or a portion of such additional Airport revenue bonds may be issued on parity with the Series 2016A Bonds. The other funding sources described above would be used to fund the remaining portion of the Preliminary 2017-2021 Capital Program project costs.

The Airport currently expects to finalize the Preliminary 2017-2021 Capital Program in early 2017. However, there is no assurance that the Airport will finalize its capital program by that time, or that, if the Preliminary 2017-2021 Capital Program is finalized, that the Preliminary 2017-2021 Capital Program will include similar levels of project costs in the same areas of the Airport that are identified above.

## Major Projects in the Preliminary 2017–2021 Capital Program

***Great Hall Revitalization.*** The Great Hall Revitalization would create a new, modern airport experience by (i) consolidating the airline ticket counters, (ii) consolidating and relocating the TSA screening areas to level 6 (one floor above their current location); (iii) modifying the baggage handling system in and under the Landside Terminal to support the relocated ticket counters and to provide greater efficiency in baggage screening and future capacity; and (iv) redesigning the shopping, dining, and passenger experience in the Landside Terminal.

In August 2016, the City Council approved a Predevelopment Agreement between the City and Denver Great Hall LLC (the “Predevelopment Agreement”), an LLC formed in part by Ferrovial Airports International Ltd. (“Ferrovial”). Ferrovial is the second largest investor in international transport infrastructures and has successfully executed other public-private projects in Europe and the U.S.

Pursuant to the Predevelopment Agreement by the first quarter of 2017, the Airport and Ferrovial intend to finalize the scope, project cost, as well as the business, financial, and commercial arrangements that would enable the implementation of the Great Hall Revitalization by Ferrovial. These and other matters would be finalized in a development agreement (the “Development Agreement”) between the City and Ferrovial, which would require City Council and Mayoral approvals. If the City and Ferrovial do not finalize the Development Agreement, the City may elect to implement all or a portion of the Great Hall Revitalization from the potential funding sources described below.

If implemented, the Great Hall Revitalization is currently expected to be funded from a combination of the following sources, in varying amounts:

- Funds from Ferrovial as the private developer, which will likely include some combination of Ferrovial cash in the form of contributed/invested equity and debt financing
- Amounts on deposit within the Capital Fund
- Additional Airport revenue bonds, which may be issued on parity with the Series 2016A Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.
- TSA funds for eligible areas

***Concourse A Gate Expansion.*** The Concourse A Gate Expansion project would increase the number of gates on Concourse A by 10 as well as increase the amount of airline and concessions space on that concourse. It is the Airport’s current expectation that a majority of the additional gates and space would be revenue-producing in the near- and longer-term.

The Concourse A Gate Expansion project is currently expected to be funded from a combination of the following potential sources, in varying amounts:

- Amounts on deposit within the Capital Fund
- Additional Airport revenue bonds, which may be issued on parity with the Series 2016A Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.

***Airfield Improvements.*** Major projects include rehabilitation of certain runways, taxiways, and apron areas as part of the Airport’s pavement management system, improvements to airfield drainage, safety areas, and airfield service roads, installation of lighting, and airfield planning studies.

If implemented, airfield improvements are currently expected to be funded from a combination of the potential sources listed below, in varying amounts:

- Amounts on deposit within the Capital Fund

- FAA grants-in-aid
- Additional Airport revenue bonds, which may be issued on parity with the Series 2016A Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.

### **Other Potential Capital Projects**

In addition to the Preliminary 2017-2021 Capital Program discussed above, the Airport may undertake certain demand responsive projects that would, among other things, improve or expand Airport System facilities and be in addition to the projects currently included in the Preliminary 2017-2021 Capital Program.

According to Airport management, demand responsive projects include an expansion of gates (the “Additional Concourse Gate Expansion Projects”) in addition to the Concourse A Gate Expansion project currently included in the Preliminary 2017-2021 Capital Program. According to Airport management, Additional Concourse Gate Expansion Projects would only be undertaken if there is a demonstrable increase in enplaned passengers from the airlines requesting an expansion in the number of Airport gates, and the expanded gates and space would be leased by an airline(s).

If implemented, Additional Concourse Gate Expansion Projects are currently expected to be funded from a combination of the potential sources listed below, in varying amounts:

- Amounts on deposit within the Capital Fund
- Additional Airport revenue bonds, which may be issued on parity with the Series 2016A Bonds. The Airport has not made any final such determination regarding the issuance of such revenue bonds.

Additionally, Airport management has identified certain other projects from 2022 through 2026. It is possible, but not currently expected by Airport management, that the timing of these or other projects not currently contemplated could be added to the Preliminary 2017-2021 Capital Program in the future.

Similar to the Preliminary 2017-2021 Capital Program, the Airport intends to evaluate the implementation of demand responsive projects and/or projects in the 2022-2026 timeframe based on, among other factors, the availability of funding and the potential change in Airport key financial metrics if all or some of these projects were implemented.

### **“Airport City” and Adams County IGA**

[The City’s “Airport City” concept includes a plan for developing land within the Airport’s property boundaries that is not already dedicated to future runways, taxiways or for other operational purposes. The Airport City plan is designed to be a long-term growth and development plan for the Airport, looking ahead for the next 30-50 years.]

The Adams County IGA was amended to permit additional development on property surrounding the Airport. See “FINANCIAL INFORMATION – Intergovernmental Agreement with Adams County.”

## AVIATION ACTIVITY AND AIRLINES

### Denver Air Service Region

The primary region served by the Airport is the Denver metropolitan area, encompassing the counties of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson. The secondary region served by the Airport is defined by the location of (and the airline service provided from) other large-hub and medium-hub air carrier airports. The nearest such airports, by road miles, are in Salt Lake City (530 miles to the northwest), Kansas City (590 miles to the east), Oklahoma City (620 miles to the southeast), Albuquerque (440 miles to the south), Phoenix (810 miles to the southwest) and Las Vegas (760 miles to the southwest). For economic and demographic information with respect to the Denver metropolitan area, see APPENDIX I.

### Airlines Serving the Airport

The following airlines currently provide scheduled passenger service at the Airport:

<u>Major/National</u>	<u>Regional/Commuter</u>	<u>Foreign Flag</u>
Alaska Airlines	American Eagle	AeroMéxico
American	Boutique Air	Air Canada
Delta Airlines	DenverAir Connection	British Airways
Frontier	Delta Connection	Icelandair
JetBlue Airways	Elite Airways	Lufthansa German Airlines
Southwest	Great Lakes	Volaris
Spirit Airlines	PenAir	
Sun Country Airlines	United Express	
United		
Virgin America		

Source: Department of Aviation management records.

In addition to the passenger airlines listed in the preceding table, several passenger charter airlines, as well as several all-cargo airlines, including, among others, Atlas Air, Bemidji Aviation, Key Lime Air Corporation, Southern Air, and United Parcel Service provide service at the Airport. The regional/commuter airline brands listed in the table above include Compass Airlines, ExpressJet, GoJet Airlines, Mesa Airlines, Pinnacle Airlines (now Endeavor Air), Republic Airlines, Shuttle America Corporation, SkyWest Airlines Trans States Airlines. Air Canada includes Sky Regional Airlines, Inc.

### Airline Information

**The United Group.** United is the principal air carrier operating at the Airport. The Airport is a primary connecting hub in United's route system both in terms of passengers (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.). Under the United Use and Lease Agreement, United currently leases 52 full-service contact gates and 14 ground loading positions. The United Use and Lease Agreement originally had a 30-year term, beginning in 1995 and expiring in 2025. In 2014, United agreed to a ten year extension of the Use and Lease Agreement, providing terms for United's occupancy and operations at the Airport through 2035.

The United Group has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and

for the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System's operating revenues and the Airport System's Gross Revenues for the years 2011 through 2015. See also "Aviation Activity — Originating and Connecting Passengers" in this section.

## United Group Percent of Airport Operations

	Fiscal Year					January – September	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
<b>Percent of Total Enplanements at the Airport</b>							
United	24.2%	23.9%	24.5%	24.3%	27.7%	27.30%	29.00%
United Express	15.4	15.2	16.0	16.3	14.6	14.8	12.9
Continental	3.3	1.4	0	0	0	0	0
Total United Group	42.9%	40.5%	40.5%	40.6%	42.3%	42.20%	41.90%
<b>Percent of Originating Passengers</b>							
United	23.9%	27.6%	29.6%	29.2%	31.2%	30.90%	32.50%
United Express	10.3	10.4	11.4	11.2	9.2	9.4	8.5
Continental	5.3	1.9	0	0	0	0	0
Total United Group	39.5%	40.0%	41.0%	40.4%	40.4%	40.30%	41.00%
<b>Percent of Connecting Passengers</b>							
United	32.5%	31.4%	30.8%	30.6%	34.4%	33.90%	36.70%
United Express	25.7	27.1	28.1	29.1	25.2	25.8	22.4
Continental	2.3	1.5	0	0	0	0	0
Total United Group	60.5%	60.0%	58.9%	59.7%	59.6%	59.70%	59.00%
<b>Percent of Airport Originating Passengers</b>							
United	18.6%	20.1%	12.0%	11.9%	13.2%	20.20%	21.40%
United Express	8.0	7.6	4.6	4.5	3.9	6.1	5.6
Continental	4.1	1.4	0	0	0	0	0
Total United Group	30.7%	29.1%	16.6%	16.4%	17.1%	26.30%	27.00%
<b>Percent of Airport Connecting Passengers</b>							
United	31.1%	28.6%	12.5%	12.4%	14.6%	40.30%	42.30%
United Express	24.6	24.7	11.4	11.8	10.7	30.8	25.8
Continental	2.2	1.4	0	0	0	0	0
Total United Group	57.9%	54.7%	23.9%	24.2%	25.3%	71.10%	68.10%
<b>Percent of Airline Rentals, Fees and Charges United Group Component of Operating Revenues**</b>							
	52.2%	49.6%	50.3%	50.3%	48.9%	N/A	N/A
<b>Percent of Airport System Gross Revenues**</b>							
	26.1%	24.7%	22.9%	22.0%	21.0%	N/A	N/A

\*\* Reflects revenues per the year-end settlement of rentals, fees, rates and charges.  
Source: Department of Aviation management records.

In 2008, United began to significantly reduce its consolidated domestic capacity, its consolidated overall capacity and its workforce. Such reductions continued in 2009, 2010 and 2011. On October 1, 2010, United Continental Holdings (formerly known as UAL Corporation), the parent company of



United, completed the merger of United and Continental, and integrated the two airlines under the United brand to operate under a single FAA operating certificate as of November 30, 2011. The United Group (United and United Express) accounted for approximately 40.6% and 42.3% of passenger enplanements at the Airport in 2014 and in 2015, respectively. In addition, the Airport ranked as the 4th busiest airport in the United route network based on enplaned passenger data for 2015.

The City makes no representations regarding the financial conditions of United Continental Holdings or United or their future plans generally or with regard to the Airport in particular. See also “Aviation Activity — Originating and Connecting Passengers” in this section, as well as “INTRODUCTION — Denver International Airport — *Major Air Carriers Operating at the Airport*,” “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Financial Condition of the Airlines; Industry Consolidation — Risk of Airline Bankruptcies,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements — *United Use and Lease Agreement*” and “FINANCIAL INFORMATION — Special Facilities Bonds.”

**Southwest.** Southwest had the second largest market share at the Airport in 2014 and 2015. Southwest commenced service at the Airport in January 2006 and since that time has experienced strong and continued growth in airline service at the Airport. Southwest initially served ten cities from the Airport, compared to the 60 cities to which it currently provides nonstop service from the Airport. In 2015, the Airport was the 4th busiest airport in the Southwest system based on scheduled seats. In May 2011, Southwest acquired AirTran Holdings, Inc. (the parent of AirTran Airways). Southwest integrated AirTran Airways into the Southwest brand on March 1, 2012 and operates Southwest and AirTran Airways under a single FAA operating certificate.

Under a Use and Lease Agreement with the City which expires in December 2018 (which may be extended to December 31, 2020 pursuant to its terms), Southwest leases 23 gates at the Airport. Southwest has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System’s operating revenues and the Airport System’s Gross Revenues for the years 2011 through 2015. See also “Aviation Activity” and “Originating and Connecting Passengers” in this section.

### Southwest Percent of Airport Operations

	Fiscal Year					January-September	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Percent of Total Enplanements at the Airport	21.8%	23.7%	25.6%	26.4%	29.4%	29.30%	29.30%
Southwest Percent Originating Passengers	70.5	68.3	69.0	72.1	75.6	76.2	73.9
Southwest Percent Connecting Passengers	29.5	31.7	31.0	27.9	24.4	23.8	26.1
Percent of Airport Originating Passengers	27.8	29.1	17.6	19.0	22.2	34.6	33.9
Percent of Airport Connecting Passengers	14.3	16.9	7.9	7.4	7.2	19.7	21.1
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues**	14.1	16.8	20.2	21.0	23.7	N/A	N/A
Percent of Airport System Gross Revenues**	7.1	8.3	9.2	9.2	10.2	N/A	N/A

\*\* Reflects revenues per the year-end settlement of rentals, fees, rates and charges.

Source: Department of Aviation management records.

The City makes no representations regarding the financial conditions of Southwest or its future plans generally or with regard to the Airport in particular. See also “Aviation Activity — Originating and Connecting Passengers” in this section, as well as “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Financial Condition of the Airlines; Industry Consolidation — Risk of Airline

Bankruptcies” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

**The Frontier Group.** Frontier and its affiliates had the third largest market share at the Airport in 2014 and 2015. The Airport is Frontier’s only hub and was the busiest airport in the Frontier system in 2015. In November 2013, Frontier was acquired by Indigo Partners LLC based in Phoenix, Arizona from Republic Holdings and transformed its business model from a low-cost carrier to an ultra-low-cost carrier in 2015.

Under a Use and Lease Agreement between the parties which expires in December 2018 (which may be extended to December 31, 2020 pursuant to its terms), Frontier leases 8 gates at the Airport. The Frontier Group, consisting of Frontier, Frontier/Republic, Lynx and Frontier JetExpress commuter affiliates, also has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System’s operating revenues and the Airport System’s Gross Revenues for the years 2011 through 2015. See also “Aviation Activity — Originating and Connecting Passengers” in this section.

### Frontier Group Percent of Airport Operations

	Fiscal Year					January - September	
	<u>2011</u>	<u>2012</u> <sup>1</sup>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Percent of Total Enplanements at the Airport	22.3%	21.9%	19.1%	18.4%	12.4%	12.10%	12.20%
Frontier Group Percent Originating Passengers	50	48.4	55.0	62.6	78.9	79.7	74.9
Frontier Group Percent Connecting Passengers	50	51.6	45.0	37.4	21.1	20.3	25.1
Percent of Airport Originating Passengers	20.2	19.1	10.5	11.5	9.8	15.0	14.4
Percent of Airport Connecting Passengers	24.8	25.5	8.6	6.9	2.6	6.9	8.5
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues**	14.7	14.4	12.9	13.0	10.4	N/A	N/A
Percent of Airport System Gross Revenues**	7.3	7.1	5.9	5.7	4.4	N/A	N/A

\*\* Reflects revenues per the year-end settlement of rentals, fees, rates and charges.  
Source: Department of Aviation management records.

The City makes no representations regarding the financial conditions of the Frontier Group or their future plans generally or with regard to the Airport in particular. See also “Aviation Activity — Originating and Connecting Passengers” in this section, “INTRODUCTION — Denver International Airport — Major Air Carriers Operating at the Airport,” “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Financial Condition of the Airlines; Industry Consolidation — Risk of Airline Bankruptcies,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

**American.** On December 9, 2013, American Airlines and US Airways announced the completion of a merger to form the American Airlines Group. The American Airlines Group received a single FAA operating certificate on April 8, 2015. With no connecting enplaned passenger traffic, American does not use the Airport as a major hub, accounting for 6.1% of enplanements at the Airport in 2015.

**Other Airlines.** Other than the United Group, the Frontier Group, Southwest, and American, no single airline currently accounts for more than 5% of any of passenger enplanements at the Airport. In 2015, Delta accounted for approximately 4.9% of passenger enplanements at the Airport. See “Aviation Activity — Passenger Traffic” in this section, as well as “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

***Availability of Information Concerning Individual Airlines.*** Certain of the airlines or their parent corporations, including United Continental Holdings, Frontier, Southwest, and American, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements may be inspected in the Public Reference Room of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington DC, 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-25 11 and 233 Broadway, New York, NY 10279. Copies of these reports and statements also may be obtained from the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation (the "DOT"). These reports may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of the reports may be obtained from the DOT at prescribed rates.

*None of the City, the Department or the Underwriters undertakes any responsibility for, and none of them makes any representations as to, the accuracy or completeness of the content of information available from the SEC or the DOT as discussed above, including, but not limited to, updates of such information or links to other Internet sites accessed through the SEC or the DOT websites. The contents of such websites are not incorporated into this Official Statement by this reference.*

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

## **Aviation Activity**

***Passenger Traffic.*** Denver's central geographic location makes it a major destination point for communities throughout the Rocky Mountain region and a major transportation hub for airline flights connecting between the east and west coasts and other major metropolitan centers. According to statistics compiled by Airports Council International for 2015, the Airport was ranked as the 6<sup>th</sup> busiest airport in the nation and the 19<sup>th</sup> busiest airport in the world based on total passengers in 2015. The tables set forth below under "*—Passenger and Revenue Information*" and "*—Summary of Aviation Activity*" present total enplanements at the Airport, enplaned passengers by airline type, and market share of individual airlines serving the Airport for the past five years.

***Passenger and Revenue Information.*** There are 24 passenger airlines currently providing scheduled service at the Airport, including ten major/national passenger airlines, six foreign flag passenger airlines and eight regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines, including Federal Express and United Parcel Service, provide service at the Airport. See "Airlines Serving the Airport" above. In 2015, the Airport served approximately 27.0 million enplaned passengers (passengers embarking on airplanes), which is the highest number of enplaned passengers at the Airport since it opened in 1995. Approximately 64% of passengers enplaned in 2015 originated their travel at the Airport and 36% of passengers made connecting flights at the Airport.

With a few exceptions, the Airport has experienced continual growth in both passenger traffic and associated revenues since it opened in 1995. The Airport experienced declines in passenger traffic and

associated revenues in 2001 and 2002 in the aftermath of the terrorist incidents of September 11, 2001. The Airport was also negatively impacted by the global economic recession that began in late 2007 and the associated weakened demand for air travel and reduced airline passenger capacity. In 2008, although the number of enplaned passengers at the Airport continued to increase, the rate of growth declined from that experienced in previous years, and in 2009 the number of enplaned passengers at the Airport declined by 2.0%, the first decline since 2002. However, in 2010 the number of enplaned passengers at the Airport rebounded, with an increase of 3.6% over 2009. With the exception of a 1.2% decrease in 2013, the number of enplaned passengers has increased since 2010. In 2015, the number of enplaned passengers increased by 1.1% over 2014, resulting in the highest number of enplaned passengers at the Airport since it opened in 1995. The following table sets forth the ten year history of enplaned passengers for the Airport and the first nine months of 2015 and 2016.

### **History of Enplaned Passengers at the Airport**

<u>Year</u>	<u>Enplaned Passengers (millions)</u>	<u>Percent Change</u>
2006	23.665	9.0% <sup>1, 2</sup>
2007	24.941	5.4
2008	25.650	2.8
2009	25.128	(2.0)
2010	26.025	3.6
2011	26.455	1.7
2012	26.597	0.5
2013	26.285	(1.2)
2014	26.737	1.7
2015	27.019	1.1
2015 <sup>3</sup>	20.129	(0.4)
2016 <sup>3</sup>	21.771	8.2

1 The increase in enplaned passengers is attributable to Southwest commencing its service at the Airport in January 2006.

2 Compared to 21.702 million enplaned passengers in 2005

3 Enplaned passengers through September 30, 2015 and September 30, 2016, respectively.

Source: Department of Aviation management records.

Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions, population and economy of the Airport service region, national and local unemployment rate, political conditions including wars, other hostilities and acts of terrorism, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and route networks, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air transportation system and of the Airport, accidents involving commercial passenger aircraft, visa requirements and other limitations on the ability of foreign citizens to enter the United States, currency exchange rates, and the occurrence of pandemics and other natural and man-made disasters. See “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

The following table sets forth the number of enplaned passengers at the Airport by type of airline for the past five years and the first nine months of 2015 and 2016.

### Enplaned Passengers by Airline Type <sup>1</sup>

<u>Year</u> <sup>3</sup>	<u>Major/National Airlines</u> <sup>2</sup>		<u>Regional/Commuter Airlines</u>		<u>Charter/Miscellaneous Airlines</u>		<u>Total Airlines</u>	
	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
2011	21,709,457	3.2%	4,439,844	(4.8)%	306,494	(6.2)%	26,455,795	1.7%
2012	21,984,283	1.3	4,323,837	(2.6)	289,021	(5.7)	26,597,141	0.5
2013	21,618,114	(1.7)	4,436,819	2.6	230,374	(20.3)	26,285,307	(1.2)
2014	21,962,984	1.6	4,767,207	7.4	6,493	(97.2) <sup>1</sup>	26,736,684	1.7
2015	22,713,090	3.4	4,296,830	(9.9)	9,009	38.7	27,018,929	1.1
Jan-Sept <sup>3</sup>								
2015	16,862,306	1.5	3,262,033	(9.5)	4,318	28.4	20,128,657	(0.4)
2016	18,617,342	10.4	3,150,225	(3.4)	3,096	(28.3)	21,770,663	8.2

1 Includes revenue and nonrevenue enplaned passengers. In 2014, the airport adjusted the methodology of classifying the airlines between each category based on the type of operation. This primarily included adjusting United Express international operations from Miscellaneous to Regional.

2 Includes Lynx through March 2011.

3 Percentage changes are from the same period in 2015.

Source: Department of Aviation management records.

The following table sets forth the percentage of enplaned passengers at the Airport by traffic type for the past five years and for the first nine months of 2015 and 2016.

### Percentage of Enplaned Passengers by Traffic Type

	<u>Calendar Year</u>					<u>January-September</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Domestic	96.8%	96.7%	96.3%	95.8%	95.9%	95.8%	95.9%
International	3.2	3.3	3.7	4.2	4.1	4.2%	4.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Aviation management records.

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The following table sets forth the percentage of enplaned passengers at the Airport by airline for the past five years and for the first nine months of 2015 and 2016.

**Percentage of Enplaned Passengers by Airline**  
(Totals may not add due to rounding)

<u>Airline</u>	<u>Calendar Year</u>					<u>January-September</u>	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
United <sup>1</sup>	27.5%	25.3%	24.6%	24.3%	27.7%	27.3%	29.0%
United Express <sup>1</sup>	15.4	15.2	16.0	16.3	14.6	<u>14.8</u>	<u>12.9</u>
Total United <sup>1</sup>	42.9	40.5	40.6	40.6	42.3	42.2	41.9
Southwest <sup>2</sup>	21.8	23.7	25.6	26.4	29.4	29.3	29.3
Frontier <sup>3</sup>	22.3	21.9	19.1	18.4	12.4	12.1	12.2
American <sup>4</sup>	5.2	5.5	5.6	5.8	6.1	6.2	5.8
Other <sup>5</sup>	7.8	8.4	9.1	8.8	9.8	<u>10.2</u>	<u>10.8</u>
Total Other	57.1	59.5	59.4	59.4	57.7	57.8	58.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup> United and Continental merged in November 2011. See also “The United Group” above.

<sup>2</sup> Southwest and AirTran Airways merged in March 2012. See also “Southwest” above.

<sup>3</sup> Includes Frontier, Lynx, and Republic Holdings. Lynx commenced service at the Airport in December 2007. In March 2011, Republic Holdings discontinued Lynx and transitioned its Q400 turboprop service to the Frontier Express brand. Frontier was acquired by Indigo Partners LLC based in Phoenix, Arizona in November 2013. Frontier no longer has regional flights offered by Republic Holdings. See also “Frontier” above.

<sup>4</sup> American Airlines and US Airways merged in December 2013. See also “American Airlines” above.

<sup>5</sup> Includes Delta and other airlines with scheduled flights at the Airport.

Source: Department of Aviation management records.

**Summary of Aviation Activity.** The following table sets forth a summary of selected aviation activity at the Airport for the past five years and for the first nine months of 2015 and 2016. Totals may not add due to rounding.

