NEW ISSUE – Book-Entry-Only **Ratings: See "Ratings" herein**

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2016 Bonds is exempt from income taxation and the Series 2016 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. Interest on the Series 2016 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX TREATMENT" herein.

$47,785,000
Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Revenue Refunding Bonds, Series 2016 (Non-AMT)

Dated: Date of Delivery Due: January 1, as shown on the inside cover

The Kenton County Airport Board's Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016 (Non-AMT) (the "Series 2016 Bonds") will be issued as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Series 2016 Bonds. Purchasers of beneficial interests in the Series 2016 Bonds initially will be made in book-entry-only form (without certificates) in denominations of $5,000 and any integral multiple thereof, and under certain circumstances are exchangeable as more fully described herein. Principal of, premium, if any, and interest on the Series 2016 Bonds will be paid by U.S. Bank National Association, Cincinnati, Ohio ("Paying Agent"), a national banking association, as Paying Agent for the Series 2016 Bonds. So long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2016 Bonds will be made to such registered owner, and disbursal of such payments to beneficial owners will be the responsibility of DTC and its participants. See "APPENDIX F - Book-Entry-Only System."

The Series 2016 Bonds shall mature on the dates, in the principal amounts, bear interest at the rates per annum and have the prices, yields, and CUSIP numbers as shown on the inside cover page. Interest on the Series 2016 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2017.

The Series 2016 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2016 BONDS – Redemption Provisions."

The Series 2016 Bonds are being issued for the purpose of (i) currently refunding the outstanding Kenton County Airport Board's Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2003B (the "Refunded Bonds") and (ii) paying the costs of issuing the Series 2016 Bonds.

The Series 2016 Bonds will be issued under and secured by the 2016 Airport Revenue General Bond Resolution adopted by the Kenton County Airport Board (the "Board") on May 16, 2016 (the "General Bond Resolution"), as supplemented by the Series 2016 Bond Resolution adopted by the Board on May 16, 2016 (the "Series 2016 Resolution" together with the General Bond Resolution, the "Resolution"). The Series 2016 Bonds are payable from, and secured by a pledge of, Net Revenues of the Board (as described herein) which pledge is on a parity with the pledge of Net Revenues made to secure the Board's Additional Bonds, which may be issued and outstanding from time to time pursuant to the General Bond Resolution, as further supplemented. The Series 2016 Bonds will be the first Series of Bonds issued under the General Bond Resolution. The Series 2016 Bonds will not be subject to acceleration upon an event of default or otherwise.

The Series 2016 Bonds will not constitute general obligations or be an indebtedness of the Board or of Kenton County, Kentucky, or of the Commonwealth of Kentucky within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of Kenton County or the Commonwealth of Kentucky (or any political subdivision thereof) will be pledged to the payment of the Series 2016 Bonds. The Series 2016 Bonds will be secured by a pledge of Net Revenues derived from the use and operation of the Cincinnati/Northern Kentucky International Airport. See "SOURCES OF PAYMENT AND SECURITY."

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters subject to the approval of legality by Squire Patton Boggs (US) LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon by Ziegler & Schneider, P.S.C., general counsel to the Board, and for the Underwriters by their counsel, Dinsmore & Shohl, LLP. Frasca & Associates, LLC serves as an independent financial advisor to the Board. It is expected that delivery of the Series 2016 Bonds in book-entry form will be made through the facilities of DTC on or about June 30, 2016.

BofA Merrill Lynch **PNC Capital Markets LLC**

Dated: June 23, 2016

Maturities, Amounts, Interest Rates, Prices, Yields and CUSIP+ Numbers

$47,785,000
Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Revenue Refunding Bonds, Series 2016 (Non-AMT)

Maturity (January 1)	Amount	Interest Rate	Price	Yield	CUSIP+
2017	$1,250,000	2.000%	100.661%	0.680%	491026 UD0
2018	1,985,000	4.000	104.709	0.840	491026 UE8
2019	2,065,000	5.000	109.862	1.000	491026 UF5
2020	2,165,000	5.000	113.143	1.160	491026 UG3
2021	2,280,000	5.000	116.036	1.320	491026 UH1
2022	2,390,000	5.000	118.594	1.470	491026 UJ7
2023	2,510,000	5.000	120.781	1.620	491026 UK4
2024	2,635,000	5.000	122.521	1.780	491026 UL2
2025	2,765,000	5.000	124.322	1.890	491026 UM0
2026	2,905,000	5.000	125.648	2.020	491026 UN8
2027	3,050,000	5.000	124.474*	2.140	491026 UP3
2028	3,205,000	5.000	123.795*	2.210	491026 UQ1
2029	3,360,000	5.000	123.313*	2.260	491026 UR9
2030	3,530,000	5.000	122.546*	2.340	491026 US7
2031	3,710,000	5.000	122.070*	2.390	491026 UT5
2032	3,890,000	5.000	121.785*	2.420	491026 UU2
2033	4,090,000	5.000	121.501*	2.450	491026 UV0

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* Priced to January 1, 2026 optional redemption date.

 The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2016 Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

Kenton County (Kentucky) Airport Board

Airport Board

J. Michael Schlotman, Chair
John A. Mocker, Jr., Vice Chair
Kevin W. Canafax
Bryan Carlisle
Kathy Collins
Robert G. Cooper
Mike L. Drysdale
Timothy S. Mauntel
William T. (Bill) Robinson III
Todd M. Schneider
William M. Schuler
Chad L. Summe
Paul T. Verst

Airport Management

Candace S. McGraw, Chief Executive Officer
Tim Zeis, Chief Operating Officer
Sheila R. Hammons, Chief Financial Officer

General Counsel to the Board

Ziegler & Schneider, P.S.C.

Bond Counsel

Squire Patton Boggs (US) LLP

Financial Advisor

Frasca & Associates, LLC

Independent Accountant

Blue & Co., LLC

Airport Consultant

LeighFisher, Inc.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

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

This Official Statement is being used in connection with the sale of the Series 2016 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Certain information contained in this Official Statement has been obtained by the Board from DTC and other sources that are deemed to be reliable; however, no representation or warranty is made as to the accuracy or completeness of such information by the Board. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents in their entirety for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof. Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the beliefs of the Board as well as assumptions made by and currently available to the Board. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

No dealer, broker, sales representative or any other person has been authorized by the Board to give any information or to make any representation other than those contained in this Official Statement in connection with the offering it describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover pages hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of, the Series 2016 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and opinions expressed herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board or the Airport since the date of this Official Statement. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2016 Bonds.

In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and the risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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

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: www.MuniOS.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE. FURTHERMORE, INFORMATION CONTAINED ON INTERNET WEB PAGES IDENTIFIED HEREIN IS A REFERENCE ONLY TO THOSE PAGES AND NO ADDITIONAL INFORMATION THAT MAY BE REACHED FROM THOSE PAGES BY LINKING TO ANY OTHER PAGE SHOULD BE CONSIDERED TO BE INCORPORATED HEREIN. THE WEBSITES ARE INCLUDED FOR REFERENCE ONLY AND THE INFORMATION CONTAINED THEREIN IS NOT INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2016 BONDS. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE SERIES 2016 BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2016 BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE SERIES 2016 BONDS ARE RELEASED FOR SALE, AND THE SERIES 2016 BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2016 BONDS INTO INVESTMENT ACCOUNTS.