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	Calendar Year					January-September	
	2011	2012	2013	2014	2015	2015	2016
<b>Enplaned Passengers (millions):</b>							
United <sup>1</sup>	7.263	6.721	6.446	6.491	7.493	5.505	6.311
United Express <sup>1</sup>	4.087	4.039	4.213	4.370	3.928	2.988	2.817
Total United Group <sup>1</sup>	11.351	10.760	10.659	10.861	11.421	8.493	9.128
Southwest <sup>2</sup>	5.756	6.301	6.721	7.065	7.929	5.907	6.372
Frontier <sup>3</sup>	5.890	5.826	5.015	4.932	3.360	2.438	2.665
American <sup>4</sup>	1.372	1.474	1.477	1.537	1.642	1.257	1.253
Other	2.087	2.237	2.413	2.342	2.666	2.033	2.352
Total	26.456	26.598	26.285	26.737	27.019	20.129	21.771
<i>Percent Change from Prior Year</i>	1.7%	0.5%	(1.2)%	1.7%	1.1%	(0.48)%	(8.16)%
<b>Originating Passengers (millions):</b>	14.595	14.785	15.328	16.214	17.353	12.999	13.867
Percent of Total Enplaned	55.2%	55.6%	58.3%	60.6%	64.2%	64.58%	63.70%
<b>Connecting Passengers (millions):</b>	11.861	11.812	10.957	10.523	9.666	7.130	7.904
Percent Connecting of Total Enplaned	44.8%	44.4%	41.7%	39.4%	35.8%	35.42%	36.30%
<b>United Group<sup>1</sup> Passengers:</b>							
Percent Originating	39.5%	40.0%	41.1%	39.0%	40.4%	40.30%	41.00%
Percent Connecting	60.5%	60.0%	58.9%	61.0%	59.6%	59.70%	59.00%
<b>Frontier<sup>3</sup> Passengers:</b>							
Percent Originating	50.0%	48.4%	55.0%	62.6%	78.9%	79.70%	74.90%
Percent Connecting	50.0%	51.6%	45.0%	37.4%	21.1%	20.30%	25.10%
<b>Southwest<sup>2</sup> Passengers:</b>							
Percent Originating	70.5%	68.3%	69.0%	72.1%	75.6%	76.20%	73.90%
Percent Connecting	29.5%	31.7%	31.0%	27.9%	24.4%	23.80%	26.10%
<b>American<sup>4</sup> Passengers:</b>							
Percent Originating	100.0%	100.0%	100.0%	100.0%	100.0%	100.00%	100.00%
Percent Connecting	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%
<b>Average Daily Departures:</b>							
Passenger Airlines:							
United <sup>1</sup>	130	133	125	124	146	143	166
United Express <sup>1</sup>	246	239	246	252	219	224	206
Frontier <sup>3</sup>	152	137	105	100	66	66	64
Southwest <sup>2</sup>	147	159	159	158	168	167	180
American <sup>4</sup>	20	20	20	33	33	34	35
Other	137	118	112	75	77	75	92
Total Passenger Airlines	832	806	767	742	709	710	743
All-Cargo Airlines	25	25	25	26	26	26	25
Total	856	831	792	768	735	736	768
<i>Percent Change from Prior Year</i>	(0.2)%	(2.9)%	(4.6)%	(3.0)%	(4.3)%	(5.00)%	4.43%
<b>Landed Weight (billion pounds):</b>							
Passenger Airlines:							
United <sup>1</sup>	7.925	7.974	7.432	7.292	8.214	6.023	6.982
United Express <sup>1</sup>	4.826	4.675	4.779	4.881	4.427	3.362	3.166
Frontier <sup>3</sup>	6.679	6.338	5.182	5.018	3.339	2.468	2.466
Southwest <sup>2</sup>	6.656	7.244	7.353	7.423	7.922	5.907	6.397
American <sup>4</sup>	0.836	0.864	0.831	1.609	1.678	1.287	1.325
Other	4.382	3.590	3.766	2.813	3.112	2.342	2.759
Total Passenger Airlines	31.304	30.685	29.343	29.036	28.692	21.390	23.096
All-Cargo Airlines	1.207	1.204	1.260	1.315	1.363	0.977	1.036
Total	32.512	31.889	30.603	30.351	30.055	22.366	24.131
<i>Percent Change from Prior Year</i>	(2.3)%	(1.9)%	(4.0)%	(0.8)%	(1.0)%	(1.99)%	7.88%
<b>Enplaned Cargo (million pounds)<sup>5</sup></b>	242.491	227.734	222.771	229.458	238.664	178.262	168.506
<i>Percent Change from Prior Year</i>	0.3%	(6.1)%	(2.2)%	3.0%	4.0%	5.66%	(5.47)%
<b>Total Aircraft Operations (Landings/Take-Offs):</b>							
Air Carriers	452,223	443,389	420,073	422,178	424,930	315,520	332,457
Commuter/Military/Taxi/General Aviation	182,457	174,868	166,787	152,983	122,718	94,609	96,059
Total	634,680	618,257	586,860	575,161	547,648	410,129	428,516
<i>Percent Change from Prior Year</i>	(0.1)%	(2.6)%	(5.1)%	(2.0)%	(4.8)%	(5.96)%	4.48%

[Footnotes on next page]

- <sup>1</sup> United and Continental merged in November 2011. See also “The United Group” above.
- <sup>2</sup> Southwest and AirTran Airways merged in March 2012. See also “Southwest” above.
- <sup>3</sup> Includes Frontier, Lynx, and Republic Holdings. Lynx commenced service at the Airport in December 2007. In March 2011, Republic Holdings discontinued Lynx and transitioned its Q400 turboprop service to the Frontier Express brand. Frontier was acquired by Indigo Partners LLC based in Phoenix, Arizona in November 2013. Frontier no longer has regional flights offered by Republic Holdings. See also “Frontier” above.
- <sup>4</sup> American Airlines and US Airways merged in December 2013. See also “American Airlines” above.
- <sup>5</sup> The weight of enplaned cargo does not impact the Airport’s Gross Revenues. Revenue is received from cargo carriers only from landing fees and space rentals, which historically have constituted less than 3% of Gross Revenues.
- Source: Department of Aviation management records.

## **Originating and Connecting Passengers**

Originating passengers are those enplaned passengers whose flights originate at the Airport (residents and visitors) and who are not connecting from another flight. Historically, originating passengers have accounted for over 50% of total enplaned passengers at the Airport. See “Aviation Activity — Summary of Aviation Activity” above.

Most major airlines have developed their current route systems around connecting passenger hubs at particular airports. The Airport serves as an important hub in the route systems of United and Frontier, and serves as a “focus city” for Southwest. The Airport is presently Frontier’s only hub. In 2015, approximately 17.3 million passengers (64.2%) of the approximately 27.0 million passengers enplaned at the Airport originated on a Southwest, United (including its regional airline affiliates operating as United Express), or Frontier flight, which accounted for approximately 22.2%, 17.1% and 9.8% of the originating passengers at the Airport in 2015, respectively. [add data for first nine months of 2016]

In addition, approximately 9.7 million passengers (35.8%) connected from one flight to another. Nearly all of the passengers using the Airport as a connecting hub connected either between the flights of United (including its regional airline affiliates operating as United Express), or between the flights of Frontier or Southwest, which accounted for approximately 25.3%, 7.2% and 2.6% of the connecting passengers at the Airport in 2015, respectively. [add data for first nine months of 2016] See “Aviation Activity — *Summary of Aviation Activity*” above.

## **AGREEMENTS FOR USE OF AIRPORT FACILITIES**

The City has entered into numerous agreements in connection with the operation of the Airport. The Use and Lease Agreements with passenger airlines operating at the Airport and certain other such agreements are discussed below.

### **Passenger Airlines Use and Lease Agreements**

**Generally.** The airlines listed in the following table have executed Use and Lease Agreements with the City that include leased gates. In addition to the current 96 leased gates, eight gates are controlled by the Airport and used on a non-preferential use basis by various airlines and three gates on Concourse C are under construction.

The Use and Lease Agreements expire in December 2018 and may be extended to December 2020 pursuant to the terms of such agreements (with the exception of United, which expires in 2035). New amendments to the Use and Lease Agreements are expected to be executed prior to December 2016 by the Signatory Airlines and the City with substantially the same terms and conditions as prior Use and Lease Agreements.



**Passenger Airlines Use and Lease Agreements with Leased Gates**

<u>Airline</u>	<u>Number of Gates</u>	<u>Concourse</u>	<u>Lease Expiration</u>
American	5	A	December 2018
Delta	6	A	December 2018
Frontier	8	A	December 2018
Spirit Airlines	1	A	December 2018
United	52	B	February 2035
Alaska Airlines	1	C	December 2018
Southwest	23	C	December 2018
Total leased gates	<u>96</u>		

Source: Department of Aviation management records.

The following airlines have executed Use and Lease Agreements with the City that do not include leased or preferential gates but in some cases include other leased premises such as ticket counters and offices: AeroMéxico, Air Canada, Atlas Air, Bemidji Aviation, Boutique Air, British Airways, Compass Airlines, ExpressJet, GoJet Airlines, Great Lakes Aviation, Icelandair, JetBlue Airlines, Key Lime Air Corporation, Lufthansa, Mesa Airlines, MN Airlines d/b/a Sun Country Airlines, Pinnacle Airlines (now Endeavor Air), Republic Airline, Shuttle America Corporation, Sky Regional Airlines, Inc., SkyWest Airlines, Southern Air, Trans States Airlines, United Parcel Service, Virgin America, and Volaris. These airlines use gates pursuant to their affiliation with other airlines that lease gates at the Airport, use gates managed by the City or use common use international or commuter gates on Concourse A. These Use and Lease Agreements expire in December 2018 and may be extended to December 31, 2020 pursuant to the terms of such agreements. See “AVIATION ACTIVITY AND AIRLINES — Airlines Serving the Airport.”

In the Use and Lease Agreements with each of the passenger airlines (as previously defined, the “Signatory Airlines”) operating at the Airport (1) each Signatory Airline and the City agree to a compensatory methodology for establishing terminal rental rates and a cost center residual methodology for establishing landing fees, (2) each Signatory Airline acknowledges that the rate base for rentals, fees and charges must generate Gross Revenues that, together with Other Available Funds (consisting of transfers from the Capital Fund), are sufficient to satisfy the Senior Bonds Rate Maintenance Covenant, and agrees to pay such rentals, rates, fees and charges, (3) the City is permitted from time to time to amend the rate-making system with the written consent of a majority of the Signatory Airlines represented by (a) a numerical majority and (b) a majority in terms of rentals, rates, fees and charges paid in the preceding Fiscal Year and (4) the City is also permitted to adjust rates and charges at the beginning of each Fiscal Year and during each Fiscal Year after mid-year review and consultation with the Signatory Airlines. In all passenger airline Use and Lease Agreements executed since 2005, the provisions thereof dealing with utilization of preferential gates have been modified in order to provide for a more efficient utilization of these gates.

As described above, the City is permitted to adjust rates and charges at the beginning of and during each Fiscal Year. For adjustments at the beginning of each Fiscal Year, not later than 45 days prior to the end of the prior Fiscal Year, the City is required to furnish the Signatory Airlines with

projections of the rentals, rates, fees and charges for the ensuing Fiscal Year for each cost center of the Airport and of each Signatory Airline’s cost per enplaned passenger for the ensuing Fiscal Year. Not later than 30 days prior to the end of each Fiscal Year, the City and the Signatory Airlines are required to consult and review the projections of rentals, rates, fees and charges for the next ensuing Fiscal Year. For adjustments during a Fiscal Year, the City is required to furnish the Signatory Airlines in August (for United) or no later than September 1 of such Fiscal Year with a projection of rentals, rates, fees and charges (the “Mid-Year Projection”), which is required to reflect the most recently available information regarding current aircraft operations and enplaned passengers, as well as expenses actually incurred and revenues realized to date during such Fiscal Year. The City is also required to provide (i) a pro forma projection of revenues and expenses for the current Fiscal Year to each Signatory Airline and (ii) a projection of cost per enplaned revenue passenger to United. With respect to United, within 15 days of providing such projections, the City is required to convene a meeting with United to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year. With respect to the other Signatory Airlines, the City is required to convene a meeting with the Signatory Airlines to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year.

The cost per enplaned passenger for all airlines at the Airport for each of the years 2011 through 2015 is set forth in the following table.

**Cost per Enplaned Passenger**

<u>Year</u>	<u>Cost Per Enplaned Passenger</u>	<u>Percent Change</u>
2011	\$11.57	(1.7)% <sup>1</sup>
2012	11.53	(0.3)
2013	11.81	2.4
2014	12.22	3.5
2015	11.82	(3.3)

<sup>1</sup> Compared to the cost per enplaned passenger of \$11.77 for 2010.

Sources: Department of Aviation management records.

Pursuant to the Use and Lease Agreements, for Fiscal Years 2006 and thereafter, 50% of the Net Revenues remaining after payment of debt service and fund deposit requirements, with an annual maximum of \$40 million, is required to be credited to the Airline Revenue Credit Account of the Capital Fund to be applied as a credit against Signatory Airline rentals, fees and charges in the following Fiscal Year, with the balance to be credited to the Capital Improvement Account of the Capital Fund to be used for any lawful Airport purpose.

The City may terminate an airline Use and Lease Agreement after a 15-day (in the case of payment defaults) or 30-day notice and cure period, as applicable, in the event that the airline either (1) fails to pay the rentals, rates, fees, charges or other money payments that it has agreed to pay pursuant to the Agreement, (2) uses its leased property at the Airport for any purpose not authorized by the Agreement or permits the use thereof in violation of any law, rule, or regulation to which the Signatory Airline has agreed to conform, (3) sublets its leased property at the Airport other than as permitted by the Agreement, (4) becomes subject to certain insolvency events, or (5) fails to comply with certain federal regulations in connection with the use of its leased property at the Airport. In addition, for Signatory Airlines other than United, the City may terminate the Use and Lease Agreement if any of the Signatory Airline’s directors or officers assigned to or responsible for operations at the Airport shall be or have been

convicted of any crime which is a disqualifying offense under federal statutes governing issuance of airport security badges.

An airline may terminate the Use and Lease Agreement after a 30-day notice and cure period, whether or not Senior Bonds or other obligations of the City or the Department are outstanding, in the event that: (1) its governmental authorization to operate aircraft in or out of the Airport is withdrawn, so long as (a) it did not request such withdrawal, (b) the City has been given the opportunity to appear before the appropriate governmental entity prior to such withdrawal, or (c) the airline has given the City reasonable advance notice of the possible occurrence of such withdrawal; (2) a court of competent jurisdiction issues an injunction against the City preventing the operation of the Airport and such injunction remains in effect for 90 days or more and is not stayed; or (3) the operation of the Airport is substantially restricted by reason of governmental action or casualty (not caused by the airline) and such restriction remains in effect for 90 days or more. Additionally, in the case of United, United may also terminate its Use and Lease Agreement if (1) the City fails to observe or perform any material covenant in the United Use and Lease Agreement or (2) United's cost per enplaned revenue passenger for any Fiscal Year exceeds an average of \$20 (in 1990 dollars), or approximately \$37.50 (in 2016 dollars), which cost threshold has not been reached in the past and is not expected to be reached during the term of the United Use and Lease Agreement.

Upon the expiration or termination of a Use and Lease Agreement, an airline agrees to surrender the leased premises and the City has the right to possession of such premises with or without process of law. Holding over by an Airline following the expiration of the term of a Use and Lease Agreement or any extension thereof, without an express agreement as to such holding over, is deemed to be a periodic tenancy on a month-to-month basis. In such case, an Airline is subject to all the terms and conditions of the Use and Lease Agreement. Rent, fees and charges for each month of such holding over is required to be paid by the airline to the City as provided in the Use and Lease Agreement and in a sum equal to the monthly rental required for the month prior to the end of the term of such agreement or as reestablished as provided for therein.

***United Use and Lease Agreement.*** United leases gates under a Use and Lease Agreement originally entered into in January 1992 (as previously defined, the "United Use and Lease Agreement") with substantially the same terms as the other passenger airlines Use and Lease Agreements described in "*Generally*" above. Under the United Use and Lease Agreement, United agreed to lease, on a preferential use basis, Concourse B, and, on an exclusive use basis, certain ticket counters and other areas in the terminal complex of the Airport, all through February 2035. The United Use and Lease Agreement was amended in 1994 and 2001 prior to United's bankruptcy. In 2003, in connection with its bankruptcy proceedings, United assumed the Use and Lease Agreement as so amended, and in connection with the assumption, certain changes were made to the United Use and Lease Agreement under a stipulated order of the bankruptcy court. After the assumption and in connection with United's emergence from bankruptcy generally, the United Use and Lease Agreement was further amended in 2005, 2006, 2007, 2009, 2012, 2014, and 2015 as further described below. As a result, United currently leases 52 full-service contact gates, all located on Concourse B, and 14 ground loading positions. See also "AVIATION ACTIVITY AND AIRLINES — Airline Information — *The United Group.*"

United discontinued use of the automated baggage system at the Airport in September 2005 and reverted to the traditional tug and cart system. Consequently, the City has taken steps to mitigate automated baggage system costs over time. Pursuant to the 2005-2 Amending Lease Agreement dated January 11, 2006 (the "2005-2 Amendment"), the City agreed to a reduction in United's rates and charges associated with the automated baggage system of \$4.9 million in 2006, \$8.5 million in 2007 and \$11.0 million annually in 2008 through the end of the lease term. This reduction was subordinate to the City's

agreement to reduce all airline rates and charges by \$4 million per year from 2004 through 2010. Such reductions may be decreased or cancelled pursuant to the terms of the 2005-2 Amendment.

Pursuant to the 2006 Amendatory Lease Agreement dated July 6, 2006 (the “2006 Amendment”), the City agreed to further mitigate United’s baggage system charges by defeasing certain outstanding Airport System revenue bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed \$10 million per year, using available Capital Fund moneys and other legally available Airport funds. That defeasance has been completed, although the rates and charges cost reductions may cease or be reduced and subsequently reinstated under certain circumstances set forth in the United Use and Lease Agreement as so amended.

Pursuant to the 2012 Lease Amendment (the “2012 Amendment”), the City and United further amended the United Use and Lease Agreement to provide conditional rent relief related to the unused and nonoperational automated baggage system space. The 2012 Amendment became effective in July 2012 when the City completed certain conditions precedent, including (1) removing or reclassifying unused and nonoperational baggage system space from United’s leasehold premises on Concourse B, (2) using Airport non-PFC discretionary funds to defease bonds associated with the released space, and (3) using amounts equivalent to approximately 75% of the revenues from the Additional \$1.50 PFC (defined herein) to pay existing PFC-approved debt service in the Terminal Complex.

The 2014 Lease Amendment dated September 19, 2014 (the “2014 Amendment”) extended the term of the United Use and Lease Agreement to February 28, 2035. The 2014 Amendment also made changes to United’s right to reduce its demised premises under the United Use and Lease Agreement. In addition, United agreed to maintain certain levels of Available Seat Miles (“ASMs”) subject to the calculations described in the 2014 Amendment. If United fails to meet those ASMs requirements, United is not in default of the United Use and Lease Agreement. However, in the event of such failure, United is required to make certain financial assurance payments to the City, subject to a cap of \$20 million per year in 2015-2018, \$15 million per year in 2019-2021, and \$12 million per year in 2022-2025.

Pursuant to the 2015 Lease Amendment, the City and United amended the United Use and Lease Agreement to further modify United’s right to reduce its demised premises.

### **Cargo Operations Leases**

The City has executed Use and Lease Agreements with the following all-cargo airlines, which also constitute Signatory Airlines: ABX Air, Air Transport International, Inc., DHL Express (USA), Inc., Federal Express Corporation, Key Lime Air Corporation and United Parcel Service. Ameriflight and Capital Cargo also provide cargo airline services at the Airport, but are not Signatory Airlines. Air General and Swissport Cargo Services lease space in a cargo building and provide only cargo handling services. The City also has executed a ground lease with the U.S. Postal Service for its sorting and distribution facilities at the Airport. See also “AVIATION ACTIVITY AND AIRLINES — Airlines Serving the Airport” above.

There are currently at least two other airports in the Denver metropolitan area that are physically capable of handling the same types of aircraft utilized by carriers that conduct cargo operations at the Airport. To the extent that any such carriers elect to discontinue operations at the Airport in favor of an alternative local site, Net Revenues would not be materially adversely affected. The Airport receives revenue from cargo carriers only from landing fees and space rentals, which historically have constituted less than 3% of Gross Revenues.

## **Other Building and Ground Leases**

The City has entered into a Use and Lease Agreement with Continental (now a subsidiary of United) with respect to certain support facilities originally built for Continental's then-planned hubbing operation at the Airport (portions of which are being subleased by Continental to other users) and special facilities leases and ground lease agreements with United and each of the rental car companies currently operating at the Airport with respect to their respective facilities at the Airport. In 2014, the City negotiated with United for an early termination of a Continental Special Facilities and Ground Lease to take possession of the former Continental Airlines hangar. This hangar and the 58.6 acre site were immediately leased to Frontier through May 2019. On March 1, 2015, after the expiration of the Special Facilities Lease with Sky Chefs, the north campus flight kitchen was leased to Southwest through February 2020. In addition, in 1995, the City leased a 12.4-acre site for 30 years to Signature Flight Support (formerly AMR Combs), which has financed and constructed general aviation facilities on the site. See also "DENVER INTERNATIONAL AIRPORT — Other Facilities," "FINANCIAL INFORMATION — Senior Bonds — Special Facilities Bonds."

## **Effect of Bankruptcy on Airline Agreements and Other Obligations**

For a discussion of the effect of airline bankruptcies on agreements with, and certain other financial obligations to, the City in connection with the Airport, see "RISKS AND OTHER INVESTMENT CONSIDERATIONS—Risk of Airline Bankruptcies."

## **Systems Leases**

Certain systems at the Airport, including fueling, are being operated by the airlines. The City has leased the hydrant fueling system to certain of the airlines and cargo carriers, who have contracted with Aircraft Service International, Inc. to operate that system.

## **Other Agreements**

The City has also entered into various agreements in addition to those described above that generate a significant portion of Gross Revenues. The following is a brief description of some of these additional agreements. The revenues received from the following agreements constitute only a portion of the concession income, parking income and rental car revenue set forth in "FINANCIAL INFORMATION — Historical Financial Operations."

***Terminal Complex Concessions.*** Concessions and passenger services are provided in the terminal complex by concessionaires and nonairline tenants under agreements with the City that provide for the payment to the City of the greater of a minimum annual guarantee, that was set by the City to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues. The concession agreements also contain a reestablishment clause allowing the City to adjust rents within certain parameters if necessary to satisfy the Rate Maintenance Covenant. Revenues from terminal complex concessions constituted approximately 8% and 9% of Airport operating revenues in 2014 and 2015, respectively, and approximately 7% and 8% of Gross Revenues in 2014 and 2015, respectively.

Unlike the concession programs at most other U.S. airports, the Airport does not have one or two "master concessionaires" under contract who, in turn, sublease the concessions to others. The Airport's program since its opening in 1995 has emphasized direct contracting with individual concessionaires, providing opportunities for small businesses, greater competition, more choices for consumers and more revenue to the Airport.

**Public Parking.** Public automobile parking at the Airport is accommodated in parking structures, economy lots adjacent to the terminal, a remote shuttle parking lot and an overflow shuttle lot. The City has agreements with private contractors to manage these public parking facilities at the Airport, and also a concession agreement with a company operating a private parking lot on Airport property with approximately 1,500 spaces. Public parking revenues constituted approximately 23% and 25% of Airport operating revenues in 2014 and 2015, respectively, and approximately 21% and 22% of Gross Revenues in 2014 and 2015, respectively. Effective January 1, 2013, the Airport increased maximum daily parking rates in an effort to optimize revenue from public parking facilities at the Airport. The latest parking rate increases occurred in August 2014.

**Rental Cars.** The City has concession agreements with ten rental car companies to provide service at the Airport. Under the concession agreements which expire on December 31, 2020, each company pays to the City the greater of a minimum annual guarantee or a percentage of annual gross revenues. Rental car revenues constituted approximately 8% and 9% of Airport operating revenues in 2014 and 2015, respectively, and approximately 8% and 8% of Gross Revenues in 2014 and 2015, respectively.

**Other.** Other nonairline revenues include employee parking fees and storage area, building and terminal space (such as customer service counters) rentals by nonairline tenants at the Airport.

## **FINANCIAL INFORMATION**

### **Historical Financial Operations**

The following table sets forth comparative operating results of the Airport System for Fiscal Years 2011 through 2015 and for the first nine months of 2015 and 2016. See also “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014,” “APPENDIX F — UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015” and “Management’s Discussion and Analysis of Financial Performance” below.

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**City and County of Denver Airport System**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
(Amounts expressed in 000's. Totals may not add due to rounding.)

	Fiscal Year Ended December 31 <sup>1</sup>					Nine Months Ended September 30 (unaudited)	
	2011 <sup>2</sup>	2012 <sup>2</sup>	2013	2014 <sup>3</sup>	2015 <sup>3</sup>	2015	2016
Operating Revenues:							
Facility Rentals	\$212,408	\$211,411	\$214,251	\$235,774	\$194,004		
Concession income	47,499	49,592	52,022	55,863	59,677		
Parking income	132,728	137,912	159,465	167,851	178,478		
Car rentals <sup>7</sup>	46,353	47,222	50,002	59,655	65,309		
Landing fees	116,506	127,347	137,550	147,841	147,379		
Aviation fuel tax	28,892	32,783	28,101	26,298	19,458		
Hotel <sup>8</sup>	0	0	0	0	3,205		
Other sales and charges	18,383	18,406	20,246	18,210	20,026		
<b>Total operating revenues</b>	<b>602,769</b>	<b>624,673</b>	<b>661,637</b>	<b>711,492</b>	<b>687,536</b>		
Operating Expenses:							
Personnel services	115,648	120,334	125,608	134,699	148,518		
Contractual services	174,203	175,420	194,666	194,712	197,459		
Repair and maintenance projects	79,951	68,047	81,234	57,049	55,358		
Maintenance, supplies and materials	23,059	24,370	30,427	27,103	32,911		
Hotel <sup>8</sup>	0	0	0	0	2,557		
Total operating expenses before depreciation, amortization and asset impairment	392,862	388,171	431,935	413,563	436,803		
Operating income before depreciation, amortization and asset impairment	209,908	236,502	229,702	297,928	250,733		
Depreciation and amortization	179,070	178,567	184,721	183,560	163,714		
Operating income	30,838	57,935	44,981	114,368	87,019		
Nonoperating revenues (expenses)							
Passenger facility charges <sup>4</sup>	103,210	105,472	103,032	103,959	106,006		
Customer Facility Fees				17,215	18,598		
Investment income	32,490	46,899	25,205	44,030	40,648		
Interest expense	-209,599	-190,347	-183,359	-176,177	-169,413		
Grants	401	675	481	516	622		
Other revenue (expense) <sup>5</sup>	-1,989	-8,958	-1,265	1,444	12,645		
Net nonoperating revenues (expenses)	-75,489	-46,259	-55,906	-9,013	9,106		
Change in net assets before capital contributions	-44,651	11,676	-10,925	105,355	96,125		
Capital grants <sup>6</sup>	34,702	22,996	31,413	20,533	20,483		
Capital contributions							
Change in net assets	(\$9,949)	\$34,672	\$20,488	\$125,888	\$116,608		

[Footnotes on next page]

<sup>1</sup> See “Management’s Discussion and Analysis of Financial Performance” below.

<sup>2</sup> 2012 has been restated for adoption of GASB 65. 2011 has not been restated for adoption of GASB 65.

<sup>3</sup> 2015 includes a change in accounting principle due to the adoption of GASB 68. 2014 has not been restated for adoption of GASB 68.

<sup>4</sup> These amounts constitute the revenues derived from the entire \$4.50 PFC net of the PFC collection fee retained by the airlines. During this period all PFC revenue has been allocated to the payment of debt service related to the automated baggage system and the original cost of the Airport. See “—Passenger Facility Charges” below.

<sup>5</sup> Includes expenses incurred since February 1995 to maintain and preserve the Stapleton airport site (“Stapleton”). See “—Stapleton” below for further information.

<sup>6</sup> These amounts constitute amounts received from FAA grants.

<sup>7</sup> Includes certain customer facility charges (“CFCs”) collected from rental car companies. Such CFCs, in the amounts of approximately \$17.2 million in 2014 and \$18.6 million in 2015, are not included in the definition of “Gross Revenues” under the Senior Bond Ordinance.

<sup>8</sup> Reflects a partial year of Airport Hotel operation. The Airport Hotel opened in November 2015.

Sources: Audited financial statements of the Airport System for Fiscal Years 2011-2015 and Department of Aviation for unaudited figures for the nine months ended September 30, 2015 and 2016.

## **Management’s Discussion and Analysis of Financial Performance**

The following is a discussion and analysis by Airport management of the financial performance of the Airport System for Fiscal Years 2013 through 2015 as well as the nine months ended on September 30, 2016 and 2015. All figures presented below are approximate unless otherwise stated.