OFFICIAL STATEMENT SUMMARY

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

The Issuer	Kenton County Airport Board (the "Board"), is a body politic and corporate and a political subdivision of the Commonwealth of Kentucky pursuant to Chapter 183 of the Kentucky Revised Statutes.
Issue and Date	The Series 2016 Bonds will be limited obligations of the Board payable from Net Revenues (as defined herein) derived from the use and operation of Cincinnati/Northern Kentucky International Airport (the "Airport"). The 2016 Bonds will be dated as of the date of delivery. See "THE SERIES 2016 BONDS – General" and "SOURCES OF PAYMENT AND SECURITY."
Cincinnati/Northern Kentucky International Airport	The Airport is the air transportation facility for scheduled carriers serving the 15-county Cincinnati Metropolitan Statistical Area. The Airport is located on approximately 7,500 acres in the northeastern corner of Boone County, Kentucky, approximately 13 miles southwest of downtown Cincinnati, across the Ohio River in Kentucky. See "THE AIRPORT."
Authority for Issuance	The Series 2016 Bonds are being issued under the authority of Chapter 183 and Chapter 58 of the Kentucky Revised Statutes, and are authorized by the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016 (the "General Bond Resolution"), and the Series 2016 Bond Resolution adopted by the Board on May 16, 2016 (the "Series 2016 Resolution," together with the General Bond Resolution, the "Resolution").
Purpose of the Issue	To (i) currently refund the Board's outstanding Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2003B (the "Refunded Bonds") and (ii) pay the costs of issuing the Series 2016 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."
Amounts and Maturities	See table on inside cover page.
Interest Payment Dates	Interest on the Series 2016 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2017.
Redemption	The Series 2016 Bonds maturing on and after January 1, 2027, are subject to redemption at the option of the Board on or after January 1, 2026, in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. See "THE SERIES 2016 BONDS - Redemption Provisions."
Paying Agent	Principal of, premium, if any, and interest on the Series 2016 Bonds will be paid by U.S. Bank National Association, a national banking association, as Paying Agent.

Security for Payment

Pursuant to the terms of the General Bond Resolution, the Series 2016 Bonds will be secured by a pledge of Net Revenues on a parity basis with Additional Bonds, as may be issued and outstanding from time to time. The Series 2016 Bonds will be the first Series of Bonds issued under the General Bond Resolution. Additionally, the Series 2016 Bonds will be secured by an irrevocable commitment of certain Passenger Facilities Charges ("PFCs") which are deemed as Other Available Revenues pursuant to the General Bond Resolution beginning with the Fiscal Year ending on December 31, 2016 through the Fiscal Year ending on December 31, 2020, as further described herein. See "SOURCES OF PAYMENT AND SECURITY."

Bond Reserve

There will be deposited, upon the issuance of the Series 2016 Bonds, amounts sufficient to maintain the Series 2016 Reserve Account (the "Series 2016 Reserve Account") in the Bond Reserve Fund which amount will be equal to the least of (i) 10% of the original par amount of the Series 2016 Bonds; (ii) the maximum annual Principal and Interest Requirements on all outstanding Series 2016 Bonds in any Fiscal Year; or (iii) 125% of the average annual Principal and Interest Requirements on the outstanding Series 2016 Bonds.

The Series 2016 Reserve Account is pledged to the payment of the Series 2016 Bonds; however the Series 2016 Reserve Account may also be pledged to Additional Bonds on a parity basis to secure those Additional Bonds.

Rate Covenant

Under the Resolution, the Board is required to fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, and must revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that Net Revenues plus any Carryover Amount in each Fiscal Year will be at least equal to 100% of the aggregate amount required during such Fiscal Year to be applied or deposited by the Board as described in paragraphs (ii) through (ix) set forth under "SOURCES OF PAYMENT AND SECURITY – Funds and Accounts and Flow of Funds – Revenue Fund."

The Board is required to fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith and must revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that for each Fiscal Year the sum of (i) the Net Revenues plus (ii) the Carryover Amount, if any, for such Fiscal Year will be equal to at least 125% of Principal and Interest Requirements on all Outstanding Bonds for that Fiscal Year.

If Net Revenues in any Fiscal Year are less than the amount specified in the first paragraph under this heading, or if Net Revenues together with any Carryover Amount (which may not exceed 25% of the Principal and Interest Requirements on all Outstanding Bonds during such Fiscal Year) in any Fiscal Year are less than the amount specified in the second paragraph under this heading, the Board must retain and direct an Airport Consultant to make recommendations as to the revision of the Board's business operations and its schedule of rates, fees, rentals and charges for the use of the Airport and for services rendered by the Board in connection with the Airport.