### ***Nine Months Ended September 30, 2016 vs. Nine Months Ended September 30, 2015. [TO COME]***

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for the first nine months of 2016 compared to the same period in 2015 is included as part of the financial statements of the Airport System appearing as “APPENDIX F – UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015.”

**2015 vs. 2014.** Operating revenues at the Airport were \$687.5 million for the year ended December 31, 2015, a decrease of \$24.0 million (3.4%), as compared to the year ended December 31, 2014. The decrease in revenue was primarily related to lower facility rentals due to changes in leased space, reduced rental rates, the buyout of a United hangar in 2014, and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year. Airport Hotel revenue of \$3.2 million in 2015 was a new revenue source for the Airport with the opening of the Airport Hotel on November 19, 2015.

Operating expenses, exclusive of depreciation and amortization, were \$436.8 million for the year ended December 31, 2015, an increase of \$23.2 million (5.6%) as compared to the year ended December 31, 2014. The increase was primarily attributable to an increase in personnel services of \$13.8 million (10.3%) in 2015 due to annual salary increases and benefits along with additional full time positions due to new facilities. Additionally, maintenance, supplies and materials increased by \$5.8 million (21.4%) due to increased spending on computer equipment and snow related chemicals. Contractual services increased by \$2.7 million (1.4%) primarily due to snow removal related expenses, utilities, and compute software subscriptions. Airport Hotel expenses were \$2.6 million in 2015.

Total nonoperating expenses, net of nonoperating revenues, increased by \$18.1 million in 2015. The increase was primarily due to an increase in land sales proceeds related to the redevelopment of Stapleton.



In 2015 and 2014, capital grants totaled \$20.5.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for 2015 compared to 2014 is included as part of the financial statements of the Airport System appearing as “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.”

**2014 vs. 2013.** Operating revenues at the Airport were \$711.5 million for the year ended December 31, 2014, an increase of \$49.9 million (7.5%), as compared to the year ended December 31, 2013. The increase in revenue was primarily due to the increased rates for landing fees, additional rental revenues, increased rates and surcharges for parking, and car rental revenues.

Operating expenses, exclusive of depreciation and amortization, were \$413.6 million for the year ended December 31, 2014, a decrease of \$18.4 million (4.3%) as compared to the year ended December 31, 2013. The decrease was primarily attributable to a decrease in repair and maintenance projects of \$24.2 million (29.8%) due to the completion of many airfield related projects in 2013, which was partially offset by increases in personnel services of \$9.1 million (7.2%) in 2014.

Total nonoperating expenses, net of nonoperating revenues, decreased by \$46.9 million (72.3%) to \$9.0 million in 2014. The decrease was due to the inclusion of customer facility charges, an increase in investment income, as well as a decrease in interest expense.

In 2014 and 2013, capital grants totaled \$20.5 and \$31.4 million, respectively. The decrease in capital grants was due to the closeout of 2010, 2011, and 2012 FAA grants.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for 2014 compared to 2013 is included as part of the financial statements of the Airport System appearing as “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.”

## **Pension Plan**

The Airport provides its employees with pension benefits through the Denver Employees Retirement Plan (“DERP”). DERP administers a cost-sharing multiple-employer defined benefit plan to eligible members. DERP is administered through the DERP Retirement Board in accordance with the City’s Revised Municipal Code and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan’s assets. The Airport’s share of the City’s total contributions to DERP was \$9,109,429 for Fiscal Year 2015 and \$7,870,277 for Fiscal Year 2014.

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“Statement No. 68”), as amended, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires employers to record their proportionate share of a plan’s unfunded pension liability. For an additional explanation of Statement No. 68, see Note 2 of the Airport’s audited financial statements in APPENDIX E. The adoption of Statement No. 68 resulted in a \$90,566,975 decrease in the Airport’s net position as of January 1, 2015, and on December 31, 2015, the Airport reported a liability of \$115,000,000 for its proportionate share of the net pension liability related to DERP. For additional information about DERP and the Airport’s pension liability, see Note 16 of the

Airport's audited financial statements in APPENDIX E – ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.

**Outstanding Senior Bonds**

The following table sets forth the Senior Bonds that are currently outstanding, including certain Series of Senior Bonds that may be refunded with a portion of the proceeds of the Series 2016B Bonds.

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## Outstanding Senior Bonds

<u>Issue</u>	<u>Amount (as of November 16, 2016)<sup>a</sup></u>	<u>Amount (as of December 31, 2016)<sup>b</sup></u>
Series 1992C Bonds <sup>1</sup>	\$40,080,000	\$40,080,000
Series 1992F Bonds <sup>2,3,4</sup>	19,100,000	19,100,000
Series 1992G Bonds <sup>2,3</sup>	15,800,000	15,800,000
Series 2002C Bonds <sup>2,3,4</sup>	28,200,000	28,200,000
Series 2006A Bonds <sup>4,6</sup>	236,665,000	_____ <sup>3</sup>
Series 2007A Bonds	188,350,000	188,350,000
Series 2007B Bonds <sup>6</sup>	24,250,000	_____*
Series 2007C Bonds	30,820,000	30,820,000
Series 2007D Bonds	130,575,000	130,575,000
Series 2007E Bonds <sup>6</sup>	47,400,000	_____*
Subseries 2007F1 Bonds <sup>2,4,5</sup>	37,625,000	37,625,000
Subseries 2007F2 Bonds <sup>2,4,5</sup>	37,925,000	37,925,000
Subseries 2007G1 Bonds <sup>2,3,4</sup>	65,700,000	65,300,000
Subseries 2007G2 Bonds <sup>2,3,4</sup>	65,800,000	65,300,000
Subseries 2008A1 Bonds	6,665,000	6,665,000
Series 2008B Bonds <sup>2,3,4</sup>	58,400,000	58,400,000
Subseries 2008C1 Bonds <sup>2,3,4</sup>	92,600,000	92,600,000
Subseries 2008C2 Bonds <sup>2,3,4</sup>	100,000,000	100,000,000
Subseries 2008C3 Bonds <sup>2,3,4</sup>	100,000,000	100,000,000
Series 2009A Bonds	154,480,000	154,480,000
Series 2009B Bonds	65,290,000	65,290,000
Series 2009C Bonds <sup>2,3,4</sup>	104,655,000	104,655,000
Series 2010A Bonds	166,150,000	166,150,000
Series 2011A Bonds	259,505,000	259,505,000
Series 2011B Bonds	49,250,000	49,250,000
Series 2012A Bonds	281,090,000	281,090,000
Series 2012B Bonds	502,950,000	502,950,000
Series 2012C Bonds	30,285,000	30,285,000
Series 2014A Bonds <sup>2, 3,7</sup>	112,025,000	108,275,000
Series 2016A Bonds	0	_____*
Series 2016B Bonds	0	_____*
	3,051,635,000	_____*

<sup>a</sup> Assumes that principal and mandatory sinking fund payments are made on November 15.

<sup>b</sup> Assumes the issuance of the Series 2016A Bonds and the Series 2016B Bonds.

<sup>1</sup> In 1999, the City used the proceeds from certain federal grants to establish an escrow to economically defease \$40,080,000 of the Series 1992C Bonds. However, the defeasance did not satisfy all of the requirements of the Senior Bond Ordinance, and consequently such economically defeased Series 1992C Bonds are reflected as still being outstanding.

<sup>2</sup> These Senior Bonds bear interest at variable interest rates. Except for the Series 2007F1-F2 Bonds, these Senior Bonds bear interest at a rate indexed to one-month LIBOR

<sup>3</sup> These Senior Bonds constitute Credit Facility Obligations owned by certain financial institutions as described in “—Restructuring of Variable Rate Senior Bonds” below. The City’s repayment obligations to those financial institutions constitute Credit Facility Obligations under the Senior Bond Ordinance.

<sup>4</sup> A portion of these Senior Bonds are associated with certain swap agreements discussed below and in Note 12 to the financial statements of the Airport System for Fiscal Year 2015 appended to this Official Statement as APPENDIX E, effectively converting the variable rate bonds to fixed rates and converting the fixed rate bonds to variable rates.

<sup>5</sup> The Series 2007F1-F2 Bonds are currently in an auction rate mode.

<sup>6</sup> The City expects to use proceeds of the Series 2016A Bonds to refund, defease and redeem, as applicable, all or a portion of the outstanding Series 2006A Bonds, Series 2007B Bonds, Series 2007E Bonds, or any combination thereof. See “INTRODUCTION – Series 2016A Bonds.”

<sup>7</sup> The City expects to use proceeds of the Series 2016B Bonds to refund and redeem the outstanding Series 2014A Bonds.

Sources: The Department of Aviation and the Financial Consultant.

<sup>3</sup> Preliminary, subject to change.

All or certain of the maturities of certain series of the Senior Bonds have been additionally secured by policies of municipal bond insurance. The related bond insurers have been granted certain rights under the Senior Bond Ordinance with respect to the Senior Bonds so insured.

Support facilities located at the Airport that were originally built to support Continental's then-planned hub at the Airport (specifically an aircraft maintenance facility, a flight kitchen, a ground support equipment facility and an air freight facility) were financed in part from a portion of the proceeds of the Series 1992C Bonds. The Series 1992C Bonds were subsequently refunded by the Series 2012A Bonds. In 1992, Continental and the City entered into several 25-year leases pursuant to which Continental agreed to be responsible for all costs attributable to its support facilities at the Airport, including an amount equal to the debt service on the Senior Bonds issued for such purpose. The terms of these leases have been extended to 2018, except that the lease related to the hangar was terminated in 2014 and subsequently leased to Frontier. Continental (now a subsidiary of United) subleases portions of these support facilities to a variety of other users. See also "AGREEMENTS FOR USE OF AIRPORT FACILITIES — Other Building and Ground Leases."

***Restructuring of Variable Rate Senior Bonds.*** In 2014, the City completed the restructuring of multiple series of Senior Bonds bearing interest at variable rates. The restructuring consisted of extending the maturities and changing or establishing mandatory sinking fund redemption dates for the following series of Airport System Revenue Bonds: Series 1992F, Series 1992G, Series 2002C, Series 2007G1-G2, Series 2008B, Series 2008C1, Series 2008C2-C3, and Series 2009C (collectively, the "Amended Series").

As set forth in the table below, the Amended Series were purchased by certain financial institutions pursuant to reimbursement agreements entered into with the City in connection with the restructuring of the Amended Series. The reimbursement agreements constitute Credit Facilities as defined by the Senior Bond Ordinance and the City's repayment obligation pursuant to such Credit Facilities constitute a lien on the Net Revenues on a parity with the Senior Bonds and any other Senior Obligations issued under the Senior Bond Ordinance. The reimbursement agreements include representations, covenants, and agreements in addition to those contained in the Senior Bond Ordinance. A breach of any of these covenants could result in a default under the reimbursement agreements and the Senior Bond Ordinance. See "RISK AND OTHER INVESTMENT CONSIDERATIONS –Rights of Certain Bondholders."

<u>Senior Bonds</u>	<u>Outstanding Principal Amount</u>	<u>Current Interest Rate Mode</u>	<u>Final Maturity Date</u>	<u>Financial Institution</u>	<u>Last Day of the Initial Period</u>
Series 1992F	\$ 19,100,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 1992G	15,800,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 2002C	28,200,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 2007G1-G2	130,600,000	Daily Floating	11/15/2031	BMO Harris Investment Corp.	12/01/2023
Series 2008B	58,400,000	Indexed Floating Rate	11/15/2031	Wells Fargo Bank, National Association	12/11/2020
Series 2008C1	92,600,000	Indexed Floating Rate	11/15/2031	Wells Fargo Bank, National Association	12/11/2020
Series 2008C2-C3	200,000,000	Indexed Floating Rate	11/15/2031	Royal Bank of Canada and RBC Capital Markets	08/29/2019
Series 2009C	104,655,000	Indexed Floating Rate	11/15/2031	U.S. Bank National Association	04/30/2017

- 1 Indicates the end date of the initial period during which the applicable financial institution has agreed to own the related Series of Senior Bonds at the index rate set forth in the related reimbursement agreement. Prior to the end of the initial period, the City may request the applicable financial institution to repurchase the related Series of Senior Bonds or provide liquidity or credit enhancement necessary to facilitate the conversion of such Series to a new interest rate mode. If the financial institution does not respond or rejects the City's request in its sole discretion, the City will be required to repurchase or redeem such Series of Senior Bonds on the last day of the applicable initial period for a purchase price of 100% of the par amount plus accrued interest to such date.

Source: The Department of Aviation and the Financial Consultant.

## **Outstanding Subordinate Bonds**

After the principal or mandatory sinking fund payments due on November 15, 2016 are made, the Series 2013A-B Subordinate Bonds will be outstanding in the aggregate principal amount of \$705,615,000 and the Series 2015A Subordinate Bonds will be outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. As described below under "Other Subordinate Obligations," there are certain outstanding Subordinate Hedge Facility Obligations.

## **Estimated Senior Bonds Debt Service Requirements and Subordinate Debt Service Requirements**

The following table sets forth the City's current estimated Debt Service Requirements for the Senior Bonds, the Subordinate Debt Service Requirements, and the outstanding Subordinate Hedge Facility Obligations. As described in the footnotes to the table, certain assumptions were made by the City with respect to the interest rates on the Subordinate Hedge Facility Obligations. The issuance of the Series 2016A Bonds and the Series 2016B Bonds and the refunding of the Series 2006A Bonds, Series 2007B Bonds, Series 2007E Bonds, and Series 2014A Bonds are not reflected in this table. For purposes

of this table, Subordinate Hedge Facility Obligations are included together with the Debt Service Requirements on Senior Bonds associated with those obligations.

**Estimated Senior Bonds Debt Service Requirements  
and Subordinate Debt Service Requirements\***

Fiscal Year Ending December 31	Outstanding Senior Bond Debt Service Requirement <sup>1, 2, 3</sup>	Principal or Sinking Fund Installment	Interest	Outstanding Senior Bond Debt Service Requirement <sup>1, 2, 3</sup>	Subordinate Debt Service Requirements	Total Senior Bond and Subordinate Bond Debt Service Requirements <sup>1, 2, 3</sup>
2017	\$ 299,452,085	\$		\$ 299,452,085	\$ 64,269,341	\$ 363,721,426
2018	289,596,890			289,596,890	77,476,289	367,073,179
2019	300,605,378			300,605,378	65,262,598	365,867,975
2020	297,439,893			297,439,893	62,782,044	360,221,936
2021	299,833,969			299,833,969	66,378,054	366,212,022
2022	336,209,150			336,209,150	47,860,651	384,069,801
2023	286,692,322			286,692,322	79,882,401	366,574,723
2024	285,500,299			285,500,299	81,219,657	366,719,955
2025	290,182,622			290,182,622	76,725,761	366,908,383
2026	186,324,229			186,324,229	70,487,313	256,811,541
2027	181,311,476			181,311,476	70,500,575	251,812,051
2028	181,543,208			181,543,208	70,494,675	252,037,883
2029	182,176,493			182,176,493	66,324,475	248,500,968
2030	180,204,200			180,204,200	59,125,600	239,329,800
2031	170,988,633			170,988,633	59,063,950	230,052,583
2032	129,188,148			129,188,148	59,065,000	188,253,148
2033	87,963,335			87,963,335	56,408,338	144,371,673
2034	44,901,123			44,901,123	44,838,338	89,739,460
2035	45,036,598			45,036,598	43,403,788	88,440,385
2036	45,183,998			45,183,998	36,093,163	81,277,160
2037	45,411,429			45,411,429	35,431,300	80,842,729
2038	45,956,708			45,956,708	35,430,200	81,386,908
2039	46,506,713			46,506,713	34,193,750	80,700,463
2040	24,244,500			24,244,500	34,132,113	58,376,613
2041	24,376,700			24,376,700	34,129,738	58,506,438
2042	23,303,650			23,303,650	34,135,188	57,438,838
2043	22,444,700			22,444,700	34,109,375	56,554,075
Total	\$4,352,578,447	-	-	\$ 4,352,578,447	\$1,499,223,668	\$ 5,851,802,115

<sup>1</sup> Includes Debt Service Requirements for the economically defeased Senior Bonds and Subordinate Hedge Facility Obligations. See “—*Outstanding Senior Bonds*” above.

<sup>2</sup> Variable rate interest and interest rate swap payments are computed assuming one-month LIBOR equals 2.71%, three-month LIBOR equals 2.81%, SIFMA equals 1.85% and Series 2007F1-F2 auction rate bond interest equals 2.20%.

<sup>3</sup> Debt service excludes capitalized interest and the Build America Bond subsidy payments from the United States Treasury.

Source: Financial Consultant.

### Other Subordinate Obligations

Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations have been and may also in the future be issued under the Airport System General Bond Ordinance and the Subordinate Bond Ordinance, as applicable, and are secured by a pledge of the Net Revenues that is subordinate to the pledge of the Net Revenues that secures the Senior Obligations.

Subordinate Contract Obligations and Subordinate Hedge Facility Obligations generally are comprised of contracts, agreements or obligations payable from all or a designated portion of the Net Revenues on a basis subordinate to the Senior Obligations and on a parity with Subordinate Bonds, but do not include Subordinate Bonds, Subordinate Credit Facility Obligations, obligations that may be treated as Operation and Maintenance Expenses under U.S. generally accepted accounting principles, and

\* Preliminary, subject to change.

obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be treated as Operation and Maintenance Expenses).

**Outstanding Subordinate Hedge Facility Obligations.** Since 1998, the City has entered into various interest rate swap agreements constituting Subordinate Hedge Facility Obligations under the Senior Bond Ordinance and the Subordinate Bond Ordinance in respect of certain series of the outstanding Senior Bonds. Detailed information regarding the swap agreements is set forth in Note 12 (Swap Agreements) to the financial statements of the Airport System for Fiscal Year 2015 appended to this Official Statement. The following table is a summary of the interest rate swap agreements outstanding as of September 30, 2016 that are Subordinate Hedge Facility Obligations. See also “Master Derivatives Policy” below and “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.”

<b>Year of the Swap Agreement</b>	<b>Counterparty</b>	<b>Notional Amount (in million)<sup>1</sup></b>	<b>Termination Date</b>	<b>Payable Swap Rate</b>	<b>Receivable Swap Rate</b>	<b>Fair Value as of 9/30/2016 (in millions)</b>
1998	Goldman Sachs Capital Markets, L.P.	\$100.00	11-15-2025	4.7600%	70% 1M LIBOR+0.1%	\$ (22.27)
1998	Societe Generale, New York Branch	100.00	11-15-2025	4.7190%	70% 1M LIBOR+0.1%	(22.04)
1999	Goldman Sachs Capital Markets, L.P.	100.00	11-01-2022	5.6179%	SIFMA	(20.05)
1999	Merrill Lynch Capital Services, Inc.	50.00	11-01-2022	5.5529%	SIFMA	(9.88)
2002	Goldman Sachs Capital Markets, L.P.	100.00	11-01-2022	SIFMA	76.33% 1M LIBOR	(0.72)
2005	Royal Bank of Canada	54.11	11-15-2025	3.6560%	70% IM LIBOR	(8.58)
2005	JP Morgan Chase Bank	54.11	11-15-2025	3.6874%	70% IM LIBOR	(8.68)
2005	Jackson Financial Products	108.23	11-15-2025	3.6560%	70% IM LIBOR	(17.17)
2005	Piper Jaffray Financial Products	54.11	11-15-2025	3.6560%	70% IM LIBOR	(8.58)
2006A	JP Morgan Chase Bank	151.10	11-15-2025	4.0085%	70% IM LIBOR	(24.16)
2006A	Societe Generale, New York Branch	50.37	11-15-2025	4.0085%	70% IM LIBOR	(8.05)
2006B	Royal Bank of Canada	54.11	11-15-2025	SIFMA	4.0855%	9.14
2006B	JP Morgan Chase Bank	54.11	11-15-2025	SIFMA	4.0855%	9.14
2006B	Jackson Financial Products	108.23	11-15-2025	SIFMA	4.0855%	18.29
2006B	Piper Jaffray Financial Products	54.11	11-15-2025	SIFMA	4.0855%	9.14
2008A	Royal Bank of Canada	100.73	11-15-2025	4.0085%	70% 1M LIBOR	(16.11)
2008B	Loop Financial Products	100.00	11-15-2025	4.7600%	70% 3M LIBOR+0.1%	(24.27)
2009A	Loop Financial Products	50.00	11-01-2022	5.6229%	SIFMA	(10.03)
<hr/>						
\$1,443.34 <sup>2</sup>						\$(154.88)

<sup>1</sup> Reflects mid-market valuations, including accrued, but unpaid interest as provided to the City by BLX Group, the City’s swap monitoring service provider.

<sup>2</sup> Totals may not add due to rounding.

Source: The Department of Aviation and the Financial Consultant.

**Subordinate Credit Facility Obligations.** Subordinate Credit Facility Obligations generally comprise repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues on a basis that is subordinate only to Senior Bonds and Senior Obligations and on a parity with Subordinate Bonds. The City, for and on behalf of the Department, has entered into a Subordinate Credit Facility to secure the Series 2015A Subordinate Bonds. The City’s obligation to the financial institution providing such Subordinate Credit Facility constitutes a Subordinate Credit Facility Obligation under the Subordinate Bond Ordinance.



## **Subordinate Commercial Paper Notes**

On July 7, 2003, the City authorized the issuance, from time to time, of its Airport System Subordinate Commercial Paper Notes, Series A (Tax-Exempt) and its Airport System Subordinate Commercial Paper Notes, Series B (Taxable) (collectively, the “Series A-B Subordinate Commercial Paper Notes”), constituting Subordinate Bonds, for the purpose of funding the costs of acquiring, improving and equipping facilities for the Airport, refunding or paying certain Airport System obligations and any such other lawful undertakings as may be determined by the Manager of Aviation to be of benefit to the Airport System. The aggregate principal amount of Series A-B Subordinate Commercial Paper Notes that may be outstanding at any time may not exceed the lesser of \$300 million or the amount that, together with the interest (including accreted amounts) due thereon to the stated maturity date of each such outstanding Series A-B Subordinate Commercial Paper Note, exceeds the amount available to be drawn on the credit facility securing the Series A-B Subordinate Commercial Paper Notes. The City does not currently maintain a Commercial Paper facility and there are currently no Series A-B Commercial Paper Notes outstanding.

## **Junior Lien Obligations**

The Airport System General Subordinate Bond Ordinance also permits the City, on its own behalf or for and on behalf of the Department, to issue bonds, notes, certificates, subordinate commercial paper or other securities, contracts or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Subordinate Bonds and other subordinate obligations (“Junior Lien Obligations”).

## **Special Facilities Bonds**

The City has issued various series of Special Facilities Bonds to finance the acquisition and construction of certain facilities at the Airport. These bonds are payable solely from designated payments received under lease agreements and loan agreements for the related Airport special facilities and are not payable from Gross Revenues.

United financed and subsequently refinanced its support facilities at the Airport (aircraft and ground support equipment, maintenance and air freight facilities and a flight kitchen that is subleased to Dobbs International Services) largely through the issuance by the City, for and on behalf of the Department, of its Special Facilities Bonds. In connection with the issuance of the original United Special Facilities Bonds in 1992 (the “1992 Special Facilities Bonds”), United executed a 31-year combined special facilities and ground lease (the “1992 Lease”) for all of the support facilities and certain tenant finishes and systems on Concourse B, the lease payments under which constituted the sole source of payment for the 1992 Special Facilities Bonds. In June 2007, the 1992 Bonds were refunded and defeased with the proceeds of \$270,025,000 Airport Special Facilities Bonds (United Air Lines Project), Series 2007A (the “2007 Special Facilities Bonds”) issued by the City, for and on behalf of the Department. In connection with the issuance of the 2007 Special Facilities Bonds, the 1992 Lease was amended (the “Amended Lease”). The Amended Lease terminates on October 1, 2023, unless extended as set forth in the Amended Lease or unless terminated earlier upon the occurrence of certain events as set forth in the Amended Lease and the lease payments under the Amended Lease constitute the sole source of payment for the 2007 Special Facilities Bonds.

See “DENVER INTERNATIONAL AIRPORT — Other Facilities” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Other Building and Ground Leases.”

## **Installment Purchase Agreements**

The City has entered into certain Installment Purchase Agreements with Koch Financial Corporation, GE Capital Public Finance, Inc., Sovereign Capital Leasing, Banc of America Public Capital Corp, and Santander Bank NA in order to provide for the financing of certain portions of the Airport's capital program, including, among other things, the acquisition of technology equipment, the acquisition of various runway maintenance, snow removal and emergency vehicles and equipment, additional jetways and flight information display systems, ticket counter improvements in the landside terminal and the funding of the portion of the costs of modifications to the baggage system facilities at the Airport that enabled the TSA to install and operate its own explosives detection systems for the screening of checked baggage "in-line" with the existing baggage systems facilities. As of December 31, 2015, \$21.2 million of principal note payments were outstanding under these Installment Purchase Agreements, compared to \$21.0 million at December 31, 2014.

The obligation of the City under each Installment Purchase Agreement to make payments thereunder is a special obligation of the City payable solely from the Capital Fund and such other legally available funds as the City may apply, but the City has not pledged any moneys in the Capital Fund or any other revenues of the Airport System to the payment of these Installment Purchase Agreements.

## **Capital Fund**

Moneys in the Capital Fund may be used to pay: the costs of acquiring, improving or equipping any Airport Facilities, to the extent such costs are not Operation and Maintenance Expenses; the costs of extraordinary and major repairs, renewals, replacements or maintenance items relating to any Airport Facilities of a type not properly defrayed as Operation and Maintenance Expenses; and the Bond Requirements of any Senior Bonds (or payments due for Subordinate Bonds) if such payment is necessary to prevent any default in such payment. The amount on deposit in the Capital Fund as of December 31, 2015, was approximately \$667.0 million. Such amount has been designated for use by the City as follows: (1) \$66.3 million for the Coverage Account (constituting Other Available Funds); (2) \$44.2 million to cover existing obligations and contingencies; and (3) \$556.5 million for any lawful Airport System purpose. See also "SECURITY AND SOURCES OF PAYMENT — Flow of Funds; Revenue Fund; and Capital Fund" and "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — Application of Revenues — Insurance — Disposal of Airport Property."

## **Rentals, Fees and Charges for the Airport**

Using compensatory and residual rate-making methodologies in its existing Use and Lease Agreements, the City has established rentals, fees and charges for premises and operations at the Airport. These include landing fees, terminal complex rentals, baggage system fees, concourse ramp fees, AGTS charges, international facility fees and fueling system charges, among others. The City also collects substantial revenues from other sources such as public parking, rental car operations and retail concession operations. For those airlines that are not signatories to Airport Use and Lease Agreements, the City assesses rentals, fees and charges following procedures consistent with those outlined in the Use and Lease Agreements, at a premium of 20% over Signatory Airline rates. In addition, nonsignatory airlines do not share in the year-end airline revenue credit. See generally "AGREEMENTS FOR USE OF AIRPORT FACILITIES."

The City believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable. However, no assurance can be given that challenges will not be made to the rates and charges established by the City or its method of allocating particular

costs. See “SECURITY AND SOURCES OF PAYMENT — Other Matters Related to the Senior Bonds — Rate Maintenance Covenant” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

**Passenger Facility Charges**

**General.** Public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) are permitted to charge each enplaning revenue passenger using the airport with a passenger facility charge (“PFCs”) for the purpose of developing additional capital funding resources for the expansion of the national airport system. The proceeds from PFCs must be used to finance eligible airport-related projects that serve or enhance the safety, capacity or security of the national airport transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers, including associated debt service. Public agencies desiring to impose and use PFCs are required to apply to the FAA for such authority and satisfy the requirements of 49 U.S.C. § 40117 (as previously defined, the “PFC Enabling Act”). Applications by certain public agencies, including the Department, after October 1, 2000, also require an acceptable airport competition plan.

The City first began imposing a PFC on enplaned revenue passengers on July 1, 1992, at the rate of \$3.00, which was increased to \$4.50 effective April 1, 2001. The PFC is collected by air carriers as part of the price of a ticket and then remitted to the City. The air carriers are permitted by the PFC Enabling Act to retain a portion of each PFC collected as compensation for collecting and handling PFCs. Effective May 1, 2004, the collection fee was increased from \$0.08 of each PFC collected to \$0.11 of each PFC collected. PFC revenues received by the Airport are net of this collection fee. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS—Risk of Airline Bankruptcies” for a discussion of the impact upon PFC collections in the event of an airline bankruptcy.

The amount of PFC revenues received each Fiscal Year is determined by the PFC rate and the number of qualifying passenger enplanements and level of passengers at the Airport. PFC revenues for the years 2011 through 2015 and the first nine months of 2015 and 2016 are set forth in the following table. See also “APPENDIX A — GLOSSARY OF TERMS” and “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

**PFC Revenues**

<u>Year</u>	<u>PFC Revenues (thousands)<sup>1</sup></u>	<u>Percent Change</u>
2011	\$103,210	0.6% <sup>2</sup>
2012	105,472	2.2
2013	103,032	(2.3)
2014	103,959	0.1
2015	106,007	2.0
2015 <sup>3</sup>	[REDACTED]	[REDACTED]
2016 <sup>3</sup>	[REDACTED]	[REDACTED]

<sup>1</sup> These amounts constitute the revenues derived from the entire \$4.50 PFC net of the collection fee retained by the airlines.

<sup>2</sup> Compared to the PFC revenue of \$102,595,000 for 2010.

<sup>3</sup> PFC Revenues collected through September 30, 2015 and September 30, 2016, respectively.

Sources: Audited financial statements of the Airport System for Fiscal Years 2011-2015.

The City's authorization to impose the PFC expires upon the earlier of February 1, 2029, or the collection of approximately \$3.2 billion of PFC revenues, net of collection fees. Through December 31, 2015, the City collected approximately \$1.7 billion in PFC revenues, constituting approximately 53% of the total authorized amount. In addition, the City's authority to impose the PFC may be terminated: (1) by the FAA, subject to certain procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Enabling Act or the related FAA regulations, or (b) the City otherwise violates the PFC Enabling Act or FAA regulations; or (2) if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 and its related regulations, subject to certain procedural safeguards. The City has covenanted that as long as the imposition and use of the PFC is necessary to operate the Airport System in accordance with the requirements of the Senior Bond Ordinance, the City will use its best efforts to continue to impose the PFC and to use PFC revenues at the Airport and to comply with all valid and applicable federal laws and regulations pertaining thereto necessary to maintain the PFC. However, no assurance can be given that the City's authority to impose the PFC will not be terminated by Congress or the FAA or that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City. In the event the FAA or Congress reduced or terminated the City's ability to collect PFCs, the City would likely need to increase airline rates and charges to pay debt service on the Senior Bonds and the Subordinate Bonds and to comply with both the Rate Maintenance Covenant and a similar covenant made in connection with the Subordinate Bonds. See also "—Federal Grants and Other Funding" below for a discussion of pending legislation affecting the maximum permissible PFC.

***Irrevocable Commitment of Certain PFCs to Debt Service Requirements for Senior Bonds.***

The definition of Gross Revenues in the Senior Bond Ordinance does not include PFC revenues unless, and then only to the extent, included as Gross Revenues by the terms of a Supplemental Ordinance. Prior to the adoption of the Series 2009A-B Supplemental Ordinance, no Supplemental Ordinance had included PFC revenues in the definition of Gross Revenues. Under the Series 2009A-B Supplemental Ordinance, the City included the \$1.50 portion of the \$4.50 PFC (the "Additional \$1.50 PFC" or "Designated Passenger Facility Charges") in Gross Revenues in each of the Fiscal Years 2009 through 2013, inclusive, and under the 2012A-B Supplemental Ordinance, the City included the Additional \$1.50 PFC in Gross Revenues in each of the Fiscal Years 2014 through 2018, inclusive, as further described below under "—Designated Passenger Facility Charges." The definition of Debt Service Requirements in the Senior Bond Ordinance provides that, in any computation required by the Senior Bonds Rate Maintenance Covenant and for the issuance of Additional Parity Bonds, there is to be excluded from Debt Service Requirements for the Senior Bonds amounts irrevocably committed to make such payments. Such irrevocable commitments may be provided from any available Airport System moneys, including PFC revenues. See "APPENDIX A — GLOSSARY OF TERMS."

Pursuant to the Senior Bond Ordinance, in order to administer PFC revenues, the City created within the Airport System Fund the PFC Fund, consisting of the PFC Debt Service Account and the PFC Project Account, and defined "Committed Passenger Facility Charges" to mean generally two-thirds of the PFC received by the City from time to time (currently the revenues derived by the City from the \$3.00 portion of the \$4.50 PFC). Pursuant to the PFC Supplemental Ordinances, the City has agreed to deposit all PFC revenues upon receipt in the following order of priority:

- (1) to the PFC Debt Service Account in each Fiscal Year through 2018, inclusive, the lesser of (a) all Committed Passenger Facility Charges received in each such Fiscal Year, and (b) the portion of Committed Passenger Facility Charges received in each such Fiscal Year that, together with other available amounts credited to the PFC Debt Service Account, will be sufficient to make the payments from the PFC Debt Service Account to the Bond Fund required in each such Fiscal Year, as set forth in the PFC Supplemental Ordinances (the "Maximum Committed Amounts"); and

(2) to the PFC Project Account all PFCs received in each Fiscal Year that are not otherwise required to be applied as described in clause (1).

The City has also irrevocably committed amounts on deposit in the PFC Debt Service Account, up to the Maximum Committed Amounts, to the payment of the Debt Service Requirements on Senior Bonds through Fiscal Year 2018. The Maximum Committed Amounts or any lesser amount of Committed Passenger Facility Charges and other credited amounts that may be deposited to the PFC Debt Service Account are to be transferred to the Bond Fund and used to pay Debt Service Requirements on Senior Bonds in each Fiscal Year through 2018. The Committed Passenger Facility Charges expected to be deposited by the City in the PFC Debt Service Account are less than the Maximum Committed Amounts in each of Fiscal Years 2016 through 2018. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE – PFC Fund” for the Maximum Committed Amounts that have been irrevocably committed to the payment of the Debt Service Requirements of the Senior Bonds through Fiscal Year 2018.

The irrevocable commitment of the Committed Passenger Facility Charges up to the Maximum Committed Amounts in the PFC Debt Service Account applies only with respect to the \$3.00 portion of the current \$4.50 PFC and not with respect to any PFC that might be imposed as a result of future PFC approvals by the FAA, and is only for the payment of Debt Service Requirements on Senior Bonds through Fiscal Year 2018.

All PFCs deposited to the PFC Project Account may be used for any lawful PFC eligible Airport System purpose as directed by the Manager, including Debt Service Requirements on Senior Bonds and Subordinate Debt Service Requirements. See also “Designated Passenger Facility Charges” below.

***Designated Passenger Facility Charges.*** Under the Series 2009A-B Supplemental Ordinance and the 2012A-B Supplemental Ordinance, the City has included the Additional \$1.50 PFC in Gross Revenues of the Airport System for purposes of the General Bond Ordinance in each of the Fiscal Years 2014 through 2018, inclusive, and the amounts resulting from the collection of the Additional \$1.50 PFC are to continue to be included in Gross Revenues in each Fiscal Year thereafter until such time as the Manager gives written notice to the Treasurer that such Designated Passenger Facility Charges are no longer to be included in Gross Revenues for purposes of the General Bond Ordinance. While the Designated Passenger Facility Charges are included in Gross Revenues for purposes of the General Bond Ordinance, all such Designated Passenger Facility Charges, upon their receipt from time to time, to the extent not otherwise required to be applied under the General Bond Ordinance, are to be applied as follows: (1) first, in such amounts as the Manager determines, to pay Debt Service Requirements for Outstanding Bonds; (2) second, all Designated Passenger Facility Charges not applied as described in (1) are to be irrevocably deposited in one or more Escrow Accounts established by the Manager to provide for the timely payment of Debt Service Requirements on such Outstanding Bonds as identified in such Escrow Accounts; and (3) third, all Designated Passenger Facility Charges not applied as described in (1) or (2) are to be expended for PFC eligible projects. All amounts credited to such Escrow Accounts will be irrevocably committed to pay Debt Service Requirements on such identified Bonds and would be excluded from the computation of Debt Service Requirements relating to the issuance of Additional Bonds under the General Bond Ordinance or any computation required by the Rate Maintenance Covenant under the General Bond Ordinance. In the Series 2009A-B Supplemental Ordinance and the 2012A-B Supplemental Ordinance, Designated Passenger Facility Charges is defined to include the Additional \$1.50 PFC and such additional charges as provided for in any written notice from the Manager to the Treasurer. See “SECURITY AND SOURCES OF PAYMENT — Other Matters Related to the Senior Bonds” and “APPENDIX A — GLOSSARY OF TERMS.”

## **Aviation Fuel Tax**

An amount equal to 65% of any sales and use taxes imposed and collected by the State on aviation fuel sold for use at the Airport by turbo propeller or jet engine aircraft and credited to the State aviation fund is distributed to the City on a monthly basis and may be used by the City exclusively for “aviation purposes” as defined in the statute, excluding subsidization of airlines except for the promotion and marketing of air service at airport facilities. Such receipts are treated by the City as Gross Revenues. State aviation fuel tax receipts remitted to the Airport were approximately \$18.9 million in 2014 and \$12.1 million in 2015.

The City also imposes a separate aviation fuel tax, which is not subject to the State allocation requirements but is also treated as Gross Revenues under the Senior Bond Ordinance. City tax receipts allocated to the Airport Revenue Fund, were approximately \$7.4 million in 2014 and \$7.4 million in 2015.

## **Federal Grants and Other Funding; Financial and Performance Audits**

Proceeds from federal grants are not included in the definition of Gross Revenues under the Senior Bond Ordinance and therefore are not pledged to the payment of Senior Bonds or Subordinate Bonds.

***Airport Improvement Program.*** One source of federal grants benefiting the Airport is the Airport Improvement Program (the “AIP”) established pursuant to the Airport and Airway Improvement Act of 1982 (Public Law 97-248). The AIP is administered by the FAA and is funded from the Airport and Airway Trust Fund, which is supported by user fees, fuel taxes, and other similar revenue sources. The AIP provides funds to finance capital improvements to commercial, cargo and general aviation airports. AIP grant moneys include entitlement funds that are appropriated annually based on enplaned passengers as well as discretionary funds that are available at the discretion of the FAA.

The AIP has been amended several times, most recently with the passage of the FAA Modernization and Reform Act of 2012 (the “2012 Reauthorization Act”) and the FAA Extension, Safety, and Security Act of 2016 (the “2016 Reauthorization Act”) enacted into law on July 15, 2016. The 2012 Reauthorization Act provided for general FAA funding authorization through fiscal year 2015, and revised requirements for the AIP. The 2016 Reauthorization Act extends the authority of the FAA and provides funding for the AIP at current levels through September 2017. The 2016 Reauthorization Act does not change the \$4.50 PFC rate and does not provide for any increases in such rate. See “Passenger Facility Charges” above.

***Financial and Performance Audits.*** Like all City departments, from time to time the Department is subject to performance and financial audits by federal and state agencies and local officials. When appropriate, the Department responds by adjusting or improving its relevant practices.

***Passenger Facility Charges.*** In July 2016, the FAA published a draft order (the “Draft PFC Order”) for public comment that would replace the existing PFC order governing the PFC program. The Draft Order is intended to reflect current legislation and policy and improve processes and procedures in the PFC Program. Among other changes, the Draft PFC Order (i) contains a standard eligibility threshold that can be used during the application process for PFC-funded terminal projects; (ii) provides tables containing specific criteria for eligibility, objective, justification and significant contribution by project type; including projects that are intended to preserve existing infrastructure; (iii) establishes a process so that a single problematic project does not slow down an entire application; including project decision deferrals and the issuance of supplemental PFC decisions; (iv) improves descriptions and examples of

what constitutes significant contribution for purposes of the \$4.50 PFC, including improved descriptions of calculations and added cautions on amendments; (v) provides expanded guidance regarding air carrier lease and use agreements for PFC-funded facilities; and (vi) establishes a policy to create a publicly available database of final PFC decisions on applications and amendments for large and medium hub airports. Any impacts on the Airport from such changes are uncertain and there can be no assurance that the Draft PFC Order or a different form thereof will be adopted by the FAA.

## **Stapleton**

When the Airport opened in February 1995, the City ceased aviation operations at the Stapleton airport and proceeded to dispose of Stapleton's approximately 4,051 acres. A plan for the redevelopment of the Stapleton site as a mixed-use community containing residential areas, commercial centers and open space and parks was approved by the City Council in March 1995 (the "Redevelopment Plan"). In 1998 the City entered into a Master Lease and Disposition Agreement with the Stapleton Development Corporation ("SDC"), a Colorado nonprofit corporation created by the City and the Denver Urban Renewal Authority, under which the SDC manages, operates and disposes of the Stapleton site in accordance with the Redevelopment Plan.

The SDC has sold all but 543 acres of developable land and 62 acres of open space. An additional area of open space of approximately 658 acres has been dedicated for parks and other public use space. The proceeds from the sales, net of closing costs, have been deposited to the Capital Fund. See "SECURITY AND SOURCES OF PAYMENT — Capital Fund" and "Capital Fund" above in this section.

## **Intergovernmental Agreement with Adams County**

The City and Adams County, Colorado, the county from which land for the Airport was annexed, entered into an Intergovernmental Agreement on a New Airport, dated April 21, 1988 (the "Adams County IGA"), that, among other things, governs land use in and around the Airport and establishes maximum levels of noise at 101 grid points in the vicinity of the Airport that may not be exceeded on an average annual basis. The Adams County IGA also establishes a noise contour for the Airport beyond which the City agrees to keep aircraft noise below certain levels. A noise contour is a line surrounding an airport that encloses a geographic region, which is exposed to a particular noise level. As further described below, the City and Adams County entered into an Amendatory Intergovernmental Agreement with an effective date of January 1, 2016 (the "IGA Amendment").

**Noise Mitigation.** Calculated noise levels that exceed the standards set forth in the Adams County IGA by more than two decibels in a year are potential Class II violations of the Adams County IGA that permit Adams County to send a notice of violation to the City. Upon receipt by the City of such notice, the City and Adams County may jointly petition the FAA to implement changes in flight procedures or Airport operations to bring the noise levels within the standards of the Adams County IGA. If the FAA fails to act, the City is obligated to impose rules and regulations to meet the noise standards. As defined in the Adams County IGA, a failure to act by the FAA occurs if (1) the FAA has not stated its intention to implement changes to achieve and maintain the noise levels required by the Adams County IGA within 180 days of the date of the joint petition by the City and Adams County, or (2) the FAA has not implemented such changes within one year of the date of the joint petition, thereby curing the Class II violation. If the City does not act within 90 days following the FAA's failure to act to impose rules and regulations to achieve the noise standards, Adams County or any affected city may seek a court order compelling the City to do so. If the court does not order the City to act, or finds that the City does not have the authority to act, the City is required to pay a noise mitigation payment of \$500,000 for each

Class II violation to Adams County or the city in which the property affected by the noise violation is located.

Annual noise reports for the period commencing with the opening of the Airport in February 1995 through December 31, 2015, have been prepared by the City in accordance with the Adams County IGA. The noise reports for calendar years 2014 and 2015 and for the first [nine] months of 2016 reported no potential Class II violations, including no noise contour violations. Accordingly there are no potential pending claims, and in the City's judgment, it is unlikely that noise levels will exceed the levels established under the Adams County IGA during the next two years.

***Land Use; IGA Amendment.*** The Adams County IGA contains provisions governing and restricting land use on and around the Airport. In response to Adams County's objections to the City's plans for regional development and potential new land uses at the Airport, the City (acting as the City and County of Denver) and Adams County entered into the IGA Amendment. Pursuant to the IGA Amendment, the parties agreed to amend the land use regulations contained in the Adams County IGA in order to provide greater opportunities for businesses to locate on land surrounding the Airport with the overall objective of promoting regional economic development on and around the Airport. The City also paid \$10 million to Adams County as partial consideration for (i) the modification of land use regulations, (ii) the authority granted to the City to designate certain land parcels for development (each, a "Development Parcel") under the provisions of the IGA Amendment, and (iii) increased opportunities for the City to lease, develop and use certain land surrounding the Airport. In addition, the City agreed to annually pay to Adams County an amount equal to 50% of the revenue derived from City taxes (with certain exceptions described in the IGA Amendment) imposed upon the development or use of any Development Parcel. Such revenues are required to be shared among Adams County and the cities of Aurora, Commerce City, Brighton, Thornton and Federal Heights.

### **Investment Policy**

The Senior Bond Ordinance permits the City to invest Airport System funds in "Investment Securities" as defined therein. See "APPENDIX A — GLOSSARY OF TERMS."

In addition to the Senior Bond Ordinance, provisions of the City Charter regulate the investment of Airport System funds. In accordance with the City Charter, the Chief Financial Officer is responsible for the management of the investment of City funds, including Airport System funds. The Chief Financial Officer is authorized to invest in the following securities: obligations of the United States Government; obligations of United States Government agencies and United States Government sponsored corporations; prime bankers' acceptances; prime commercial paper; insured certificates of deposit issued by banks and savings and loan institutions which are eligible public depositories as defined under Colorado Law. Uninsured certificates of deposit with Denver banks is required to be collateralized in accordance with the State's Public Deposit Protection Act; repurchase agreements; security lending agreements; highly rated municipal securities; money market funds that purchase only the types of securities specified in this paragraph; any investment type in which the Colorado state treasurer is allowed to invest state moneys if otherwise compliant with the City's investment policy, and other similar securities as may be authorized by ordinance. The City Municipal Code permits the City to invest in debt service reserve fund put agreements and forward purchase agreements.

Consistent with the City Charter, the City adopted a written investment policy on March 3, 2015 that implements the following strategies: (1) no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, supranationals, local agency government investment pools, money market funds and repurchase agreements; (2) the City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the



credit quality, liquidity or yield of the portfolio in response to market conditions or risk preferences; and (3) if securities owned by the City are downgraded by a nationally recognized rating agency to a level below the credit rating required by the City's investment policy, it will be the policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The decision will be based on its current maturity, the economic outlook for the issuer, and other relevant factors. The City's Chief Financial Officer will be notified of any such downgrades and the decision made by the City's investment team.

### **Master Derivatives Policy**

The City's Master Derivatives Policy provides guidelines concerning the use by the City's Department of Finance of swaps, caps, floors, collars, options on swaps ("swaptions") and other derivative financial products, including Subordinate Hedge Facility Obligations. Such derivative financial products are collectively referred to herein as "Swaps." See also "FINANCIAL INFORMATION — Subordinate Bonds — Other Subordinate Obligations."

In accordance with the Master Derivatives Policy, the Manager of Finance is required to develop the terms and provisions of each Swap with the input and advice of the City's financial advisors or swap advisors. Proposed Swaps must be approved by the City Council through the adoption of a swap ordinance (a "Swap Ordinance"). The Swap Ordinance establishes the authorized parameters for notional amount, Swap maturity, source of payment and other requirements relating to a Swap.

The Master Derivatives Policy does not restrict the City in the use of Swaps but requires the City to consider certain strategies in applying Swaps, including: (i) managing the City's exposure to floating and fixed interest rates through interest rate swaps, caps, floors, collars and other swaptions products; (ii) hedging floating rate risk with caps, collars, basis swaps and other instruments; (iii) locking in fixed rates in current markets for use at a later date through the use of forward swaps, swaptions, rate locks, options and forward delivery products; (iv) reducing the cost of fixed or floating rate debt through swaps and related products to create "synthetic" fixed or floating rate debt; (v) more rapidly accessing the capital markets than may be possible with conventional debt instruments; (vi) managing the City's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt debt; and (vii) other applications to enable the City to lower costs or strengthen the City's balance sheet.

The Master Derivatives Policy requires the City to make its best efforts to work with qualified swap counterparties that (i) have a general credit rating of at least "Aa3" or "AA-" by two of the nationally recognized rating agencies, or (ii) are a triple-A rated derivative products subsidiary as rated by at least two nationally recognized credit rating agencies, but not a terminating structure (continuation structures may be approved). For lower rated counterparties, the City must require credit enhancement consistent with the Master Derivatives Policy. In cases where the counterparty's obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the City is required to thoroughly investigate the nature and legal structure of the guarantee or structure in order to determine that it fully meets the City's requirements.

### **Property and Casualty Insurance**

The City maintains property insurance for most of the City's real and personal property located at the Airport except for any real and personal property for which the City contracts with its lessees to provide such insurance. The Airport and the City share a property insurance policy with a total loss limit of \$4 billion, subject to a \$100,000 per occurrence deductible. This is based on a reported value of approximately \$5.6 billion for the Airport. Valuation of Airport real and personal property is based upon replacement cost, subject to the total loss limit and various sublimits. Airport motor vehicles and mobile

equipment assets are insured under the same property insurance policy at reported values of approximately \$135 million (which is included in the \$5.6 billion total). Terrorism and non-certified acts of terrorism are included under the Airport's property insurance. As an additional cost savings initiative, Airport management has determined that it is not cost effective to maintain property insurance on the Airport's runways and roadways, which are valued at approximately \$1.7 billion. An Airport Owners and Operators Liability policy is maintained with a \$500 million per occurrence liability limit. War risk is included in this coverage with a \$150 million limit and terrorism risk is included at full policy limits.

### **Continued Qualification as an Enterprise**

Pursuant to the City Charter, the City by ordinance has designated the Department as an "enterprise" within the meaning of Article X, Section 20 of the State constitution, the effect of which is to exempt the Department from the restrictions and limitations otherwise applicable to the City under such constitutional provision. "Enterprises" are defined as government-owned businesses authorized to issue their own revenue bonds and receiving under 10% of their annual revenues in grants from all State and local governments combined. The constitutional provision contemplates that qualification as an "enterprise" is to be determined on an annual basis, and while the City regards the possibility to be remote that the Department might be disqualified as an "enterprise," such disqualification would have the effect, during such period of disqualification only, of requiring inclusion of the Airport System in the City's overall spending and revenue base and limitations, and of requiring voter approval for various actions, including, with certain exceptions, the issuance of additional bonds payable from the Net Revenues. One of such exceptions is the ability to refund bonds at a lower interest rate.

### **LITIGATION**

The Airport System is involved in several claims and lawsuits arising in the ordinary course of business. The City believes that any liability assessed against the City as a result of such claims or lawsuits which are not covered by insurance or accounted for in the Preliminary 2017-2021 Capital Program, would not materially adversely affect the financial condition or operations of the Airport System.

### **RATINGS**

Moody's Investors Service, Inc., Standard & Poor's Ratings Service, Inc. and Fitch, Inc. have published ratings of "\_\_\_" (\_\_\_ outlook), "\_\_\_" (\_\_\_ outlook) and "\_\_\_" (\_\_\_ outlook), respectively, with respect to the Series 2016B Bonds.

The City has furnished to these rating agencies the information contained in this Official Statement and certain other materials and information relating to the Series 2016B Bonds and the Airport System, including certain materials and information not included in this Official Statement. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions by the rating agencies.

A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Series 2016B Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of such ratings may be obtained from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings is likely to have an adverse effect on the market price of the Series 2016B Bonds.

## **REMARKETING AGENT**

No later than 30 days prior to the Purchase Date immediately following the end of the initial Index Rate Period for the Series 2016B Bonds, the City is required to appoint a Remarketing Agent and enter into a Remarketing Agreement for the Series 2016B Bonds. The remarketing agent will undertake, among other things, to use its best efforts to remarket the Series 2016B Bonds that are tendered for purchase.

## **UNDERWRITING**

The Series 2016B Bonds are being purchased from the City by Merrill Lynch, Pierce, Fenner & Smith Incorporated, (“Underwriter”) at a price equal to \$\_\_\_\_\_, being the aggregate principal amount of the Series 2016B Bonds less an underwriting discount of \$\_\_\_\_\_. Pursuant to a Bond Purchase Agreement by and between the City, for and on behalf of the Department, and the Underwriter (the “Series 2016B Bond Purchase Agreement”), the Underwriter agrees to accept delivery of and pay for all of the Series 2016B Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2016B Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter and its 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. Certain of the Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) 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 City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **RELATIONSHIP OF CERTAIN PARTIES**

Banc of America Preferred Funding Corporation is the Owner of the Series 2014A Bonds being refunded with the proceeds of the Series 2016B Bonds, as well as the Owner of the Series 1992F, Series 1992G, and Series 2002C Bonds. Bank of America, N.A. is the Owner of the Series 2015A Subordinate Bonds and a party to a credit facility and reimbursement agreement with the City that constitutes a Subordinate Credit Facility under the Subordinate Bond Ordinance. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Underwriter for the Series 2016B Bonds. Merrill Lynch Capital Services, Inc. has entered into a Subordinate Hedge Facility Obligation with the City related to an interest rate swap agreement. Banc of America Preferred Funding Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Merrill Lynch Capital Services, Inc. are affiliated and are subsidiaries of Bank of America Corporation.