Additional Bonds	Additional Bonds may be issued only upon satisfaction of the conditions set forth in the General Bond Resolution. See "SOURCES OF PAYMENT AND SECURITY– Additional Bonds."
No Acceleration; No Cross Default	The Resolution does not provide for acceleration of the maturity of the Series 2016 Bonds if any default occurs in the payment of the principal of or interest on the Series 2016 Bonds or in the performance of any other obligation of the Board under the Resolution or if interest on the Series 2016 Bonds becomes includible in the gross income of the owners thereof for federal income tax purposes. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution.
Investment Considerations	There are a number of factors associated with owning the Series 2016 Bonds that prospective investors should consider prior to purchasing the Series 2016 Bonds. For a discussion of these factors, see "CERTAIN INVESTMENT CONSIDERATIONS."
Tax Status	The delivery of the Series 2016 Bonds is subject to the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, to the effect that under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2016 Bonds is exempt from income taxation and the Series 2016 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. See "TAX TREATMENT" herein for information concerning assumptions and conditions as to compliance with the Internal Revenue Code of 1986, as amended (the "Code") upon which the foregoing opinion is based and for a description of certain provisions of the Code that may affect the tax treatment of interest on the Series 2016 Bonds.
Legal Matters	Squire Patton Boggs (US) LLP will act as Bond Counsel. Certain legal matters will be passed upon by Ziegler & Schneider, P.S.C., general counsel to the Board, and for the Underwriters by their counsel, Dinsmore & Shohl, LLP.
Ratings	Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "A+" with a stable outlook and "A2" with a stable outlook, respectively, to the Series 2016 Bonds. For a discussion of these ratings, see the section herein captioned "RATINGS."
Information	Information regarding the Series 2016 Bonds is available by contacting the Cincinnati/Northern Kentucky International Airport at P.O. Box 752000, Cincinnati, Ohio 45275-2000, (859) 767-3177, or U.S. Bank National Association, the Paying Agent, at U.S. Bank Global Corporate Trust Services, 425 Walnut Street, 6th Floor, Cincinnati, Ohio 45202, CN-OH-W6CT. This Official Statement will be posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") online repository system.

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$47,785,000
Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Revenue Refunding Bonds, Series 2016 (Non-AMT)

INTRODUCTION

The Kenton County Airport Board (the "Board") has prepared this Official Statement in connection with the issuance and sale of its $47,785,000 Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016 (Non-AMT) (the "Series 2016 Bonds"). This Official Statement provides certain information regarding the purpose, terms and sources of payment of and security for the Series 2016 Bonds and certain information regarding the Board and the Cincinnati/Northern Kentucky International Airport (the "Airport"). The Board will issue the Series 2016 Bonds for the purpose of (i) currently refunding the outstanding Kenton County Airport Board's Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2003B (the "Refunded Bonds") and (ii) paying the costs of issuing the Series 2016 Bonds.

The Series 2016 Bonds will be issued pursuant to the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016 (the "General Bond Resolution"), as supplemented by the Series 2016 Bond Resolution adopted by the Board on May 16, 2016 (the "Series 2016 Resolution," together with the General Bond Resolution, the "Resolution"), authorizing the issuance of the Series 2016 Bonds. The pledges and source of payment for the Series 2016 Bonds are described herein under "SOURCES OF PAYMENT AND SECURITY." The Series 2016 Bonds will be the first Series of Bonds issued under the General Bond Resolution. The Series 2016 Bonds and any Additional Bonds that may hereafter be issued are collectively referred to hereinafter as the "Bonds." The Series 2016 Bonds are special and limited obligations of the Board, payable equally and ratably from and secured by a pledge of all of the Net Revenues derived directly or indirectly from the use and operation of the Airport or any part thereof.

Pursuant to the Series 2016 Resolution, the Board irrevocably committed certain Passenger Facilities Charges ("PFCs") deposited into the Designated PFC Revenue Account, and such Designated PFC Revenues are deemed Other Available Revenues under the General Bond Resolution. The Designated PFC Revenues will provide for the payment of the Principal and Interest Requirements on the Series 2016 Bonds from the Fiscal Year ending on December 31, 2016 through the Fiscal Year ending on December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board. See "SOURCES OF PAYMENT AND SECURITY – Irrevocable Commitment of Designated PFC Revenues."

In connection with the issuance of the Series 2016 Bonds, the Board has prepared certain forecasts of air traffic and financial results, and has engaged LeighFisher, Inc. (the "Airport Consultant") to review the Board's forecasts and prepare a report providing commentary on certain key assumptions (the "Letter Report"). See "CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements," "CERTAIN INVESTMENT CONSIDERATIONS – Letter Report and the Board's Financial Forecasts," and "APPENDIX C - Airline Traffic Analysis and Review of Airport Forecast."