## **CONTINUING DISCLOSURE**

In order to provide certain continuing disclosure with respect to the Series 2016B Bonds in accordance with Rule 15c2-12, the City will deliver a Continuing Disclosure Undertaking in respect of the Series 2016B Bonds in which it will agree to provide or cause to be provided annually to EMMA certain additional financial information and operating data concerning the Airport System and other obligated persons and to provide notice of certain specified events. See “APPENDIX G — FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the annual information and the events for which notice is to be provided and other terms of the Continuing Disclosure Undertakings. Within a five-year period from the date of this Official Statement, the City has complied in all material respects with previous undertakings.

## **LEGAL MATTERS**

All legal matters incident to the validity and enforceability of the Series 2016B Bonds are subject to the approval of Hogan Lovells US LLP, Denver, Colorado, Bond Counsel, and Becker Stowe Partners LLC, Denver, Colorado, Bond Counsel. The substantially final form of the opinions of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the City by Kristin M. Bronson, Esq., City Attorney, and Ballard Spahr LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriter by Sherman & Howard L.L.C., Denver, Colorado.

## **TAX MATTERS**

The following discussion is a summary of the opinions of Bond Counsel to the City that are to be rendered on the tax-exempt status of interest on the Series 2016B Bonds and of certain federal and State income tax considerations that may be relevant to prospective purchasers of Series 2016B Bonds. This discussion is based upon existing law, including current provisions of the Internal Revenue Code of

1986, as amended (the “Code”), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change.

Upon issuance of the Series 2016B Bonds, Hogan Lovells US LLP, Bond Counsel to the City, and Becker Stowe Partners LLC, Bond Counsel to the City, will each provide opinions, substantially in the form appended to this Official Statement, to the effect that, under existing law, interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as described in the following paragraph, corporations.

For corporations only, the Code requires that alternative minimum taxable income be increased by 75% of the excess (if any) of the corporation’s adjusted current earnings over its other alternative minimum taxable income. Adjusted current earnings include interest on the Series 2016B Bonds. An increase in a corporation’s alternative minimum taxable income could result in imposition of tax to the corporation under the corporate alternative minimum tax provisions of section 55 of the Code.

The foregoing opinions will assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2016B Bonds. The City will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2016B Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2016B Bonds.

Bond Counsel to the City will also provide opinions to the effect that, under existing law and to the extent interest on any Series 2016B Bond is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State.

Other than the matters specifically referred to above, Bond Counsel to the City express, and will express, no opinions regarding the federal, State, local or other tax consequences of the purchase, ownership and disposition of Series 2016B Bonds. Prospective purchasers of the Series 2016B Bonds should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Series 2016B Bonds may have adverse federal tax consequences for certain taxpayers. Such consequences include the following: (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2016B Bonds or, in the case of financial institutions, that portion of an Owner's interest expense allocated to interest on the Series 2016B Bonds (subject to certain exceptions); (2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by

15% of the sum of certain items, including interest on the Series 2016B Bonds; (3) interest on the Series 2016B Bonds earned by certain foreign corporations doing business in the United States of America could be subject to a branch profits tax imposed by Section 884 of the Code; (4) passive investment income, including interest on the Series 2016B Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (5) Section 86 of the Code requires recipients of certain Social Security and certain railroad retirement benefits to take into account, in determining the inclusion of such benefits in gross income, receipts or accrual of interest on the Series 2016B Bonds.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Owners is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2016B Bonds will be audited. If an audit is commenced, under current Service procedures the Owners of the Series 2016B Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2016B Bonds could adversely affect their value and liquidity.

Bond Counsel to the City will render their opinions as of the issue date, and will assume no obligation to update their opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel to the City are not binding on the courts or the Service; rather, such opinions represent Bond Counsel's legal judgment based upon their review of existing law and upon the certifications, representations and covenants referenced above.

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Series 2016B Bonds, the exclusion of interest on the Series 2016B Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Series 2016B Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

**Prospective purchasers of Series 2016B Bonds should consult their own tax advisors as to the applicability and extent of federal, State, local or other tax consequences of the purchase,**

**ownership and disposition of Series 2016B Bonds, including the potential consequences of any pending or proposed legislation, in light of their particular tax situation.**

### **EXPERTS**

Frasca & Associates, LLC is serving as the Financial Consultant to the City with respect to the Series 2016B Bonds.

### **FINANCIAL STATEMENTS**

The audited financial statements of the Airport System as of and for the years ended December 31, 2015 and 2014 are attached to this Official Statement as “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.” BKD, LLP, the City’s independent external auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix E hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement. The consent of BKD, LLP to the inclusion of Appendix E was not sought or obtained.

The unaudited financial statements of the Airport System for the nine months ended September 30, 2016 and September 30, 2015 are attached to this Official Statement as “APPENDIX F – UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015.”

The financial statements present financial information only with respect to the Airport System and do not present the financial position of the City and County of Denver, Colorado.

**MISCELLANEOUS**

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2016B Bonds, a copy of the Senior Bond Ordinance and the Subordinate Bond Ordinance may be obtained from the City and the Department.

So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

**CITY AND COUNTY OF DENVER, COLORADO**

By: \_\_\_\_\_  
Manager of Aviation/Chief Executive Officer

By: \_\_\_\_\_  
Manager of Finance/Chief Financial Officer

\* \* \*

## APPENDIX A

### GLOSSARY OF TERMS

Set forth below are definitions of some of the terms used in this Official Statement, the Senior Bond Ordinance and the General Subordinate Bond Ordinance. Reference is hereby made to the provisions of the Senior Bond Ordinance for a complete recital of the terms defined therein, some of which are set forth below. Reference is hereby made to the provisions of the General Subordinate Bond Ordinance for a complete recital of the terms defined therein, some of which are set forth below. See also “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” for certain proposed amendments to the definitions.

“*Additional Parity Bonds*” means additional Bonds which the City issues under the Senior Bond Ordinance on a parity with the Series 2016A Bonds.

“*AGTS*” means the Airport’s automated guideway transit system.

“*AIP*” means the Federal Aviation Administration’s Airport Improvement Program. “*Airport*” means Denver International Airport.

“*Airport Consultant*” means an independent airport management consultant or airport management consulting firm, as from time to time appointed by the Manager on behalf and in the name of the City: (a) who has a wide and favorable reputation for special skill and knowledge in methods of the development, operation, and management of airports and airport facilities; but (b) who is not in the regular employ or control of the City.

“*Airport System*” means the following facilities, whether heretofore or hereafter acquired by the City and whether located within or without the boundaries of the City: (a) Stapleton; (b) Denver International Airport; (c) all other airports, heliports or functionally similar aviation facilities; and (d) all other facilities of whatsoever nature relating to or otherwise used in connection with the foregoing, including without limitation, buildings, structures, terminals, parking and ground transportation facilities, roadways, land, hangars, warehouses, runways, shops, hotels, motels and administration offices. The term does not include any Special Facilities, except to the extent otherwise provided in the Senior Bond Ordinance.

“*Airport System Fund*” means the separate fund designated as the “City and County of Denver, Airport System Fund,” created under the Senior Bond Ordinance.

“*Bond Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Interest and Principal Retirement Fund,” created in the Senior Bond Ordinance.

“*Bond Requirements*” for any period means the Debt Service Requirements payable during such period, excluding the amount of any Obligations payable (or for which reserves are required to be deposited) during such period.

“*Bond Reserve Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Bond Reserve Fund,” created under the Senior Bond Ordinance.



“*Bonds*” or “*Senior Bonds*” means bonds, notes, certificates, commercial paper, or other securities issued by the City or by the City, for and on behalf of the Department, pursuant to the provisions of the Senior Bond Ordinance which are payable from the Net Revenues of the Airport System and which payment is secured by a pledge of and lien on such Net Revenues, including, without limitation, Completion Bonds, Refunding Bonds, Serial Bonds, Term Bonds, Credit Enhanced Bonds, Option Bonds, Capital Appreciation Bonds, and Variable Rate Bonds; but the term does not include any Special Facilities Bonds, Subordinate Bonds or any Obligations (except as represented by any bonds registered in the name of any provider of any Credit Facility or its nominee as a result of a purchase by a draw on the Credit Facility).

“*Capital Appreciation Bonds*” means Bonds which by their terms appreciate in value to a stated face amount at maturity.

“*Capital Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Capital Improvement and Replacement Fund,” created under the Senior Bond Ordinance.

“*Capitalized Interest Account*” means the special and separate subaccount within the Project Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Capitalized Interest Account,” created under the Senior Bond Ordinance.

“*Chief Financial Officer*” means the Chief Financial Officer and *ex-officio* Treasurer of the City appointed by the Mayor, currently being the Manager of Finance.

“*City*” means the City and County of Denver, Colorado.

“*City Charter*” means the home-rule charter of the City, as amended from time to time, and the term includes any successor charter or like document adopted as the organic law of the City.

“*City Council*” means the City Council of the City.

“*Code*” or “*Tax Code*” means the Internal Revenue Code of 1986, as from time to time amended, or the Internal Revenue Code of 1954, as amended, to the extent it remains applicable to any Bonds or other matters under the Senior Bond Ordinance. The term includes any regulations of the U.S. Department of the Treasury proposed or promulgated thereunder. Any reference to a specific section of the “*Tax Code*” is deemed to be a reference to the latest correlative section thereof, except where the context by clear implication otherwise requires.

“*Committed Passenger Facility Charges*” means two-thirds of all PFCs received by the City from time to time pursuant to the First PFC Application and the Second PFC Application.

“*Completion Bonds*” means Bonds issued for the purpose of defraying additional Cost of an Improvement Project and thereby implementing its completion.

“*Cost*” means the City’s costs properly attributable to any Improvement Project, Refunding Project, or combination thereof (as the context requires), including without limitation: (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work; (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed; (c) administrative and general overhead costs; (d) the costs of reimbursing funds advanced by the City, including any intrafund or interfund loan, or advanced with the approval of the

City by the State, any city, the federal government, or by any other person, or any combination thereof; (e) the costs of surveys, appraisals, plans, designs, specifications, or estimates; (f) the costs, fees and expenses of printers, engineers, architects, financial consultants, legal advisors, or other agents or employees; (g) the costs of publishing, reproducing, posting, mailing, or recording; (h) the costs of contingencies or reserves; (i) interest on Bonds for such period as may be determined by Supplemental Ordinance, any discount on the sale or remarketing of Bonds, any reserves for the payment of Bonds, or any other costs of issuing, carrying or repaying Bonds or of purchasing, carrying, and selling or redeeming Investment Securities, including without limitation any fees or charges of agents, trustees or other fiduciaries, and any fees, premiums or other costs incurred in connection with any Credit Facility; (j) the costs of amending any resolution, ordinance or other instrument relating to Bonds; (k) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans; (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, or franchises; (m) the costs of demolition, removal, and relocation; and (n) all other lawful costs as may be determined by the Manager.

“*Credit Enhanced Bonds*” means Bonds, the payment of which, or other rights in respect of which, is secured in whole or in part by a Credit Facility or by a pledge of revenues other than Gross Revenues.

“*Credit Facility*” means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of Bonds.

“*Credit Facility Obligations*” means repayment or other obligations incurred by the City under a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Credit Facility; but only if such obligations have a lien on the Net Revenues of the Airport System on the same priority as the lien thereon of Bonds.

“*Debt Service Requirements*” for any period means the sum of: (i) the amount required to pay the interest on any Bonds during such period; (ii) the amount required to pay the principal, Redemption Price or Purchase Price of any Bonds during such period, whether at stated or theretofore extended maturity, upon mandatory redemption, upon the exercise of any option to redeem or require tender of such Bonds if the City has irrevocably committed itself to exercise such option, or by reason of any other circumstance which will, with certainty, occur during such period; and (iii) the amount of any Credit Facility Obligations required to be paid and any Regularly Scheduled Hedge Payments to be made by the City with respect to any Hedge Facility secured under the Senior Bond Ordinance during such period, in each case computed as follows: (a) no payments required for any Option Bonds, other Bonds, or Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, shall be included in any computation of Debt Service Requirements prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments shall be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; (b) except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the Senior Bond Ordinance, Variable Rate Bonds, and Obligations which bear interest at a variable rate, shall be deemed to bear interest at a fixed annual rate equal to the prevailing rate of such Variable Rate Bonds or Obligations on the date of computation; provided that in any computation (i) of Minimum Bond Reserve; (ii) relating to the issuance of additional Bonds required by the Senior Bond Ordinance; or (iii) required by the rate maintenance covenant of the Senior Bond Ordinance, Variable Rate Bonds shall be deemed to bear interest at a fixed annual rate equal to (y) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds have been Outstanding) next preceding the date of computation; or (z) with respect to any Variable Rate

Bonds which are being issued on the date of computation, the initial rate of such Bonds upon issuance; (c) further, in any computation relating to the issuance of additional Bonds required by the Senior Bond Ordinance and any computation required by the rate maintenance covenant in the Senior Bond Ordinance, there shall be excluded from the computation of Debt Service Requirements amounts which are irrevocably committed to make the payments described in clauses (i), (ii), and (iii) above during such period, including without limitation any amounts in an Escrow Account and any proceeds of Bonds deposited to the credit of the Capitalized Interest Account; and (d) any Variable Rate Bonds with respect to which there exists a Hedge Facility that obligates the City to pay a fixed interest rate shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Hedge Facility for the full term of such Hedge Facility. In the case of any Bonds that bear interest at a fixed rate and with respect to which there exists a Hedge Facility that obligates the City to pay a floating interest rate Debt Service Requirements shall be deemed, for the full term of the Hedge Facility to include the interest payable on such Bonds, less the fixed amounts received by the City under the Hedge Facility, plus the amount of the floating payments (using the conventions described in (b) above) to be made by the City under the Hedge Facility.

“*Department of Aviation*” or “*Department*” means the Department of Aviation of the City and its successor in functions, if any.

“*Designated Passenger Facility Charges*” mean amounts received by the City from the PFCs approved by the FAA by letter dated January 30, 2001, excluding the Committed Passenger Facility Charges, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues. Designated Passenger Facility Charges also include such additional charges as provided for in any written notice from the Manager to the Treasurer.

“*DTC*” means The Depository Trust Company, New York, New York, which will be the registered owner of all the Series 2016A-B Bonds.

“*Escrow Account*” means any special and separate account established with a trust bank, designated by Supplemental Ordinance to administer such account in whole or in part with the proceeds of any Refunding Bonds or other moneys to provide for the timely payment of any Bond Requirements.

“*Event of Default*” means each of the events declared an “event of default” under the General Bond Ordinance or the Series 2016A-B Supplemental Ordinances.

“*Facilities*” or “*Airport Facilities*” means any real, personal, or real and personal property, or any interest therein, and any facilities (other than Special Facilities, except to the extent otherwise provided in the Senior Bond Ordinance) comprising a part of the Airport System, including without limitation, land for environmental or noise abatement purposes.

“*Financial Consultant*” means any financial consultant which is appointed by the City with respect to any series of Bonds.

“*First PFC Application*” means the City’s 1992 PFC Application as amended by the FAA in October 2000.

“*Fiscal Year*” means the 12 months commencing on January 1 of any calendar year and ending on December 31 of the same calendar year, or any other 12-month period which the appropriate authority designates as the fiscal year for the operation of the Airport System.

“*Fitch*” means Fitch, Inc. and its successors.

“*General Bond Ordinance*” means the General Bond Ordinance passed by the City Council on November 26, 1984, and approved by the Mayor on November 29, 1984, as amended and supplemented prior to the adoption of the Series 2016A-B Supplemental Ordinances.

“*Gross Revenues*” means any income and revenue lawfully derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project, or otherwise. The term includes, without limitation, all rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof on and after January 1, 1994, the revenues from the City’s sales and use taxes raised at the rate of two cents for each gallon of fuel purchased for use in the generation of power for propulsion or drawing of aircraft; any passenger taxes, passenger facility charges, or other passenger charges imposed for the use of the Airport System, but only to the extent included as Gross Revenues by the terms of any Supplemental Ordinance; and, except as otherwise provided in the Senior Bond Ordinance, interest and other realized gain from any investment of moneys accounted for in the various accounts of the Airport System Fund. The term does not include: (a) any Bond proceeds and other money (including interest) required to be credited to the Project Fund or the Bond Reserve Fund; (b) any rentals or other revenue, grants, appropriations, or gifts derived directly or indirectly from the United States; (c) any grants, appropriations, or gifts from the State, or any other sources, which are required by their terms to be used only for purposes other than the payment of Debt Service Requirements; (d) except as otherwise provided in the Senior Bond Ordinance, any revenue derived from any Special Facilities other than ground rentals relating to such Special Facilities and any moneys paid to the City in lieu of such ground rentals; (e) the proceeds of any insurance policy, except any such proceeds derived in respect of loss of use or business interruption; (f) any money (including interest) in any Escrow Account or similar account pledged to the payment of any obligations therein specified; (g) any money received in respect of any Credit Facility, unless otherwise provided by Supplemental Ordinance; and (h) any Hedge Termination Payments received by the City.

“*Hedge Facility*” means any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction entered into by the City, for and on behalf of the Department, and a Hedge Provider, which is intended to be integrated with and to convert or limit the interest rate on any Bonds.

“*Hedge Facility Obligations*” means payment obligations of the City in respect of Hedge Facilities, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under the Senior Bond Ordinance; but only if such obligations have a lien on the Net Revenues of the Airport System on the same priority as the lien thereon of Bonds; provided that Hedge Termination Payments to be made by the City are not to be secured under the Senior Bond Ordinance on a parity with the Bonds.

“*Hedge Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Hedge Facility are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% (or such lower percentage as is acceptable to the Rating Agencies) of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by any Federal Reserve Bank or a depository acceptable to the City, (iii) subject to a perfected first lien on behalf of the Bonds, and (iv) free and clear from all third-party liens.

“*Hedge Termination Payment*” means any amount payable to the City or a Hedge Provider, in accordance with a Hedge Facility, if the Hedge Facility is terminated prior to its scheduled termination date.

“*Improvement Project*” means any project to acquire, improve or equip (or any combination thereof) Facilities, as authorized and described by Supplemental Ordinance.

“*Independent Accountant*” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the City: (a) who is, in fact, independent and not under the control of the City; (b) who does not have a substantial interest, direct or indirect, with the City; and (c) who is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

“*Interest Account*” means the special and separate subaccount within the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Interest Account,” created under the Senior Bond Ordinance.

“*Interest Payment Date*” means, with respect to the Series 2016A Bonds, each November 15 and May 15, commencing May 15, 2017.

“*Investment Securities*” means, to the extent the following are permitted investments under the City’s investment policy, as such investment policy may be amended from time to time: (a) Federal Securities; and (b) if the laws applicable to the City permit any of the following investments to be made at the time such investment is made, any of the following: (i) Certificates or any other evidences of an ownership interest in Federal Securities or the interest thereon; (ii) interest bearing bank time deposits evidenced by certificates of deposit issued by banks incorporated under the laws of any state (including the State) or the Federal Government, or any national banking association that is a member of the Federal Deposit Insurance Corporation, and interest bearing savings and loan association time deposits evidenced by certificates of deposit issued by savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation, if (1) such deposits are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (2) the shareholders’ equity (e.g., capital stock, surplus, and undivided profits), however denominated, of such bank or savings and loan association is at least equal to \$10,000,000.00, or (3) such deposits are secured by Federal Securities, by obligations described in subparagraphs (b)(i) or (b)(iii) of this definition, or by tax-exempt, unlimited general obligation bonds of a state or municipal government rated “A” (or its equivalent) or better by one or more nationally recognized rating agencies, having at all times a market value in the aggregate (exclusive of accrued interest) at least equal to the amount of such deposits so secured, including accrued interest (or by any combination thereof); (iii) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks; the Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Tennessee Valley Authority; the Government National Mortgage Association; the Federal Financing Bank; the Farmers Home Administration; the Federal Home Loan Bank; or any agency or instrumentality of the Federal Government which is established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (iv) repurchase agreements with banks described in subparagraph (b)(ii) of this definition and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by depositing Federal Securities or obligations described in subparagraphs (b)(i) or (b)(iii) of this definition with an escrow agent satisfactory to the City, including, without limitation, any Federal Reserve Bank or any branch thereof; (v) banker’s acceptances that are rated at the time of purchase in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and that mature not more than 180

days after the date of purchase; (vi) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under a contract with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government; (vii) obligations issued by the City which are rated “A” (or its equivalent) or better by one or more nationally recognized rating agencies, but excluding any Bonds or Subordinate Bonds; (viii) commercial paper that is rated at the time of purchase in the highest short-term rating category of, or is otherwise approved by, the Rating Agencies and that matures not more than 270 days after the date of purchase; (ix) investments in (1) money market funds which are rated, at the time of purchase, in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and (2) public sector investment pools operated pursuant to Rule 2a-7 promulgated by the Securities and Exchange Commission in which the issuer’s deposit must not exceed 5% of the aggregate pool balance at any time, if the pool is rated, at the time of purchase, in one of the two highest short-term rating categories by, or is otherwise approved by, the Rating Agencies; (x) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and either: (A) that are rated, on the date of purchase, based on the irrevocable escrow account or fund (the “escrow”), in the highest long-term rating category by, or are otherwise approved by, the Rating Agencies; or (B) as to which the following apply: (1) such bonds or other obligations are fully secured as to principal, interest and any redemption premium by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of the principal, interest and any redemption premium on those bonds or other obligations on their maturity date or dates or the specified redemption date or dates in accordance with those irrevocable instructions, as appropriate; and (2) the escrow is sufficient, as verified by an independent certified public accountant, to pay principal, interest and any redemption premium on the bonds or other obligations described in this paragraph (x) on the maturity date or dates or the specified redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (xi) obligations issued by any state of the United States of America or any agency, instrumentality or local government unit of such state, and which obligations have on the date of purchase a rating in one of the two highest rating categories of, or are otherwise approved by, the Rating Agencies, without regard to any numerical or positive or negative designation; (xii) Investment Agreements with: (A) a Broker/Dealer (or its parent) either (1) having uninsured, unsecured and unguaranteed debt rated, at the time of investment, investment grade by, or is otherwise approved by, the Rating Agencies (in which case the agreement must provide that, if the provider is downgraded below investment grade by at least two of the Rating Agencies, the City may terminate the agreement) or (2) providing an investment agreement which is fully secured by Federal Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by any Federal Reserve Bank or a depository acceptable to the City, (c) subject to a perfected first lien on behalf of owners of the Bonds, and (d) free and clear from all third-party liens; (B) a bank having long-term uninsured, unsecured and unguaranteed debt rated, at the time of investment, in one of the two highest rating categories by, or is otherwise approved by, the Rating Agencies (the agreement must provide that, if the bank is downgraded below “A-” (or its equivalent) by at least two Rating Agencies, the City may terminate the agreement); (C) an insurance company having an uninsured, unsecured, and unguaranteed claims paying ability rated, at the time of investment, in the highest rating category by, or otherwise approved by, the Rating Agencies (the agreement must provide that, if the insurance company is downgraded below the highest rating category by at least two Rating Agencies, the City may terminate the agreement); and (D) a corporation whose principal business is to enter into investment agreements, if that corporation has been assigned, at the time of investment, a counterparty rating in the highest rating category by, or is otherwise approved by, the Rating Agencies, or the Rating Agencies have, at the time of the investment, rated the investment

agreements of such corporation in the highest rating category or have otherwise approved such investment (the agreement must provide that, if either the corporation's counterparty rating or that corporation's investment agreements rating is downgraded by at least two of the Rating Agencies, the City may terminate the agreement); and (xiii) such other investments as the Treasurer may be authorized to make with the general funds of the City.

*“Junior Lien Obligations”* means bonds, notes, certificates, commercial paper, or other securities, contracts or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Subordinate Bonds and other subordinate obligations.

*“Manager”* means the manager of the City's Department of Aviation, or his or her designee and successor in functions, if any.

*“Mayor”* means the mayor of the City, or his or her designee, and his or her successor in functions, if any.

*“Minimum Bond Reserve”* means the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding. With respect to any series of Bonds, 25% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it will be assumed for purposes of determining the Minimum Bond Reserve that (a) such series of Bonds matures over a twenty-year term from its date of issuance, (b) bears interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined is not to be less than the actual rate or rates borne by such series of Bonds, and (c) is payable on a substantially level annual debt service basis assuming the rate so determined. *This definition would be changed by the Proposed Amendments. See “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

*“Minimum Operation and Maintenance Reserve”* means an amount equal to not less than one-sixth and not more than one-third of the actual Operation and Maintenance Expenses of the Airport System during the next preceding Fiscal Year, as determined by the Manager not more often than once in each Fiscal Year.

*“Moody's”* means Moody's Investors Service, Inc. and its successors.

*“Net Rent Lease”* means a lease of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals during the term thereof, and to pay in addition all operation and maintenance expenses relating to the leased facilities, including, without limitation, maintenance costs, insurance, and all property taxes and assessments now or hereafter lawfully levied. *This definition would be changed by the Proposed Amendments. See “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

*“Net Revenues”* means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses.

*“Ninth Supplemental Ordinance”* means the Supplemental Ordinance which creates the PFC Fund as a separate account within the Airport System Fund, establishes the PFC Debt Service Account

and the PFC Project Account as separate subaccounts within the PFC Fund, and provides for the deposit of PFC revenues to such fund and accounts. The procedure for the administration of the PFCs set forth in the Ninth Supplemental Ordinance is replaced and superseded to the extent provided in the PFC Supplemental Ordinances.

“*Obligations*” means Credit Facility Obligations and Hedge Facility Obligations.

“*Operation and Maintenance Expenses*” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining, and repairing the Airport System. The term includes without limitation: (a) engineering, auditing, reporting, legal, and other overhead expenses of the various departments of the City (including without limitation the expenses of the Treasurer) directly related and reasonably allocable to the administration, operation, and maintenance of the Airport System; (b) fidelity bond and property and liability insurance premiums relating to the Airport System, or a reasonably allocable share of a premium of any blanket bond or policy relating to the Airport System; (c) payments to pension, retirement, health, and hospitalization funds, and other insurance, and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance; (d) any general (ad valorem) taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the City, the Airport System, the revenue, or income derived therefrom, or any privilege in connection therewith; (e) the reasonable charges of the Paying Agent and any other depository bank relating to Bonds; (f) costs of contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs, and labor, relating to the Airport System or to Bonds, including without limitation the reasonable expenses and compensation of trustees, receivers, or other agents or fiduciaries; (g) costs incurred in collecting or refunding all or any part of the Gross Revenues including the amount of any such refunds; (h) costs of any utility services furnished to the Airport System by the City or otherwise; (i) periodic fees, premiums or other costs incurred in connection with any Credit Facility Obligations; and (j) all other generally accepted current expenses of operating, maintaining and repairing an airport system similar to the Airport System. The term does not include any allowance for depreciation; the Cost of any Improvement Project (except to the extent not paid as part of such Cost and otherwise properly characterized as an Operation and Maintenance Expense); any reserves for major capital replacements or Operation and Maintenance Expenses (except as required in the Senior Bond Ordinance); payments in respect of Debt Service Requirements; any expenses incurred by lessees or licensees under Net Rent Leases; any Operation and Maintenance Expenses relating to Special Facilities (except as otherwise provided in the Senior Bond Ordinance); and any liabilities imposed on the City, including, without limitation, negligence in the operation of the Airport System.

“*Operation and Maintenance Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Operation and Maintenance Fund,” created under the Senior Bond Ordinance.

“*Operation and Maintenance Reserve Account*” means the special and separate subaccount in the Operation and Maintenance Fund designated as the “City and County of Denver, Airport System Operation and Maintenance Reserve Account,” created under the Senior Bond Ordinance.

“*Option Bonds*” means Bonds which by their terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owners thereof.

“*Ordinance*” means the General Bond Ordinance of the City passed by the City Council on November 26, 1984, and approved by the Mayor on November 29, 1984, Ordinance No. 626, Series of 1984, as supplemented and amended by the 1984 Airport System Supplemental Bond Ordinance, Ordinance No. 627, Series of 1984; the Series 1985 Airport System Supplemental Bond Ordinance,



Ordinance No. 674, Series of 1985; the Series 1990A Airport System Supplemental Bond Ordinance, Ordinance No. 268, Series of 1990; the Series 1991A Airport System Supplemental Bond Ordinance, Ordinance No. 278, Series of 1991; the Series 1991D Airport System Supplemental Bond Ordinance, Ordinance No. 726, Series of 1991; the Series 1992A Airport System Supplemental Bond Ordinance, Ordinance No. 82, Series 1992; the Series 1992B Airport System Supplemental Bond Ordinance, Ordinance No. 288, Series of 1992; the Ninth Supplemental Ordinance; the Series 1992C Airport System Supplemental Bond Ordinance, Ordinance No. 640, Series of 1992; the Series 1992D Airport System Supplemental Bond Ordinance, Ordinance No. 641, Series of 1992; the Series 1992E Airport System Supplemental Bond Ordinance, Ordinance No. 642, Series of 1992; the Series 1992F Airport System Supplemental Bond Ordinance, Ordinance No. 643, Series of 1992; the Series 1992G Airport System Supplemental Bond Ordinance, Ordinance No. 644, Series of 1992; the Series 1994A Airport System Supplemental Bond Ordinance, Ordinance No. 680, Series of 1994; the Series 1995A Airport System Supplemental Bond Ordinance, Ordinance No. 428, Series of 1995; the Series 1995B Airport System Supplemental Bond Ordinance, Ordinance No. 429, Series of 1995; the Series 1995C Airport System Supplemental Bond Ordinance, Ordinance No. 950, Series of 1995; the Series 1996A Airport System Supplemental Bond Ordinance, Ordinance No. 226, Series of 1996; the Series 1996B Airport System Supplemental Bond Ordinance, Ordinance No. 227, Series of 1996; the Twenty-first Supplemental Ordinance; the Series 1996C Airport System Supplemental Bond Ordinance, Ordinance No. 888, Series of 1996; the Series 1996D Airport System Supplemental Bond Ordinance, Ordinance No. 889, Series of 1996; the Twenty-fourth Supplemental Ordinance, Ordinance No. 480, Series of 1997; the Series 1997D Airport System Supplemental Bond Ordinance, Ordinance No. 547, Series of 1997; the Series 1997E Airport System Supplemental Bond Ordinance, Ordinance No. 548, Series of 1997; the Twenty-seventh Supplemental Ordinance; the Series 1998A Airport System Supplemental Bond Ordinance, Ordinance No. 821, Series of 1998; the Series 1998B Airport System Supplemental Bond Ordinance, Ordinance No. 822, Series of 1998; the Thirtieth Supplemental Ordinance; the Series 2000A Airport System Supplemental Bond Ordinance, Ordinance No. 647, Series of 2000; the Series 2000B Airport System Supplemental Bond Ordinance, Ordinance No. 648, Series of 2000; the Series 2000C Airport System Supplemental Bond Ordinance, Ordinance No. 649, Series of 2000; the Series 2001A Airport System Supplemental Bond Ordinance, Ordinance No. 539, Series of 2001; the Series 2001B Airport System Supplemental Bond Ordinance, Ordinance No. 540, Series of 2001; the Series 2001D Airport System Supplemental Bond Ordinance, Ordinance No. 675, Series of 2001; the Series 2002A1-A3 Airport System Supplemental Bond Ordinance, Ordinance No. 715, Series of 2002; the Series 2002C Airport System Supplemental Bond Ordinance, Ordinance No. 800, Series of 2002; the Series 2002D Airport System Supplemental Bond Ordinance, Ordinance No. 801, Series of 2002; the Series 2002E Airport System Supplemental Bond Ordinance, Ordinance No. 802, Series of 2002; the Series 2003A Supplemental Bond Ordinance, Ordinance No. 298, Series of 2003; the Series 2003B Supplemental Bond Ordinance, Ordinance No. 299, Series of 2003; the Series 2004A Supplemental Bond Ordinance, Ordinance No. 748, Series of 2004; the Series 2004B Supplemental Bond Ordinance, Ordinance No. 749, Series of 2004; the Series 2005A Supplemental Bond Ordinance, Ordinance No. 559, Series of 2005; the Series 2005B1-B2 Supplemental Bond Ordinance, Ordinance No. 785, Series of 2005; the Series 2005C1-C2 Supplemental Bond Ordinance, Ordinance No. 786, Series of 2005; the Series 2006A Supplemental Bond Ordinance, Ordinance No. 495, Series of 2006; the Series 2006B Supplemental Ordinance, Ordinance No. 496, Series of 2006; the Series 2007A-B Supplemental Ordinance, Ordinance No. 375, Series of 2007; the Series 2007C Supplemental Ordinance, Ordinance No. 376, Series of 2007; the Series 2007D-E Supplemental Ordinance, Ordinance No. 415, Series of 2007; the Series 2007F1-F4 Supplemental Ordinance, Ordinance No. 625, Series of 2007, as amended by Ordinance No. 363, Series of 2008; the Series 2007G1-G2 Supplemental Ordinance, Ordinance No. 626, Series of 2007, as amended and restated by the Amended and Restated Series 2007G1-G2 Supplemental Bond Ordinance, Ordinance No. 722, Series of 2007; the Series 2008A Supplemental Ordinance, Ordinance No. 179, Series of 2008; the Series 2008B Supplemental Ordinance, Ordinance No. 322, Series of 2008; the Series 2008C1-C3 Supplemental Ordinance, Ordinance No. 483, Series of 2008; the Series 2009A-B

Supplemental Ordinance, Ordinance No. 578, Series of 2009; the Series 2009C Supplemental Ordinance, Ordinance No. 577, Series of 2009; the Series 2010A Supplemental Ordinance, Ordinance No. 107, Series of 2010; the Series 2010B Supplemental Ordinance, Ordinance No. 108, Series of 2010; the Series 2011A Supplemental Ordinance, Ordinance No. 181, Series of 2011; the Series 2011B Supplemental Ordinance, Ordinance No. 489, Series 2011, the Series 2011C Supplemental Ordinance, Ordinance No. 490, Series of 2011; the Series 2012A-B Supplemental Ordinance, Ordinance No. 490, Series 2012; the Series 2012C Supplemental Ordinance, Ordinance No. 491, Series of 2012; the Series 2014A Supplemental Ordinance, Ordinance No. 745, Series of 2014, as amended by Ordinance No. 15-757, Series of 2015; the 2016A Supplemental Ordinance, Ordinance No. \_\_\_\_, Series of 2016; the Series 2016B Supplemental Ordinance, Ordinance No. \_\_\_\_, Series of 2016; and the PFC Supplemental Ordinances.

“*Other Available Funds*” means for any Fiscal Year the amount determined appropriate by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event is such amount to exceed 25% of the aggregate Debt Service Requirements for such Fiscal Year.

“*Outstanding*” when used with reference to any Bonds and as of any particular date means all such Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds which are deemed to be paid pursuant to the Senior Bond Ordinance or for which sufficient moneys are held in trust pursuant to the Senior Bond Ordinance; (c) any Bonds in lieu of or in substitution for which other Bonds have been executed and delivered; and, (d) except any Bonds held as Bank Bonds (as defined in any related Supplemental Ordinance), any Option Bonds deemed tendered or purchased as provided by Supplemental Ordinance. In determining whether the owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds owned by the City are to be disregarded and deemed not to be Outstanding.

“*Passenger Facility Charges*” or “*PFCs*” means charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” means any entity providing paying agency services for the Series 2016A-B Bonds, initially being Zions Bank, a division of ZB, National Association, Denver, Colorado, and any successor or assign thereof for the Series 2016A-B Bonds.

“*PFC Debt Service Account*” means the special and separate subaccount in the PFC Fund designated as the “PFC Debt Service Account,” created under the Senior Bond Ordinance.

“*PFC Fund*” means the special and separate account designated as the “City and County of Denver, Colorado, Airport System Revenue Bonds, PFC Fund,” created under the Senior Bond Ordinance.

“*PFC Project Account*” means the special and separate subaccount in the PFC Fund designated as the “PFC Project Account,” created under the Senior Bond Ordinance.

“*PFC Supplemental Ordinances*” means the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund.

“*Pledged Revenues*” means all or a portion of the Gross Revenues. The designated term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

“*Principal Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Principal Account,” created under the Senior Bond Ordinance.

“*Project Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Revenue Bonds, Project Fund,” created under the Senior Bond Ordinance, which consists of (a) separate subaccounts for each Improvement Project and Refunding Project, or combination thereof, as provided by Supplemental Ordinance and (b) the Capitalized Interest Account.

“*Proposed Amendments*” means the proposed amendments to the Senior Bond Ordinance as set forth in “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

“*Purchase Price*” means that amount due an owner of any Bond purchased or deemed purchased pursuant to and as provided in the Supplemental Ordinance authorizing such Bond.

“*Rating Agencies*” means any of Moody’s, S&P or Fitch then maintaining ratings on any of the Bonds at the request of the City.

“*Redemption Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Redemption Account,” created under the Senior Bond Ordinance.

“*Redemption Date*” means the date fixed by the City for the mandatory or optional redemption or required tender of any Bonds prior to their respective fixed maturity dates.

“*Redemption Price*” means, when used with respect to a current interest Bond, the principal amount thereof, plus the applicable premium, if any, payable on a Redemption Date, or when used with respect to a Capital Appreciation Bond, the accreted value, plus the applicable premium, if any, payable on a Redemption Date.

“*Refunding Bonds*” means any Bonds issued to refund, pay and discharge any Bonds, Credit Facility Obligations, Subordinate Bonds, or other securities or obligations.

“*Refunding Project*” means any undertaking to refund, pay, and discharge any Bonds, Credit Facility Obligations, Subordinate Bonds, or other securities or obligations.

“*Registrar*” means, when used with respect to the Series 2016A-B Bonds, Zions Bank, a division of ZB, National Association, Denver, Colorado, and any successors and assigns thereof.

“*Regularly Scheduled Hedge Payments*” means the regularly scheduled payments under the terms of a Hedge Facility which are due absent any termination, default or dispute in connection with such Hedge Facility.

“*Revenue Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Gross Revenue Fund,” created under the Senior Bond Ordinance.

“*S&P*” means Standard & Poor’s Ratings Service, Inc. and its successors.

“*Second PFC Application*” means the City’s PFC application which was approved by the FAA in January 2001.

“*Securities Depository*” means DTC, designated as the depository for the Series 2016A-B Bonds, and includes any nominee or successor thereof.

“*Senior Bond Ordinance*” means the Ordinance, as amended and supplemented by any Supplemental Ordinance that may be adopted by the City Council after the adoption of the Series 2016A-B Supplemental Ordinances.

“*Series 1991D Bonds*” means the Airport System Revenue Bonds, Series 1991D, issued on October 23, 1991, in the original aggregate principal amount of \$600,001,390.65.

“*Series 1992C Bonds*” means the Airport System Revenue Bonds, Series 1992C, issued on September 24, 1992, in the original aggregate principal amount of \$392,160,000.

“*Series 1992F Bonds*” means the Airport System Revenue Bonds, Series 1992F, issued on September 24, 1992, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of \$30,000,000.

“*Series 1992G Bonds*” means the Airport System Revenue Bonds, Series 1992G, issued on September 24, 1992, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of \$25,000,000.

“*Series 1995C Bonds*” means the Airport System Revenue Bonds, Series 1995C, issued on November 28, 1995, and additionally secured by municipal bond insurance (except for Series 1995C Bonds maturing in 2016), in the original aggregate principal amount of \$107,585,000.

“*Series 1997E Bonds*” means the Airport System Revenue Bonds, Series 1997E, issued on August 28, 1997, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$415,705,000.

“*Series 1998A Bonds*” means the Airport System Revenue Bonds, Series 1998A, issued on December 1, 1998, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$206,665,000.

“*Series 1998B Bonds*” means the Airport System Revenue Bonds, Series 1998B, issued on December 1, 1998, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$103,395,000.

“*Series 2000A Bonds*” means the Airport System Revenue Refunding Bonds, Series 2000A, issued on August 24, 2000, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$330,625,000.

“*Series 2001A Bonds*” means the Airport System Revenue Refunding Bonds, Series 2001A, issued on June 28, 2001, a portion of which is additionally secured by municipal bond insurance, in the aggregate original principal amount of \$395,635,000.

“*Series 2001B Bonds*” means the Airport System Revenue Refunding Bonds, Series 2001B, issued on June 28, 2001, and additionally secured by municipal bond insurance, in the aggregate original principal amount of \$16,675,000.

“*Series 2001D Bonds*” means the Airport System Revenue Refunding Bonds, Series 2001D, issued on August 6, 2001, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$70,540,000.

“*Series 2002C Bonds*” means the Airport System Revenue Refunding Bonds, Series 2002C, issued on October 9, 2002, as variable rate bonds, and additionally secured by a liquidity facility, in the original aggregate principal amount of \$49,000,000.

“*Series 2002E Bonds*” means the Airport System Revenue Refunding Bonds, Series 2002E, issued on October 9, 2002, and additionally secured by financial guaranty insurance policies, in the original aggregate principal amount of \$203,565,000.

“*Series 2003A Bonds*” means the Airport System Revenue Bonds, Series 2003A, issued on May 1, 2003, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$161,965,000.

“*Series 2003B Bonds*” means the Airport System Revenue Bonds, Series 2003B, issued on May 1, 2003, certain maturities of which are additionally secured by municipal bond insurance, in the original aggregate principal amount of \$125,000,000.

“*Series 2005A Bonds*” means the Airport System Revenue Bonds, Series 2005A, issued on August 25, 2005, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$227,740,000.

“*Series 2006A Bonds*” means the Airport System Revenue Bonds, Series 2006A, issued on August 17, 2006, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$279,585,000.

“*Series 2006B Bonds*” means the Airport System Revenue Bonds, Series 2006B, issued on August 17, 2006, and additionally secured by municipal bond insurance, in the original aggregate principal amount of \$170,005,000.

“*Series 2007A Bonds*” means the Airport System Revenue Bonds, Series 2007A, issued on August 29, 2007, in the original aggregate principal amount of \$188,350,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007B Bonds*” means the Airport System Revenue Bonds, Series 2007B, issued on August 29, 2007, in the original aggregate principal amount of \$24,250,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007C Bonds*” means the Airport System Revenue Bonds, Series 2007C, issued on August 29, 2007, in the original aggregate principal amount of \$34,635,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007D Bonds*” means the Airport System Revenue Bonds, Series 2007D, issued on August 29, 2007, in the original aggregate principal amount of \$147,815,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007D2 Bonds*” means the Airport System Revenue Bonds, Series 2007D2, issued on October 4, 2007, in the original aggregate principal amount of \$31,950,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007E Bonds*” means the Airport System Revenue Bonds, Series 2007E, issued on October 4, 2007, in the original aggregate principal amount of \$47,400,000 and additionally secured by municipal bond insurance constituting a Credit Facility.

“*Series 2007F1-F4 Bonds*” means the Airport System Revenue Bonds, Series 2007F1-F4, issued on November 14, 2007, in four subseries as auction rate bonds in the original aggregate principal amount of \$208,025,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

“*Series 2007G1-G2 Bonds*” means the Airport System Revenue Bonds, Series 2007G1-G2, issued on November 14, 2007, in two subseries as variable rate bonds in the original aggregate principal amount of \$148,500,000 and additionally secured both by municipal bond insurance and a standby bond purchase agreement constituting Credit Facilities.

“*Series 2008A1-A4 Bonds*” means the Airport System Revenue Bonds, Series 2008A1-A4, issued on April 14, 2008, in four subseries as both fixed rate and variable rate (term) rate bonds in the original aggregate principal amount of \$608,840,000.

“*Series 2008B Bonds*” means the Airport System Revenue Bonds, Series 2008B, issued on June 30, 2008, as variable rate bonds in the original aggregate principal amount of \$81,800,000 and additionally secured by a direct-pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

“*Series 2008C1-C3 Bonds*” means the Airport System Revenue Bonds, Series 2008C1-C3, issued in three subseries on November 4, 2008 (Subseries 2008C2 and Subseries 2008C3), and November 7, 2008 (Subseries 2008C1), as variable rate bonds and additionally secured by individual Credit Facilities, in the original aggregate principal amount of \$292,600,000.

“*Series 2009A Bonds*” means the Airport System Revenue Bonds, Series 2009A, issued on October 28, 2009, in the original aggregate principal amount of \$170,190,000.

“*Series 2009A-B Bonds*” means the Series 2009A Bonds and the Series 2009B Bonds.

“*Series 2009B Bonds*” means the Taxable Airport System Revenue Bonds, Series 2009B (Build America Bonds — Direct Payment), issued on October 28, 2009, in the original aggregate principal amount of \$65,290,000.

“*Series 2009C Bonds*” means the Airport System Revenue Bonds, Series 2009C, issued on November 6, 2009, in the original aggregate principal amount of \$104,655,000 as variable rate bonds and additionally secured by a direct-pay letter of credit constituting a Credit Facility providing both credit and liquidity support.

“*Series 2010A Bonds*” means the Airport System Revenue Bonds, Series 2010A, issued on March 9, 2010, in the original aggregate principal amount of \$171,360,000.

“*Series 2011A Bonds*” means the Airport System Revenue Bonds, Series 2011A, issued on April 14, 2011, in the original aggregate principal amount of \$349,730,000

“*Series 2011B Bonds*” means the Airport System Revenue Bonds, Series 2011B, issued on October 5, 2011, in the original aggregate principal amount of \$198,370,000.

“*Series 2011C Bonds*” means the Airport System Revenue Bonds, Series 2011C, issued on October 5, 2011, in the original aggregate principal amount of \$15,310,000.

“*Series 2012A Bonds*” means the Airport System Revenue Bonds, Series 2012A, issued on October 17, 2012, in the original aggregate principal amount of \$315,780,000.

“*Series 2012B Bonds*” means the Airport System Revenue Bonds, Series 2012B, issued on October 17, 2012, in the original aggregate principal amount of \$510,140,000.

“*Series 2012C Bonds*” means the Airport System Revenue Bonds, Series 2012C, issued on October 17, 2012, in the original aggregate principal amount of \$30,285,000.

“*Series 2014A Bonds*” means the Airport System Revenue Bonds, Series 2014A, issued on December 12, 2014, in the original aggregate principal amount of \$116,000,000.

“*Series 2016A Bonds*” means the Airport System Revenue Bonds, Series 2016A, in the original aggregate principal amount of \$\_\_\_\_\_, offered pursuant to this Official Statement.

“*Series 2016B Bonds*” means the Airport System Revenue Bonds, Series 2016B, in the original aggregate principal amount of \$\_\_\_\_\_, to be issued subsequent to the issuance of the Series 2016A Bonds.

“*Series 2016A-B Bonds*” means, collectively the Series 2016A Bonds and the Series 2016B Bonds.

“*Series 2016A Supplemental Ordinance*” means the “Series 2016A Airport System Supplemental Bond Ordinance,” as amended and supplemented from time to time by any other Supplemental Ordinance, which authorizes the issuance of the Series 2016A Bonds.

“*Series 2016B Supplemental Ordinance*” means the “Series 2016B Airport System Supplemental Bond Ordinance,” as amended and supplemented from time to time by any other Supplemental Ordinance, which authorizes the issuance of the Series 2016B Bonds.

“*Series 2016A-B Supplemental Ordinances*” means, together, the Series 2016A Supplemental Ordinance and the Series 2016B Supplemental Ordinance.

“*Sinking Fund Account*” means the special and separate subaccount in the Bond Fund designated as the “City and County of Denver, Airport System Revenue Bonds, Sinking Fund Account,” created under the Senior Bond Ordinance.

“*Special Facilities*” means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to the Senior Bond Ordinance. *This definition would be changed by the Proposed Amendments. See “APPENDIX C PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

“*Special Facilities Bonds*” means bonds or other securities to finance the cost of any Special Facilities and which are payable solely from all or a portion of the rentals received pursuant to a Net Rent Lease of such Special Facilities.

“*Stapleton*” means the site of the former Stapleton International Airport, which is part of the Airport System.

“*State*” means the State of Colorado.

“*Subordinate Bonds*” means bonds or other securities or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of Bonds.

“*Subordinate Bond Fund*” means the special and separate account designated as the “City and County of Denver, Airport System Subordinate Revenue Bonds, Interest and Principal Retirement Fund,” created under the Senior Bond Ordinance.

“*Subordinate Bond Ordinance*” means, Ordinance No. 302, Series of 2013, cited as the “Amended and Restated Airport System General Subordinate Bond Ordinance,” as amended and supplemented from time to time.

“*Subordinate Contract Obligations*” means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts incurred pursuant to the provisions of the Subordinate Bond Ordinance which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues, subordinate only to the lien thereon of the Bonds. The term does not include (i) Subordinate Bonds, Subordinate Credit Facility Obligations, or Subordinate Hedge Facility Obligations; or (ii) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).

“*Subordinate Credit Facility*” means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of Subordinate Bonds.

“*Subordinate Credit Facility Obligations*” means repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues subordinate only to the lien thereon of the Bonds and any Credit Facility Obligations.

“*Subordinate Hedge Facility*” means any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction, which is intended to convert or limit the interest rate on any Bonds or Subordinate Bonds.

“*Subordinate Hedge Facility Obligations*” means payment obligations of the City in respect of Subordinate Hedge Facilities, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and a lien on such Net Revenues subordinate only to the lien thereon of the Bonds and any Credit Facility Obligations.

“*Supplemental Ordinance*” means any ordinance of the City amending or supplementing the Senior Bond Ordinance, including without limitation any such ordinance authorizing the issuance of Bonds thereunder, and any ordinance amendatory thereof or supplemental thereto.

“*Term Bonds*” means Bonds of a series with a fixed maturity date or dates which do not constitute consecutive periodic installments and which Bonds are designated as Term Bonds by the Supplemental Ordinance authorizing their issuance.



“*Treasurer*” means the City’s Manager of the Department of Finance, Chief Financial Officer, *ex-officio* Treasurer, or his or her designee, and his or her successor in functions, if any.

“*Twenty-first and Twenty-seventh Supplemental Ordinances*” means the Supplemental Ordinances which provide for the deposit of PFC revenues to the PFC Fund, and to the PFC Debt Service Account and the PFC Project Account in such fund. The procedures for the administration of PFCs set forth in the Twenty-first and Twenty-seventh Supplemental Ordinances are replaced and superseded to the extent provided in the PFC Supplemental Ordinances.

“*Underwriters*” means, with respect to the Series 2016A Bonds, the underwriters identified on the cover of this Official Statement.

“*Variable Rate Bonds*” means Bonds issued with a variable, adjustable, convertible, index or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue, but which is subject to a maximum limitation.

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## APPENDIX B-1

### SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE

The following statements are summaries of certain provisions of the Senior Bond Ordinance, including, without limitation, the PFC Supplemental Ordinances, but not including the Series 2016B Supplemental Ordinance, which is set forth in full in Appendix B-2, and are in addition and complementary to the summary found under “THE SERIES 2016B BONDS” and found in APPENDIX B-2 – THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

*Several of the provisions and defined terms used in this summary would be changed by the Proposed Amendments. See “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”*

#### **Description of the Bonds**

The City and the Paying Agent may treat the person in whose name any Bond is registered upon the books or records of the Registrar as the absolute owner thereof, whether the Bond is overdue or not, for all purposes whatsoever; and payment of, or on account of, the Bond Requirements of any Bond is to be made only to, or upon the order of, such owner or his legal representative.

The Supplemental Ordinances relating to the issuance of the Outstanding Senior Bonds and the Series 2016B Bonds each provide that so long as Senior Bonds are registered in the name of the Securities Depository, all payments of the Debt Service Requirements or Redemption Price and all notices with respect to the Bonds are to be made and given in the manner provided in the letter of representation from the City to the Securities Depository.

If the date for making any payment or deposit or the last date for performance of any act or the exercise of any right, as provided in the Senior Bond Ordinance, is a Saturday, Sunday, legal holiday or other day on which banking institutions in the City are authorized by law to remain closed, such payment or deposit may be made or act performed or right exercised on the next succeeding day not a Saturday, Sunday, legal holiday or other day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date so provided, and no interest will accrue for the period after such nominal date.

Bonds which have been called for redemption are due and payable on the Redemption Date stated in the notice of redemption at the applicable Redemption Price, plus interest accrued to the Redemption Date; and upon presentation and surrender thereof, together with a written instrument of transfer duly executed by the owner or by his duly authorized attorney, such Bonds are to be paid; provided that if at the time of notice of any optional redemption of the Bonds there have not been deposited moneys in the Redemption Account or to an Escrow Account available for payment pursuant to the Senior Bond Ordinance and sufficient to redeem all of the Bonds called for redemption, the notice may state that it is conditional in that it is subject to the deposit of sufficient moneys by not later than one business day prior to the redemption date, and if the deposit is not timely made the notice is of no effect. If on the Redemption Date sufficient moneys are held by or on behalf of the Paying Agent for the redemption of the called Bonds, and if notice of redemption has been duly published and mailed, then from and after the Redemption Date such Bonds will cease to bear interest and no longer will be considered Outstanding.