Copies of the Resolution are available for inspection at the principal offices of the Board and at the corporate trust office of U.S. Bank National Association, the Paying Agent. All capitalized terms not defined in this Official Statement shall be defined and have the meaning as set forth in the Resolution.

AUTHORIZATION AND PURPOSE

The Board was created and organized as a body politic and corporate and a political subdivision of the Commonwealth of Kentucky pursuant to Chapter 183 of the Kentucky Revised Statutes. The Board has complete jurisdiction, control, possession and supervision of the Airport located in Boone County, Kentucky, with the power and authority to issue its revenue bonds, including refunding revenue bonds, for any of its corporate purposes and to pledge to the payment of said bonds all or any part of the revenues derived from the operation of the Airport.

The issuance of the Series 2016 Bonds is for the purpose of currently refunding the Refunded Bonds. The Board has determined that the redemption, payment and discharge of the Refunded Bonds will result in debt service savings. The proceeds of the Series 2016 Bonds will be applied to the redemption of the Refunded Bonds and to the payment of costs of issuance of the Series 2016 Bonds. See "PLAN OF FINANCE" herein.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will mature on January 1 of the years and in the amounts shown on the inside cover page, and will be dated as of their date of delivery. The Series 2016 Bonds will bear a fixed rate of interest until their final maturity or earlier redemption at the rates per annum set forth on the inside cover page. Interest on the Series 2016 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2017.

The Series 2016 Bonds will be issued only as fully registered bonds. The Series 2016 Bonds will be issued in denominations that are integral multiples of $5,000. The Series 2016 Bonds will be registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Series 2016 Bonds when in the book-entry form and the book-entry only system are described in APPENDIX F-"Book–Entry Only System." Except as described in APPENDIX F, beneficial owners of the Series 2016 Bonds will not receive or have the right to receive physical delivery of Series 2016 Bonds, and will not be or be considered under the Resolution to be the Registered Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Participant, the DTC Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest on the Series 2016 Bonds and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a DTC Participant, such beneficial owner's DTC Participant, to evidence its beneficial ownership of Series 2016 Bonds. As long as DTC or its nominee is the Registered Owner of Series 2016 Bonds, references herein to Bondholders or Registered Owners of such Series 2016 Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Series 2016 Bonds.

Redemption Provisions

Optional Redemption. The Series 2016 Bonds maturing on and after January 1, 2027, are subject to redemption at the option of the Board on or after January 1, 2026, in whole or in part at any time, and if in part, in such order of maturity as the Board shall determine and within any maturity by lot, at the redemption price equal to the principal amount of each Series 2016 Bond to be redeemed, plus accrued interest to the date of redemption.

Partial Redemption. If fewer than all of the Series 2016 Bonds of a single maturity are called for redemption, the Paying Agent shall select the Series 2016 Bond or Series 2016 Bonds to be redeemed from all Series 2016 Bonds of that maturity which are then subject to redemption or purchase, as the case may be, by lot. In the case of a Series 2016 Bond in a denomination of more than $5,000, a portion of that Series 2016 Bond ($5,000 or any integral multiple thereof) may be called for prior redemption in which case the Paying Agent shall, without charge to the Registered Owner of that Series 2016 Bond, authenticate and deliver a replacement Series 2016 Bond or Series 2016 Bonds for the portion of the Series 2016 Bond which was not called for prior redemption.

Notice of Redemption. Notice of redemption of those Series 2016 Bonds subject to optional redemption, identifying (i) the date fixed for redemption, (ii) the principal amount of Series 2016 Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, will be made upon presentation and surrender to the Paying Agent, (vi) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (vii) that on and after said date interest on Series 2016 Bonds which have been redeemed will cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Series 2016 Bonds to be redeemed and, if less than the face amount of any such Series 2016 Bond is to be redeemed, the principal amount to be redeemed, shall be given by the Paying Agent by mailing a copy of such redemption notice by registered or certified mail, not less than 30 days nor more than 60 days prior to the date fixed for redemption, (i) to the Bondholder of each such Series 2016 Bond to be redeemed in whole or in part at the address as it appears on the register of Series 2016 Bonds maintained by the Paying Agent, and (ii) the Board shall send such notice of redemption to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") online repository or any successor thereto, and if EMMA or a successor does not exist, then to such national information service as the Board shall determine upon the advice of Bond Counsel. Failure to mail any such notice to the Registered Owner of any such Series 2016 Bond or any defect therein shall not affect the validity of the proceedings for such redemption of such Series 2016 Bond. Any such notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Registered Owner of any Series 2016 Bond receives the notice.