Additional Parity Bonds

The Senior Bond Ordinance permits the City to issue Additional Parity Bonds to pay the Cost of an Improvement Project or a Refunding Project. In order to issue Additional Parity Bonds for an Improvement Project under the Senior Bond Ordinance, the City is required to obtain:

(a) a certificate or opinion of an Independent Accountant, setting forth for the last audited Fiscal Year or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of additional Bonds, as determined by the Independent Accountant, (i) the Net Revenues, together with any Other Available Funds, for such period and (ii) the aggregate Debt Service Requirements for such period; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts in the Bond Fund and to the credit of the Bond Reserve Fund and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate Debt Service Requirements for such period;

(b) a report of the Airport Consultant estimating, for each of the three Fiscal Years commencing with the earlier of either the Fiscal Year following the Fiscal Year in which the Manager estimates such Improvement Project will be completed or the first Fiscal Year in which there are Debt Service Requirements with respect to the Bonds to be issued for such Improvement Project: (i) the Gross Revenues and (ii) the Operation and Maintenance Expenses and other amounts required to be deposited in each of the subaccounts (other than the Redemption Account) in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account; and demonstrating that the Net Revenues in each such Fiscal Year, together with any Other Available Funds, are projected to be at least equal to the greater of either (A) the amounts needed to make the required deposits to the credit of the several subaccounts (other than the Redemption Account) in the Bond Fund, the Bond Reserve Fund and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate of any Debt Service Requirements for each such Fiscal Year, for the series of Bonds then to be issued and for any future series of Bonds which the Manager estimates will be required to complete payment of the Cost of such Improvement Project (such Debt Service Requirements of any future series of Bonds to be estimated by the Airport Consultant or by the Financial Consultant, if any), in each case after giving effect, among other factors, to the increase in Operation and Maintenance Expenses and to the completion of the Improvement Project or any completed portion thereof, and the increase in rates, fees, rentals or other charges (or any combination thereof) as a result of the completion of such Improvement Project or any completed portion thereof; and

(c) a certificate of the Manager to the effect that as of the date of the adoption of the Supplemental Ordinance authorizing such additional Bonds the City is not in default in making any payments required by the Senior Bond Ordinance.

In any computation required by the above, there is excluded from Gross Revenues any capital gain resulting from any sale or revaluation of Investment Securities or bank deposits, or both. If any one or more of the documents required by subsections (a) through (c) above cannot be given with the required results stated therein, the City may not issue Additional Parity Bonds; *provided however*, the City may issue Additional Parity Bonds for the purpose of refunding Senior Bonds without having to comply with the requirements described in subparagraphs (a) through (c) above.

## **Security**

Subject only to the right of the City to pay Operation and Maintenance Expenses of the Airport System, the Gross Revenues and all moneys and securities paid or to be paid to, or held or to be held in,

any fund or account under the Senior Bond Ordinance (except moneys and securities held in any Escrow Account and except as otherwise provided in the Senior Bond Ordinance) are irrevocably pledged to secure the payment of the Bond Requirements of the Bonds, Credit Facility Obligations and Hedge Facility Obligations. No preference, priority or distinction will exist between Bonds except as otherwise expressly provided in the Senior Bond Ordinance. The Bond Requirements of the Bonds are not to constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; and the Bond Requirements of the Bonds are not to be considered or held to be general obligations of the City but are to constitute its special obligations. The City has not pledged its full faith and credit and taxing power for the payment of the Bond Requirements of the Bonds.

The payment of the Bond Requirements of any Bonds is not secured by an encumbrance, mortgage, or other pledge of property of the City, except the Net Revenues and other funds pledged for their payment. No property of the City, subject to such exception, is liable to be forfeited or taken in payment of the Bond Requirements of the Bonds.

### **The Airport System Fund**

The Senior Bond Ordinance creates the following accounts and subaccounts in the Airport System Fund, all of which are held by the City: the Revenue Fund, the Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account), the Bond Fund (including the Interest Account, Principal Account, Sinking Fund Account and Redemption Account), the Bond Reserve Fund, the Subordinate Bond Fund, the Capital Fund, the Project Fund (including the Capitalized Interest Account) and the PFC Fund (including the PFC Debt Service Account and the PFC Project Account).

### **Application of Revenues**

So long as any Bonds are Outstanding, all Gross Revenues of the Airport System, upon their receipt from time to time by the City, are to be deposited to the credit of the Revenue Fund. After making the payments each month required to be credited to the Operation and Maintenance Fund, moneys in the Revenue Fund are required to be transferred and credited to the following accounts and subaccounts in the following order of priority and at the following times:

(a) to the Interest Account of the Bond Fund, monthly, commencing on the first day of the month immediately succeeding the issuance of any Bonds, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source, including without limitation moneys in the Capitalized Interest Account set aside for the payment of interest, to pay the next maturing installment of interest on Outstanding Bonds (in computing any required credit with respect to any Variable Rate Bonds the interest rate used is to be as provided by Supplemental Ordinance);

(b) to the Principal Account of the Bond Fund, monthly, commencing on the first day of the month immediately succeeding the issuance of any Serial Bonds, or commencing one year prior to the first fixed maturity date of such Serial Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient, together with any other moneys from time to time available therefor from whatever source to pay the next maturing installment of principal on Outstanding Serial Bonds;

(c) with the same priority as the Principal Account, to the Sinking Fund Account of the Bond Fund, monthly, commencing on the first day of the twelfth calendar month prior to the date on which the City is required to pay any Term Bonds, one-twelfth of the amount necessary to pay the Redemption Price or principal of Outstanding Term Bonds, scheduled to be retired in any

year by mandatory redemption, at fixed maturity, or otherwise, except to the extent any other moneys, including without limitation, moneys in any Escrow Account, are available therefor;

(d) on or prior to any date on which the City exercises its option to call for prior redemption any Bonds, to the Redemption Account, an amount necessary to pay the Redemption Price of such Bonds on such Redemption Date, except to the extent any other moneys (including without limitation moneys in any Escrow Account) are available therefor;

(e) to the Bond Reserve Fund, not less frequently than monthly, commencing no later than the first day of the month next succeeding each date on which any series of Bonds is issued or on which the amounts credited thereto are less than the Minimum Bond Reserve, cash or Investment Securities in an amount which, if made in substantially equal installments thereafter, would be sufficient to accumulate the Minimum Bond Reserve on or before the first day of the sixtieth month following the date of commencement (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period of sixty months);

(f) to the Subordinate Bond Fund, from any moneys remaining in the Revenue Fund amounts which are required for the payment of any Subordinate Bonds, including any reasonable reserves therefor, as provided by any Supplemental Ordinance or other instrument;

(g) to the Operation and Maintenance Reserve Account, from any moneys remaining in the Revenue Fund, not less frequently than monthly, an amount in cash or Investment Securities, or both, at least equal to the amount which, if made in substantially equal installments thereafter, would be sufficient to accumulate the Minimum Operation and Maintenance Reserve on or before the first day of the 36th month thereafter (taking into account, in all such cases, the known minimum gain from Investment Securities to be received by the City over such period); and

(h) to the Capital Fund, at the end of each Fiscal Year and after all payments referred to in (a) through (g) above have been made, all remaining moneys in the Revenue Fund.

Moneys in the Capital Fund may be withdrawn in any priority for any one, all, or any combination of the following purposes, as the Manager may from time to time determine: (a) to pay the Costs of acquiring, improving or equipping any Airport Facilities, to the extent such Costs are not Operation and Maintenance Expenses; (b) to pay costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any Airport Facilities, of a type not properly defrayed as Operation and Maintenance Expenses; and (c) to pay the Bond Requirements of any Bonds (or payments due for Subordinate Bonds) if such payment is necessary to prevent any default in the payment of such Bond Requirements.

If any monthly credit required to be made to the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund is deficient, the City is required to include the amount of such deficiency in the next monthly deposit into such subaccount.

No payment need be made into the Bond Reserve Fund so long as the moneys therein are at least equal to the Minimum Bond Reserve, and any moneys therein exceeding the Minimum Bond Reserve are to be transferred as Gross Revenues to the Revenue Fund and used for the purposes thereof, as provided in the Senior Bond Ordinance. In the event any Supplemental Ordinance so provides, the City may at any time or from time to time, subject to certain limitations, deposit a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve; provided that any such Credit Facility

is to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund as provided in the Senior Bond Ordinance. The Supplemental Ordinances authorizing the respective series of outstanding Senior Bonds impose limitations on the City's ability to deposit a Credit Facility in the Bond Reserve Fund.

So long as any Senior Bonds remain rated by Moody's, and unless Moody's otherwise agrees, no Credit Facility may be deposited in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, pursuant to the Senior Bond Ordinance, unless the then current Moody's rating on the Senior Bonds is equal to or less than the Moody's rating (or public finance equivalent thereof) of (a) the senior unsecured debt instruments of the provider of such Credit Facility or (b) in the event the provider of such Credit Facility is a bond or other insurance company the higher of the following: (i) any claims paying rating assigned by Moody's to such provider or (ii) any Moody's rating of debt secured by the insurance policies or surety bonds of such provider. In no event may any rating described in clause (a) or clause (b) above be less than "A" or "A3," as the case may be, unless Moody's otherwise agrees. In addition, no Credit Facility may be deposited in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, pursuant to the Senior Bond Ordinance, unless the then current rating of the provider of such Credit Facility by Moody's or by S&P is in one of the two highest rating categories of such rating agency.

If on any Bond Requirement payment date the City has failed for any reason to pay the full amount required into the Interest Account, the Principal Account and the Sinking Fund Account, as described above, an amount equal to the respective difference between that paid from the Net Revenues and the full amount required is to be paid on such date into such subaccounts from the Bond Reserve Fund (including any Credit Facility therein). The moneys so used are to be reaccumulated (or any such Credit Facility will be reinstated) in the Bond Reserve Fund from the first Net Revenues thereafter received (not required to be otherwise applied) in not more than sixty substantially equal monthly installments (taking into account the known minimum gain from Investment Securities to be received). If any monthly payment to be made into the Bond Reserve Fund is deficient, the City is required to pay into such fund the amount of such deficiency from the first Net Revenues thereafter received.

No payment is to be made into the Operation and Maintenance Reserve Account if the moneys therein then equal not less than the Minimum Operation and Maintenance Reserve. The moneys in the Operation and Maintenance Reserve Account are to be accumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Operation and Maintenance Expenses of the Airport System resulting from the failure to deposit into the Operation and Maintenance Fund sufficient funds to pay such expenses as the same accrue and become due.

### **PFC Fund**

All Passenger Facility Charges, upon their receipt from time to time by the City, are to be immediately deposited directly to the credit of the subaccounts in the PFC Fund in the following order of priority:

- (a) First, to the PFC Debt Service Account in each Fiscal Year through 2018, inclusive, the lesser of (i) all Committed Passenger Facility Charges received in each such Fiscal Year, and (ii) that portion of Committed Passenger Facility Charges received in each such Fiscal Year which, together with other available amounts credited to the PFC Debt Service Account, will be sufficient to make the payments from the PFC Debt Service Account to the Bond Fund required in each such Fiscal Year, as set forth below; and

(b) Second, to the PFC Project Account all Passenger Facility Charges so received by the City in each Fiscal Year not otherwise required to be applied as described in (a).

The following amounts, to the extent credited to the PFC Debt Service Account, have been or are to be irrevocably committed under the PFC Supplemental Ordinances to the payment of Debt Service Requirements on Senior Bonds in each Fiscal Year through 2018, inclusive:

2012	\$128,188,000
2013	132,673,000
2014	132,673,000
2015	132,673,000
2016	132,673,000
2017	132,673,000
2018	132,673,000

If no payments to the PFC Debt Service Account are required, no Passenger Facility Charges are required to be deposited to the credit of the PFC Debt Service Account. Any amounts remaining in the PFC Debt Service Account on December 31, 2018, are to be credited to the PFC Project Account.

Amounts credited to the PFC Project Account may be applied to any lawful purpose relating to the Airport System as the Manager may from time to time determine, including the transfer to the PFC Debt Service Account for the payment of Debt Service Requirements.

The PFC Supplemental Ordinances are applicable only to the Passenger Facility Charges, as defined therein.

Notwithstanding the provisions of the PFC Supplemental Ordinances relating to the use of Passenger Facility Charges in excess of the Committed Passenger Facility Charges, Designated Passenger Facility Charges are to be included in Gross Revenues of the Airport System for purposes of the General Bond Ordinance in each of the Fiscal Years 2009 through 2018, inclusive, and are to continue to be included in Gross Revenues of the Airport System each Fiscal Year thereafter until such time as the Manager gives written notice to the Treasurer that such Designated Passenger Facility Charges are no longer to continue to be included in Gross Revenues for purposes of the General Bond Ordinance. While the Designated Passenger Facility Charges are included in Gross Revenues for purposes of the General Bond Ordinance, all such Designated Passenger Facility Charges, upon their receipt from time to time, to the extent not otherwise required to be applied under the General Bond Ordinance, are to be applied as follows: (1) first, in such amounts as the Manager determines, to pay Debt Service Requirements for Outstanding Bonds; (2) second, all Designated Passenger Facility Charges not applied as described in clause (1) above are to be irrevocably deposited in one or more Escrow Accounts established by the Manager to provide for the timely payment of Debt Service Requirements on such Outstanding Bonds as identified in such Escrow Accounts; and (3) third, all Designated Passenger Facility Charges not applied as described in (1) or (2) are to be expended for PFC eligible projects. All amounts credited to such Escrow Accounts pursuant to clause (2) in the previous sentence have been irrevocably committed to pay Debt Service Requirements on such identified Bonds and are to be excluded from the computation of Debt Service Requirements relating to the issuance of Additional Bonds under the General Bond Ordinance or any computation required by the Rate Maintenance Covenant under the General Bond Ordinance.

## **Project Fund**

The money in the appropriate subaccount in the Project Fund is to be applied to the payment of the Cost of the Improvement Project or Refunding Project, or a combination thereof, as the case may be.

Payments from the Project Fund can be made only after the Manager has certified that such payments will comply with the Tax Code and upon voucher drawn by the Manager and filed with the Auditor. For each Fiscal Year after the delivery of any Bonds, until the termination of each Improvement Project, the City will cause an audit to be made by an Independent Accountant of all receipts and money then on deposit in the Project Fund and all disbursements made pursuant to the provisions of the Senior Bond Ordinance.

Upon substantial completion of the Improvement Project, surplus moneys in the Project Fund, not reserved for the payment of any remaining Cost, are to be paid to the Bond Reserve Fund if the Minimum Bond Reserve is not fully accumulated, and then paid to the Interest Account, the Principal Account or the Sinking Fund Account or to any combination of such subaccounts. Notwithstanding the above, any surplus moneys in the Project Fund will be applied so as to permit compliance with requirements of the Tax Code.

Alterations of, additions to, and deletions from any Improvement Project may be made prior to the withdrawal of all moneys accounted for in the applicable subaccount in the Project Fund, but, in the required Airport Consultant's opinion, any such alterations, additions and deletions will neither render the City incapable of meeting its rate maintenance covenant nor increase the estimated Cost of such Improvement Project, as fixed by Supplemental Ordinance, by more than 25% (excluding from such determination of Cost any capitalized interest, funded reserves, purchase discounts, or costs of issuance).

## **Investments**

The Investment Securities purchased as an investment or reinvestment of moneys in any such account or subaccount are to be deemed at all times to be part of the account or subaccount and held in trust therefor. Except as otherwise provided in the Senior Bond Ordinance, any interest earned on, or any profit or loss realized from the liquidation of, such Investment Securities and any interest or other gain from the deposit of moneys in any commercial bank, are to be credited or charged to the Revenue Fund as such gain or loss is realized; but any such interest, profit or loss on Investment Securities in any subaccount in the Project Fund or in the Bond Reserve Fund is to be credited or charged to such account or subaccount, and no interest or profit transferred to the Revenue Fund from any subaccount in the Project Fund until its termination or from the Bond Reserve Fund until the moneys accounted for therein, after any such transfer, are at least equal to the Minimum Bond Reserve.

In the computation of the amount in any account or subaccount as required by the Senior Bond Ordinance, Investment Securities purchased as an investment of moneys therein are to be valued at the cost thereof (including any amount paid as accrued interest) or the principal amount thereof, whichever is less; except that Investment Securities purchased at a premium initially may be valued at the cost thereof, but in each year after such purchase are to be valued at a lesser amount determined by ratably amortizing the premium over their remaining term. Any bank deposits are to be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the City until such gain is realized by the receipt of an interest-earned notice, or otherwise. The valuation of Investment Securities and bank deposits accounted for in any account or subaccount must be made not less frequently than annually.



## **Insurance**

The City has covenanted that it will insure and at all times keep the Airport System insured to the extent insurable by a responsible insurance company, companies, or carriers authorized and qualified under the laws of the State to assume the risk thereof against direct physical damage or loss from fire and so-called extended coverage perils in an amount not less than 80% of the replacement value of the Facilities so insured, less depreciation; but such amount of insurance will at all times be sufficient to comply with any legal or contractual requirement which, if breached, would result in assumption by the City of a portion of any loss or damage as a co-insurer; and also, if at any time the City is unable to obtain such insurance to the extent required at reasonable cost, the City will maintain such insurance to the extent reasonably obtainable. The proceeds of all such insurance will be available for, and to the extent necessary will be applied to, the repair, reconstruction and other replacement of damaged or destroyed Facilities. If the proceeds are more than sufficient for such purpose, the balance remaining will be paid first into the Bond Reserve Fund to the extent necessary to bring the amount on deposit therein up to the then Minimum Bond Reserve, then any balance will be transferred into the Capital Fund. If such proceeds are insufficient to repair, reconstruct or otherwise replace the damaged or destroyed Facilities, the deficiency may be supplied from moneys in the Capital Fund, or any other moneys legally available for such purposes.

The City also covenants that it will at all times carry with a responsible insurance company, to the extent not provided for in leases and agreements between the City and others relating to the Airport System, insurance covering the loss of revenues from Facilities by reason of necessary interruption, total or partial, in the use thereof, resulting from damage thereto, or destruction thereof, however caused, in such amounts as are estimated to be sufficient to provide a full normal income during the period of suspension subject to certain conditions. The Senior Bond Ordinance also makes provision for insurance against liability to any person sustaining bodily injury or property damage or the death of any person by reason of defect or want of repair in or about the Airport System or by reason of the negligence of any employee, and against such other liability for individuals, including workmen's compensation insurance, to the extent attributed to ownership and operation of the Airport System and damage to property.

For any company insuring the Airport System under a general liability policy, the total liability of such company for all damages resulting from all bodily injury and all property damage as the result of any one occurrence, will not be less than \$75 million under a single limit of liability endorsement or other like provision of the policy regardless of the number of insureds under the policy, individuals who sustain bodily injury or property damage, claims made or suits brought on account of bodily injury or property damage, or occurrences.

## **Records, Reports and Audits**

The City has covenanted that it will keep complete and correct books and records showing the monthly revenues derived from the Airport System or any Special Facilities and of the disposition thereof in reasonable detail as may be determined by the Manager, and in accordance with generally accepted accounting principles; and that, on the basis of such books and records, the City will cause reports to be prepared quarterly and copies to be mailed promptly (a) to the Airport Consultant and (b) to those owners of Outstanding Bonds who may request in writing such reports.

The City has covenanted it will cause an audit to be made of its books and accounts pertaining to the Airport System by an Independent Accountant as soon as practicable following the close of each Fiscal Year. The annual audit report is to include for the period covered (a) a statement showing, among other things, (i) the amount of Gross Revenues, (ii) the amount of Operation and Maintenance Expenses, (iii) the amount of Net Revenues including a statement as to the amount of Other Available Funds and as

to whether or not such Net Revenues together with Other Available Funds have been at least sufficient to meet the Rate Maintenance Covenant, and (iv) the amount of any capital expenditures pertaining to the Airport System and any Special Facilities; (b) a balance sheet as of the end of the Fiscal Year; (c) a comment by the Independent Accountant concerning the City's methods of operation, accounting practices, and compliance with the Senior Bond Ordinance and other instruments and proceedings relating to the Airport System and any Special Facilities as is deemed appropriate; (d) a list of insurance policies in effect at the end of the audit period; and (e) a recapitulation of each account and subaccount created by the Senior Bond Ordinance and any other instrument or proceeding relating to the Airport System. Within 90 days after each annual audit report is filed with the City, copies of such reports are to be mailed to the Airport Consultant, to those owners of Outstanding Bonds who may request in writing such report, and to any others as required.

## **Defeasance**

When all principal, interest, and any prior redemption premiums due in connection with the Bonds have been duly paid, or provision made therefor in accordance with the Senior Bond Ordinance, all covenants, agreements and other obligations of the City to the owners of the Bonds will thereby terminate, become void and be discharged and satisfied.

Any Outstanding Bond, prior to the maturity or Redemption Date thereof, will be deemed to have been paid if (a) in case such Bond is to be redeemed on any date prior to its maturity, the City has by Supplemental Ordinance given irrevocable instructions to effect due notice of redemption on such Redemption Date, if such notice is required; (b) there have been deposited in an Escrow Account, either (i) moneys in an amount which will be sufficient or (ii) direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America ("Federal Securities") which do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in such Escrow Account at the same time, will be sufficient to pay when due the principal of and interest due and to become due on such Bond on or prior to its redemption or maturity date; and (c) in the event such Bond is not subject to redemption within the next 60 days, the City by Supplemental Ordinance will have given irrevocable instructions to effect, as soon as practicable, notice to the owner of such Bond that the deposit required by (b) above has been placed in such Escrow Account and that such Bond is deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bond.

As to Variable Rate Bonds, the amount required for the interest thereon will be calculated at the maximum rate which such Variable Rate Bonds may bear; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and such Federal Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Variable Rate Bonds, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing such Variable Rate Bonds or otherwise existing under the Senior Bond Ordinance.

Notwithstanding any provisions of the Senior Bond Ordinance to the contrary, Option Bonds may only be discharged and satisfied by depositing moneys or Federal Securities which together with other moneys lawfully available therefor are sufficient at the time of such deposit to pay when due the maximum amount of principal of, premium, if any, and interest on such Option Bonds which could become payable to the owners of such Option Bonds upon the exercise of any options provided to the

owner of such Option Bonds or upon the mandatory tender thereof; provided, however, that if, at the time such a deposit is made, the options originally exercisable by the owner of an Option Bond are no longer exercisable or such Option Bonds are no longer subject to mandatory tender, such Option Bond will not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited for the payment of the principal of, and premium, if any, and interest on Option Bonds is not required for such purpose, the City may use the amount of such excess for lawful purposes relating to the Airport

System free and clear of any trust, lien, security interest, pledge or assignment securing such Option Bonds or otherwise existing under the Senior Bond Ordinance.

This provision would be changed by the Proposed Amendments. See “APPENDIX C PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

### **Modification of the Senior Bond Ordinance**

The Senior Bond Ordinance may be amended or supplemented by a Supplemental Ordinance without the consent of or notice to the owners of Bonds as follows: (a) to authorize the issuance of Additional Parity Bonds and to specify and determine matters which are not contrary to or inconsistent with the Senior Bond Ordinance; (b) to cure defects in the Senior Bond Ordinance; (c) to grant any additional rights to the owners of Bonds, including, without limitation, the designation of a trustee; (d) to add covenants of the City; (e) to add limitations on the City; (f) to confirm any pledge of the Pledged Revenues or any other moneys; (g) to cause the Senior Bond Ordinance to comply with the Trust Indenture Act of 1939, as amended; and (h) to effect any other changes in the Senior Bond Ordinance which in the opinion of an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, do not materially and prejudicially affect the rights of the owners of any Bonds.

The Senior Bond Ordinance also may be amended or supplemented by a Supplemental Ordinance adopted by the City upon the written consent of the owners of Bonds constituting more than 50% in aggregate principal amount of all Bonds then Outstanding and affected by the amendment or supplement. Notwithstanding, no such Supplemental Ordinance will have the effect of permitting without the consent of the owner of any Bond Outstanding so affected: (a) a change (other than as expressly provided for in the Supplemental Ordinance authorizing such Bond) in the maturity or in the terms of redemption of principal, or any installment of interest of any Outstanding Bond; (b) a reduction of the principal, interest rate or prior redemption premium of any Bond; (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Senior Bond Ordinance; (d) a reduction of the principal amount or percentages of Bonds, the consent of the owners of which is required for any such amendment or modifications; (e) the establishment of priorities as between Outstanding Bonds; or (f) modifications materially and prejudicially affecting the rights of the owners of any Bonds then Outstanding.

This provision would be changed by the Proposed Amendments. See “APPENDIX C PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

### **Events of Default**

The Senior Bond Ordinance provides that each of the following events is an “Event of Default”:

- (a) the City’s failure to pay when due the principal of any Bond, or any prior redemption premium in connection therewith, or both, or any failure to pay any installment of interest after it is due and payable;
- (b) the City is rendered incapable of fulfilling its obligations under the Senior Bond Ordinance;
- (c) the City’s failure to perform (or in good faith begin the performance of) all acts required of it under any

contract relating to the Pledged Revenues, the Airport System, or otherwise, which failure continues for 60 days after receipt of notice by the City from the owners of 10% in principal amount of all Bonds then Outstanding of such failure; (d) the City discontinues, delays, or fails to carry out the repair, reconstruction or replacement of any material part of the Airport System (which, if not promptly repaired, would have a material adverse effect on the Pledged Revenues) which is destroyed or damaged and is not promptly replaced (whether such failure to replace the same is due to impracticability of such replacement, is due to a lack of moneys therefor, or for any other reason); (e) an order or decree is entered with the City's consent appointing a receiver for the Airport System or the Pledged Revenues derived therefrom, or having been entered without the consent of the City, such order or decree is not vacated, discharged, or stayed on appeal within 60 days after entry; (f) the City defaults in the due and punctual performance of any other covenants, agreements, and provisions contained in any Bonds or in the Senior Bond Ordinance on its part to be performed, and such default has continued for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the owners of 10% in principal amount of all Bonds then Outstanding; (g) the City files a petition pertaining to its Airport System and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law or statute of the United States of America or the State; and (h) such other Event of Default as is set forth in any Supplemental Ordinance; provided, however, that it will not be an Event of Default under clauses (c) or (f) if the Manager determines that corrective action has been instituted within the 60-day period and is being diligently pursued.

### **Remedies of Owners of Bonds**

Upon the occurrence and continuance of any Event of Default (except as otherwise provided by Supplemental Ordinance with respect to Credit Enhanced Bonds), the owners of not less than 10% in principal amount of all Bonds then Outstanding may declare the principal and interest of the Bonds then outstanding due and immediately payable and proceed against the City to protect and enforce the rights of the owners of the Bonds issued under the Senior Bond Ordinance by mandamus or by other suit, action, or special proceedings in equity, or at law, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in, or by any award of execution of any power granted in the Senior Bond Ordinance or for the enforcement of any proper legal or equitable remedy as such bond owners may deem most effectual to protect and enforce such rights, or for acceleration subject to the conditions of the Senior Bond Ordinance. No remedy specified in the Senior Bond Ordinance is intended to be exclusive of any other remedy, and each and every remedy is to be cumulative.