SOURCES OF PAYMENT AND SECURITY

General

The Series 2016 Bonds will not constitute general obligations or be an indebtedness of the Board or of Kenton County, Kentucky or of the Commonwealth of Kentucky within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of Kenton County or the Commonwealth of Kentucky (or any political subdivision thereof) will be pledged to the payment of the Series 2016 Bonds.

Pledge of Net Revenues

All Bonds, including the Series 2016 Bonds, are payable equally and ratably from and secured by a pledge of all Net Revenues.

"Net Revenues" means the sum of Revenues remaining after provision is made for the payment of O&M Expenses plus transfers of Other Available Revenues, if any, as specified in a Series Resolution (or any other action adopted by the Board).

"Revenues" means (a) except to the extent hereinafter excluded, all income, receipts, earnings and revenues received by or accrued to the Board from the operation and use of and for the services furnished or to be furnished at the Airport, (b) any proceeds of business interruption insurance, (c) all income, receipts and earnings from the investment of moneys held by or on behalf of the Board in any Funds and Accounts established by the General Resolution and the income and gains realized upon the maturity or sale of securities held by or on behalf of the Board in such Funds and Accounts, except for investment earnings, income or realized gains on or from (i) moneys deposited in escrow or trust to defease Bonds, (ii) any Capitalized Interest deposited in the Bond Fund, (iii) moneys deposited in any account within the Construction Fund unless otherwise provided in the corresponding Series Resolution, (iv) moneys deposited in any rebate fund or account therein, and (v) moneys deposited in any Account or subaccount established under the Resolution relating to Other Available Revenues, unless otherwise provided in the corresponding Series Resolution (or any other action adopted by the Board) and (d) amounts received by the Board from any Person, including, without limitation, the federal or state government, as reimbursement of O&M Expenses. There shall not be included in Revenues (i) any contributions or donations otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of O&M Expenses or the payment of Bonds or Subordinate Bonds, (ii) proceeds from the sale and disposition of the Airport, (iii) Special Facilities Revenues, except as provided in the General Resolution, (iv) any unrealized gains on securities held for investment by or on behalf of the Board in any Funds and Accounts established by the General Resolution, (v) any proceeds of insurance other than as mentioned above, (vi) the proceeds of any borrowing, (vii) cash subsidy payments or other similar payments made or expected to be made by the United States Treasury or other federal or state governmental entity to or on behalf of the Board for the payment of all or any portion of the interest or principal due or coming due on Bonds, except to the extent otherwise provided in the Series Resolution corresponding to a Series of Bonds, (vii) any gains resulting from changes in valuation of any Interest Rate Swap or Investment Obligations, (ix) any Passenger Facilities Charges, Customer Facilities Charges or Grant Funds, provided however Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenue may be deemed Other Available Revenues for one or more Series of Bonds under any Series Resolution (or any other action adopted by the Board), (x) any Released Revenues, and (xi) any Termination Payment made to the Board by a Counterparty. For purposes of testing compliance with the rate covenant described below and the limitations on the issuance of Additional Bonds described below, Revenues will be calculated based using GAAP, except that such calculation will include and exclude those items specifically included or excluded above. Additionally, in situations where GAAP calls for amounts to currently be recorded as revenue, but (i) the timing of the required receipt of the revenue or a portion of the revenue, while known, is more than one year in the future or (ii) the actual timing of the required receipt of the revenue is not readily determinable, the Board may include as Revenues for the current period the amounts recorded as revenues which were received during the year and any known amounts which were recorded as revenues and are to be received within one year.

The Board has pledged, for the payment of principal, redemption price, if any, of and interest on the Bonds, in accordance with the respective terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, Net Revenues to the extent used to pay Principal and Interest Requirements for the Bonds, which may include Other Available Revenues to the extent provided for in any Series Resolution or any other action adopted by the Board.