Upon the happening of an Event of Default, the City will perform all acts on behalf of the owners of the Bonds to protect the security created for the Bonds and to insure timely payment thereof. During the continuance of an Event of Default, subject to any limitations with respect to payment of Credit Enhanced Bonds, the City, after payment (but only out of moneys received other than pursuant to a draw on a Credit Facility) of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the City to prevent a loss of Gross Revenues, will apply all moneys, securities and funds under the Senior Bond Ordinance, including, without limitation, Gross Revenues as an express trust for the owners of the Bonds and will apply the same toward the payment of principal of and interest on the Bonds in the order specified in the Senior Bond Ordinance.

### **Covenant Against Competing Facilities**

Unless, in the opinion of an attorney or firm of attorneys of recognized standing, compliance with such covenant in a particular situation would violate federal or State antitrust laws, the City has covenanted that it will neither construct, affirmatively permit to be constructed, facilitate the construction or operation of, nor enter into any agreement permitting or otherwise facilitating the construction or

operation of, other facilities to be operated by any person competing with the operation of the Airport in a manner that would materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant, but nothing in such covenant impairs the police power of the City, and nothing therein prevents the City from participating in a joint action agency, other regional entity or as a party to any intergovernmental agreement for the acquisition, operation and maintenance of airport facilities so long as provision has been made for the repayment of all Bond Requirements of all Outstanding Bonds or so long as such acquisition, operation and maintenance of such airport facilities, in the opinion of the Airport Consultant, will not materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant of the Senior Bond Ordinance.

### **Corporate Existence**

The City has covenanted that it will maintain its corporate identity and existence so long as any Bonds remain Outstanding, unless another body corporate and politic, by operation of law or by contract, succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the City with respect to the Airport System without, in an attorney's opinion, adversely and materially affecting the privileges and rights of any owner of any Outstanding Bond.

### **Disposal of Airport Property**

The City has covenanted that, except in the normal course of business and except as otherwise provided below, neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Bonds have been paid in full, or unless provision has been made therefor. The City may, however, transfer all or a substantial part of the Airport System to another body corporate and politic (including without limitation, any successor of the City) which assumes the City's obligations with respect to the Airport System, wholly or in part, if in an attorney's opinion, the privileges and rights of any owner of any Outstanding Bonds are not materially and adversely affected. In the event of any such transfer and assumption, the City is not prevented from retaining any facility of the Airport if, in an attorney's opinion, such retention will not materially and adversely affect the privileges and rights of any owner of any Outstanding Bonds.

The City may execute (with certain limitations) leases, licenses, easements, or other agreements in connection with the operation of the Airport System.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any Facilities constituting a part of the Airport System which have, in the opinion of the Manager, ceased to be necessary for the efficient operation of the Airport System, or which have been replaced by other Facilities of at least equal value, except to the extent the City is prevented from so doing by any contractual limitation pertaining thereto. The net proceeds of the sale of any such Facilities are to be used for the purpose of replacing Facilities at the Airport System, or are to be paid into the Capital Fund.

### **Tax Covenant**

The City has covenanted that it will not take (or omit to take) or permit or suffer any action to be taken if the result thereof would cause any of the Series 2016B Bonds to become arbitrage bonds within the meaning of Section 148 of the Tax Code. The City further has covenanted that it will not (a) make any use of the proceeds of any Series 2016B Bonds, any fund reasonably expected to be used to pay the principal of or interest on any of such Bonds, or any other funds of the City, (b) make any use of any Facilities, or (c) take (or omit to take) any other action with respect to any Series 2016B Bonds, if such use, action or omission would, under the Tax Code, cause the interest on any Series 2016B Bonds to be included in gross income for federal income tax purposes.

## **Miscellaneous**

The City has agreed that it will maintain and keep the Facilities in a sanitary condition, in good repair, in working order, and free from obstructions. The City further has agreed to maintain and operate the Facilities in a manner suitable for air transport operations. The City will make any further assurances as may be necessary with respect to the pledge of Gross Revenues of the Airport System. The City will prevent any accumulation of claims for interest after maturity.

## **Series 2016B Supplemental Ordinance**

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the Senior Bond Ordinance in respect of the Series 2016B Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

\* \* \*

**APPENDIX B-2**

**THE SERIES 2016B SUPPLEMENTAL ORDINANCE**

[to be attached or incorporated by reference]

## APPENDIX C

### PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE

*The amendments to the Senior Bond Ordinance that have been proposed but not yet adopted are set forth below. These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the remaining Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2016B Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth below and to the appointment of UMB Bank, n.a. as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance. The purchasers of all Senior Bonds issued by the City in 2000 and thereafter have likewise been deemed to have consented to the Proposed Amendments. See also "SECURITY AND SOURCES OF PAYMENT – Other Matters Related to the Senior Bonds." **The Proposed Amendments are shown in blackline.***

#### DEFINITIONS—SECTION 102 A.

The following definitions are to be amended to read as follows:

**(8.1) "Balloon Maturities" means, with respect to any series of Bonds or other Obligations 50% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, that portion of that series which matures within that Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of those Bonds or other Obligations required to be redeemed or otherwise prepaid prior to their stated maturity date. Similar structures with respect to commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities for purposes of this Instrument.**

**(22.1) "Contract Obligations" means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under this Instrument. The term does not include (a) Bonds, Credit Facility Obligations, or Hedge Facility Obligations; or (b) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).**

**(47) "Minimum Bond Reserve" means (i) so long as any Bonds issued prior to August 1, 2000 are Outstanding, the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding, and (ii) if no Bonds issued prior to August 1, 2000 are Outstanding, an amount equal to the lesser of (A) the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding or (B) 125% of the average annual aggregate Bond Requirements on the Bonds then Outstanding; provided that if no Bonds issued prior to August 1, 2000 remain Outstanding, the Minimum Bond Reserve may be reduced to the maximum amount which**



**is permitted to be capitalized for such purpose from the proceeds of such Bonds under then current law in order to maintain the exclusion from gross income for federal income tax purposes of interest on such Bonds; and provided further that no Minimum Bond Reserve shall be required for any Short-Term/Demand Obligations.** With respect to any series of Bonds, 25% ~~50%~~ or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it shall be assumed for purposes of determining the Minimum Bond Reserve that ~~(i) such(x) such~~ series of Bonds matures over a ~~twenty~~**thirty**-year term date from its date of issuance, ~~(ii) bears(y) bears~~ interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined shall not be less than the actual rate or rates borne by such series of Bonds, and ~~(iii) is(z) is~~ payable on a substantially level annual debt service basis assuming the rate so determined.

(50) “Net Rent Lease” means a lease **or license** of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals **or other payments** during the term thereof **for the use of certain facilities**, and to pay in addition all operation and maintenance expenses relating to ~~the leased~~ **such** facilities, including, without limitation, maintenance costs, insurance, and all property taxes and assessments now or hereafter lawfully levied.

**(56.1) “Other Defeasance Securities” means any type of security or obligation, in addition to Federal Securities, that the Rating Agencies then maintaining ratings on any Bonds to be defeased have determined are permitted defeasance securities and qualify the Bonds to be defeased thereby for a rating in the highest category of, or are otherwise approved by, such Rating Agencies; provided that such security or obligation must be a permitted investment under the City’s investment policy as then in effect.**

(58) The terms “owner” or any similar term, when used in connection with any Bonds means the registered owner of any Bond or the owner of record as to any Bond issued in book-entry form; **provided that with respect to any series of Bonds which is insured by a bond insurance policy, the term “owner” for purposes of all consents, directions, and notices provided for in this Instrument and any applicable Supplemental Ordinance, shall mean the issuer of such bond insurance policy so long as such policy issuer has not defaulted under its policy.**

**(71.2) “Released Revenues” means revenues of the Airport System in respect of which the following have been filed with the Clerk:**

**(a) a certificate of the Manager describing such revenues and requesting that such revenues be excluded from the term Gross Revenues;**

**(b) either (i) an Independent Accountant’s certificate to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues covered by the Manager’s request are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, or (B) an amount not less than 135% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues; or (ii) an Airport Consultant’s certificate containing the estimates required by Section 704B, to the effect that, based upon reasonable assumptions, projected Net Revenues for each of the three full Fiscal Years following the Fiscal Year in which such**

certificate is delivered, after the revenues covered by the Manager's certificate are excluded, will not be less than the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, of (B) an amount not less than 150% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Gross Revenues and from the pledge and lien of this Instrument will not, in and of itself, cause the interest on any outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of such revenues from the pledge and lien of this Instrument will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues described in the Manager's certificate shall no longer be included in Gross Revenues and shall be excluded from the pledge and lien of this Instrument.

(74.1) "Short-Term/Demand Obligations" means each series of Bonds issued pursuant to this Instrument, (a) the payment of principal of which is either (i) payable on demand by or at the option of the owner at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (A) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper or other similar program, or (B) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar program, and (b) the purchase price, payment or refinancing of which is additionally secured by a Credit Facility.

(77) "Special Facilities" means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to art. VIII hereof. The Cost of any Special Facilities may include the types of costs included herein under the definition of "Cost," and may also include indirect costs for improvements to other parts of the Airport System or public utilities and other infrastructure not owned by the City that the Manager deems necessary and desirable in connection with such Special Facilities.

The following new subparagraphs (e), (f), and (g) are to be added to the definition of "Debt Service Requirements":

(e) The Debt Service Requirements of any series of Bonds (other than Bonds that mature within one year of the date of issuance thereof) or other Obligations all or a portion of which constitutes a Balloon Maturity shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds are authorized, be calculated by assuming that principal and interest on such Balloon Maturity is to be amortized over a 30-year period, beginning on the date of issuance or incurrence, assuming level debt service payable in each year at a rate of interest equal to the actual rate of interest of such Balloon Maturity on the date of calculation, provided that if the date of calculation is within 12 months of the final due date of such Balloon Maturity, the full amount of principal to become due shall be included in the calculation unless provision (g) of this definition than applies to such maturity.

(f) If all or any portion of an outstanding series of Bonds constitutes Short-Term/Demand Obligations, then, for purposes of determining Debt Service Requirements, each maturity that constitutes Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds are authorized, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Short-Term/Demand Obligations were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date calculation as published by The Bond Buyer, or if that index is no longer published, another similar index designated by the Manager, taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Bonds only a portion of which constitutes Short-Term/Demand Obligations, the remaining portion shall be assumed to be paid in accordance with any amortization schedule established by the Supplemental Ordinance setting forth the terms of such Bonds or shall be treated as described in such other provision of this definition as shall be applicable.

(g) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (e) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Debt Service Requirements is made, shall be assumed to become due and payable on the stated maturity date, and provision (e) above shall not apply thereto, unless the Treasurer shall file a certificate with the Clerk stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that City has the financial ability to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service Requirements; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (e) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

The following new subparagraph (i) is to be added to the definition of “Gross Revenues”:

(i) Any Released Revenues in respect of which there have been filed with the Clerk a Manager’s certificate, an Airport Consultant’s certificate, and an opinion of Bond Counsel and the other documents contemplated in the definition of “Released Revenues.”

## OTHER PROVISIONS

The last paragraph of Section 603 (Deposition and Investment of Moneys) is to be amended to read as follows:

Moneys held in the Bond Fund, Capitalized Interest Account and the Bond Reserve Fund shall not be invested and reinvested in any obligations of the City included within the definition of Investment Securities. Investments of money in the Bond Reserve Fund shall mature not later than ~~ten years from the date of investment, and in no event later than~~ the final fixed maturity date of Bonds the payment of which is secured thereby. For purposes of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor or a third party is, on demand, obligated to

pay a fixed sum in discharge of the whole of such obligations. In scheduling each such investment or reinvestment, the Treasurer may rely upon estimates of appropriate officers or employees of the City.

A new Section 709 is to be added as follows:

**Section 709. Contract Obligations.**

**The City or the City for and on behalf of the Department may incur Contract Obligations for any Improvement Project or Refunding Project. Such Contract Obligations shall be incurred pursuant to a Supplemental Ordinance, which (i) may pledge all or any designated portion of the Net Revenues to the payment of such Contract Obligations; (ii) shall provide the terms and conditions of such Contract Obligations; (iii) shall provide for the payment of such Contract Obligations; and (iv) may provide for such other matters as the Manager and the City shall determine. Prior to the incurrence of any Contract Obligations there shall be filed with the Clerk the certificates, opinions and reports described in subsections B and C of Section 704 hereof; provided that for the purposes of such certificates, opinions and reports Contract Obligations shall be treated, as nearly as practicable, as Bonds.**

A New Section 806 is to be added as follows:

**Section 806. Loan Agreements for Special Facilities Bonds.**

**In connection with Special Facilities to be used by one or more person, in lieu of a Net Rent Lease the City may also enter into a loan or financing Agreement under which the user or users of the Special Facilities agree to pay all expenses of operation and maintenance and to make payments sufficient to pay the principal of, interest on, and any redemption premium due in connection with Special Facilities Bonds to be issued by the City to finance such Special Facilities. Except for ground rentals or payments in lieu of ground rentals to be received by the City, all or part of the payments to be made under such loan or financing agreement may be assigned by the City to secure the payment of Special Facilities Bonds issued by the City to finance such Special Facilities.**

The last paragraph of Section 1101 (Defeasance) is to be amended to read as follows:

For all purposes of this section, the term “Federal Securities” shall be deemed to include those Investment Securities described in (but subject to the limitations of) § 102A(44)(b)(i) hereof **and Other Defeasance Securities.**

A new Section 1106 is to be added as follows:

**Section 1106. Notice to Ratings Agencies.**

**The Treasurer shall provide or cause to be provided to each of the Rating Agencies a copy of each notice given to owners of the Bonds, such notices to be sent to the address of each Rating Agency as filed with the Treasurer.**

Paragraph (F) of Section 1303 (Amendments) is to be amended to read as follows:

F. Prejudicial Modification. ~~Modifications~~ Other modifications materially and prejudicially affecting the rights of the owners of ~~any~~ some (but not all) Bonds then Outstanding.

### **OTHER CHANGES**

The General Bond Ordinance may be changed in other respects as necessary to implement the foregoing amendments and integrate them into the existing text of the Ordinance.

\* \* \*

## APPENDIX D

### DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the City nor the Department takes any responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

*None of the City, the Department, the Paying Agent, the Registrar or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2016B Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2016B Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2016B Bonds or (5) any other related matter.*

DTC will act as securities depository for the Series 2016B Bonds. The Series 2016B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the Series 2016B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the DTC. The Series 2016B Bonds may in the future be registered in such other name as may be requested by an authorized representative of 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, as amended. 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 in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and 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 a Standard and Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of Series 2016B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016B Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. 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 Series 2016B 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 Series 2016B Bonds except in the event that use of the book-entry system for the Series 2016B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016B 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 Series 2016B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Series 2016B Bonds may wish to ascertain that the nominee holding the Series 2016B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2016B Bonds within a maturity of the Series 2016B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consider or vote with respect to the Series 2016B 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 City 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 Series 2016B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2016B 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 City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to

time. Payments with respect to the Series 2016B Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative to DTC, is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016B Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Series 2016B Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

The City may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2016B Bonds. In that event, certificates representing the Series 2016B Bonds will be printed and delivered to DTC.

\* \* \*



## **APPENDIX E**

### **ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014**

This appendix includes the following sections from the 2014 and 2015 Annual Financial Reports of the Airport System: [Independent Auditors' Report (pages 8, 9 and 10); Management's Discussion and Analysis (pages 11 through 23); Financial Statements and Notes thereto (pages 24 through 61); and Supplemental Information (pages 62 through 67). The Introduction (pages 1 through 7) and Annual Financial Information (unaudited) (pages 68 through 73) have not been included but are available from the sources set forth in "Request for Information" on page 23 of this appendix.]

**APPENDIX F**

**UNAUDITED FINANCIAL STATEMENT OF THE AIRPORT SYSTEM FOR THE  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this “**Disclosure Undertaking**”) is executed and delivered by the CITY AND COUNTY OF DENVER, COLORADO (the “**City**”), in connection with the issuance of the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B (Index Rate)” in the aggregate principal amount of \$\_\_\_\_\_ (the “**Bonds**”), by the City, for and on behalf of its Department of Aviation (the “**Department**”). The Bonds are being issued pursuant to Ordinance No. \_\_, Series of 2016, as heretofore amended and supplemented, adopted by the City Council of the City on \_\_\_\_\_, 2016 (collectively, the “**Ordinance**”).

In consideration of the purchase of the Bonds by the Participating Underwriters (as defined below), the City covenants and agrees as follows:

**Section 1. Definitions.** The definitions set forth in the Ordinance apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section. As used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the financial information or operating data with respect to the City, the Airport System and any Obligated Person, delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Schedule 1 hereto. Annual Financial Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the City.

“*Audited Financial Statements*” means the annual financial statements for the Airport System, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants.

“*Bondowner*” or “*Owner of the Bonds*” means the registered owner of the Bonds, and so long as the Bonds are required to be registered through the Securities Depository in accordance with the Ordinance, any beneficial owner of Bonds on the records of said Securities Depository or its participants, or any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds identified to the satisfaction of the City.

“*Commission*” means the Securities and Exchange Commission.

“*Event*” or “*Events*” means any of the events listed in Sections 3(a) and 3(b) of this Disclosure Undertaking.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) system of the MSRB available on the Internet at <http://emma.msrb.org>. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

“*Obligated Person*” means the City, for and on behalf of the Department, and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year

from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Gross Revenues of the Airport System for the prior two Fiscal Years of the City.

“*Official Statement*” means the final Official Statement dated \_\_\_\_\_, 2016, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

“*Participating Underwriters*” has the meaning given thereto under the Rule, or any successors to such Underwriters known to the Treasurer.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Treasurer*” means the Manager of Finance of the City’s Department of Finance, Chief Financial Officer, ex officio Treasurer of the City, or his or her designee, and successor in functions, if any.

## **Section 2. Provision of Annual Financial Information.**

(a) Commencing with respect to the Fiscal Year ended December 31, 2016, and each Fiscal Year thereafter while the Bonds remain outstanding under the Ordinance, the Treasurer shall provide or cause to be provided to the MSRB, Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System. No such provision of any Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

(b) Such Annual Financial Information with respect to the Airport System shall be provided not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements with respect to the Airport System will be provided when available, but in no event later than 270 days after the end of each Fiscal Year.

(c) The Treasurer may provide or cause to be provided Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System by specific cross-reference to other documents which have been submitted to the MSRB or other repositories in accordance with the Rule or filed with the Commission. If the document so referenced is a final official statement within the meaning of the Rule such final official statement must be available from the MSRB. The Treasurer shall clearly identify each such other document provided by cross reference.

(d) The City acknowledges that United Airlines, which includes itself together with its United Express regional commuter affiliates, including Continental Airlines and its Continental Express affiliates (collectively, the “**United Group**”) is the only Obligated Person other than the City, at present, that is required by federal law to file Annual Financial Information with the Commission. The City and the Treasurer take no responsibility for the accuracy or completeness of such filings by the United Group or by any future Obligated Person. Unless no longer required by the Rule to do so, the City and the Treasurer agree to use their reasonable best efforts to cause the United Group (to the extent the United Group is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Financial Information available as contemplated by this Section 2. Any change in Obligated Persons shall be reported by the Treasurer in connection with the Annual Financial Information.

### Section 3. Reporting of Events.

(a) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (6) defeasances;
- (7) rating changes;
- (8) tender offers; and
- (9) bankruptcy, insolvency, receivership, or similar event of the Obligated Person.

For the purposes of the event identified in paragraph (3)(a)(9) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds, if material:

- (1) non-payment related defaults;
- (2) modifications to the rights of the beneficial owners of the Bonds;
- (3) bond calls;
- (4) release, substitution or sale of property securing repayment of the Bonds;
- (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(6) appointment of a successor or additional trustee or a change in the name of a trustee.

Whenever the Treasurer obtains knowledge of the occurrence of an event specified in paragraph 3(b), the Treasurer shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Treasurer determines that such event would constitute material information for owners of Bonds, then the Treasurer shall provide or cause to be provided to the MSRB in accordance with the terms of this paragraph 3(b) notice of such event.

(c) At any time the Bonds are outstanding under the Ordinance, the Treasurer shall provide or cause to be provided, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof. No such notice shall be deemed an official notice from the City without the approval of the Treasurer.

**Section 4. Term.** This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (a) the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the Ordinance; (b) the date that the City or the Department shall no longer constitute an “obligated person” with respect to the Bonds within the meaning of the Rule; and (c) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, which determination shall be evidenced by an Attorney’s Opinion selected by the City, a copy of which opinion shall be given to the representative of the Participating Underwriters. The Treasurer shall file or cause to be filed a notice of any such termination with the MSRB.

**Section 5. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, (a) if such amendment occurs prior to the actual original issuance and delivery of the Bonds and the Participating Underwriters consent thereto, (b) if such amendment is consented to by the owners of no less than a majority in aggregate principal amount of the Bonds obtained in the manner prescribed by the Ordinance, or (c) if such amendment or waiver is otherwise required by the Rule or permitted by the Rule without Bondowner consent. Written notice of any such amendment or waiver shall be provided by the Treasurer to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

**Section 6. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. No such information shall be deemed an official notice from the City without the approval of the Treasurer. If the City chooses to include any information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or notice or include its disclosure in any future annual filing or notice of occurrence of an Event.

**Section 7. Default and Enforcement.** If the City or the Treasurer fail to comply with any provision of this Disclosure Undertaking, any Bondowner may take action in the District Court for the Second Judicial District of the State of Colorado to seek specific performance by court order to compel the City or the Treasurer to comply with its obligations under this Disclosure Undertaking; provided that any Bondowner seeking to require compliance with this Disclosure Undertaking shall first provide to the Treasurer at least 30 days' prior written notice of the City's or the Treasurer's failure, giving reasonable details of such failure, following which notice the City and the Treasurer shall have 30 days to comply. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Treasurer to comply with this Disclosure Undertaking shall be an action to compel performance.

**Section 8. Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 9. Filing.** The filing of Annual Financial Information, Audited Financial Statements, notices of Events or any other notice required by this Disclosure Undertaking shall be effected by sending the filing or notice to the MSRB, in such designated electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

\* \* \*

[Dates and Signatures]

## Schedule 1

“*Annual Financial Information*” means the financial information and operating data with respect to the City, the Airport System and any Obligated Person substantially similar to the type set forth in the Official Statement under the headings “CAPITAL PROGRAM” and “AVIATION ACTIVITY AND AIRLINES – Aviation Activity,” and data concerning outstanding debt, fund balances and results of operations of the type included under the heading “FINANCIAL INFORMATION.”

\* \* \*



**APPENDIX H**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

City and County of Denver, Colorado  
for and on behalf of its Department of Aviation  
City and County Building  
Denver, Colorado 80202

[•]  
As Representative of the Underwriters

City and County of Denver, Colorado  
for and on behalf of its Department of Aviation  
Airport System Revenue Bonds  
Series 2016B – \$[•]

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Denver, Colorado (the "City"), in connection with the City's issuance, for and on behalf of its Department of Aviation (the "Department"), of \$[•] aggregate principal amount of the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B" (the "Series 2016B Bonds") pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, including Ordinance No. [•], Series of 2016, with respect to the Series 2016B Bonds (collectively, the "Ordinance"). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2016B Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2016B Bonds mature, bear interest, are payable and are subject to redemption, prior to maturity, in the manner and upon the terms set forth therein and in the Ordinance.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including, without limitation, Article XX of the Colorado Constitution, the Supplemental Public Securities Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the "Supplemental Public Securities Act"), the Charter of the City, Ordinance No. 755, Series of 1993, designating the Department as an "enterprise" within the meaning of Section 20, Article X of the Colorado Constitution, the resolution of the Manager of the Department authorizing, approving, and requesting the issuance of the Series 2016B Bonds, a certified transcript of the record of proceedings of the City Council of the City taken preliminary to and in the authorization of the Series 2016B Bonds, the forms of the Series 2016B Bonds, and certificates of officers of the City (specifically including a tax certificate and a pricing certificate) and of others delivered in connection with the issuance of the Series 2016B Bonds.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2016B Bonds, and we express no opinion herein relating to such matters. As to questions of fact material to our opinion, we have relied upon the representations of the City and other parties contained in the Ordinance, certified

proceedings, reports, certificates and other instruments (and have assumed the genuineness of signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents and the conformity with original documents of copies submitted to us) without undertaking to verify the same by independent investigation.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The City validly exists as a body corporate and politic and political subdivision of the State of Colorado (the "State"), with the power to adopt the Ordinance and issue the Series 2016B Bonds for and on behalf of the Department.

2. The Ordinance has been duly adopted by the City and constitutes a valid and binding obligations of the City, for and on behalf of the Department, enforceable against the City in accordance with its terms.

3. The Series 2016B Bonds have been duly authorized, executed and delivered by the City, for and on behalf of the Department, and are valid and binding special obligations of the City, for and on behalf of the Department, payable solely from the sources provided therefor in the Ordinance.

4. The Ordinance creates, pursuant to the home rule powers of the City under Article XX of the Colorado Constitution and the Supplemental Public Securities Act, an irrevocable lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2016B Bonds, on a parity with the lien thereon of other Bonds (and any obligations in respect thereof) heretofore or hereafter issued by the City, or by the City, for and on behalf of the Department.

5. The interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the following sentence, corporations. For corporations only, interest on the Series 2016B Bonds is taken into account in determining adjusted current earnings for the purposes of the adjustment to alternative minimum taxable income used in computing the alternative minimum tax on corporations (as defined for alternative minimum tax purposes). The foregoing opinions assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2016B Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with such requirements of the Code. Failure to comply with such requirements could cause the interest on the Series 2016B Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016B Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2016B Bonds.

6. To the extent interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2016B Bonds, including whether interest on the Series 2016B Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Series 2016B Bonds and the enforceability of the Series 2016B Bonds and the Ordinance may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted; and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the

sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Ordinance are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the City, for and on behalf of the Department, to pay the principal of, and premium, if any, and interest on, the Series 2016B Bonds from the Net Revenues of the Airport System.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion. This opinion has been prepared solely for your use and should not be quoted in whole or in part or otherwise be referred to, nor be filed with or furnished to any governmental agency or other person or entity, without the prior written consent of this firm; provided, however, that copies of this opinion may be included in the closing transcripts for the transactions relating to the Series 2016B Bonds.

Respectfully submitted,

**APPENDIX I**  
**ECONOMIC & DEMOGRAPHIC OVERVIEW OF**  
**THE DENVER METROPOLITAN AREA**