Pledge of Funds

In addition to the pledge of the Net Revenues, all Bonds, including the Series 2016 Bonds, are secured by a pledge of money and Investment Obligations in the Bond Fund and the Bond Reserve Fund and may be additionally secured by special Funds or Accounts pledged in a Series Resolution or any other action adopted by the Board. The Series 2016 Resolution provides that the Series 2016 Bonds will also be secured by amounts on deposit in the Designated PFC Revenue Account of the Revenue Fund.

Irrevocable Commitment of Designated PFC Revenues

The Board has received Federal Aviation Administration ("FAA") approval to impose and use PFCs and the Airport is currently collecting a PFC of $4.50 per qualified enplaned passenger. The Board currently maintains and, under the Series 2016 Resolution is required to maintain, the PFC Project Fund into which all PFCs are deposited. Amounts in the PFC Project Fund may be applied by the Board to any lawful purpose including providing for the payment of the Cost of Airport facilities authorized to be financed with PFCs. Amounts in the PFC Project Fund are not pledged as security for any Bonds.

The definition of Revenues in the Resolution does not include, among other things, PFCs; however the Series 2016 Resolution provides that PFCs deposited into the Designated PFC Revenue Account shall be deemed "Designated PFC Revenues" and constitute Other Available Revenues under the

General Bond Resolution through the Fiscal Year ending on December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board (the "Pledge Period").

During the Pledge Period, Designated PFC Revenues in an amount equal to the lesser of (i) 125% of the Principal and Interest Requirements for the Series 2016 Bonds (taking into account the amounts then on deposit in the Designated PFC Revenue Account) or (ii) the total amount of Passenger Facilities Charges then on deposit in the PFC Project Fund will be transferred to the Designated PFC Revenue Account.

Upon deposit in the Designated PFC Revenue Account, Designated PFC Revenues will be transferred into (i) the Series 2016 PFC Interest Subaccount in the amount equal to one-fifth (1/5) of the interest payment due on January 1, 2017, and thereafter beginning on January 20, 2017, in an amount equal to one-sixth (1/6) of the interest payment due on the immediately following Interest Payment Date with respect to the Series 2016 Bonds and (ii) the Series 2016 PFC Principal Subaccount in the amount equal to one-twelfth (1/12) of the next principal payment due with respect to the Series 2016 Bonds to pay principal becoming due on the Principal Payment Date, provided, however, the Board shall be entitled to a credit for amounts already on deposit therein and available for such purpose, divided by the number of months remaining to the applicable Interest Payment Date or Principal Payment Date.

The Board may, but is under no obligation to, designate PFCs as Other Available Revenues or to pay debt service on the Series 2016 Bonds with PFCs after the end of the Pledge Period.

On the last day of each Fiscal Year, amounts that remain in the Designated PFC Revenue Account will be transferred to the PFC Project Fund. Upon transfer from the Designated PFC Revenue Account, such Designated PFC Revenues will no longer constitute Other Available Revenues under the General Bond Resolution.

See "FINANCIAL INFORMATION - Passenger Facility Charges."

Rate Covenant

Under the Resolution, the Board is required to fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, and must revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount required during such Fiscal Year to be applied or deposited by the Board as described in paragraphs (ii) through (ix) set forth under "Funds and Accounts and Flow of Funds – Revenue Fund" below.

While any Bonds remain Outstanding, the Board is required to charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith and revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that for each Fiscal Year the sum of (i) the Net Revenues plus (ii) the Carryover Amount, if any, for such Fiscal Year will be equal to at least 125% of Principal and Interest Requirements on all Outstanding Bonds for that Fiscal Year

If Net Revenues in any Fiscal Year are less than the amount specified above under this heading, the Board will retain and direct an Airport Consultant to make recommendations as to the revision of the Board's business operations and its schedule of rates, fees, rentals and charges for the use of the Airport and for services rendered by the Board in connection with the Airport. After receiving such recommendations, the Board shall, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Board, take all lawful measures to comply with the recommendations of the

Airport Consultant as to revisions of the Board's business operations and schedule of rates, fees, rentals and charges as may be necessary to produce Net Revenues, in the amounts specified above in the next Fiscal Year. In the event that Net Revenues for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount described above but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the Board has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the Board's business operations and schedule of rates, fees, rentals and charges as described in this paragraph such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default under the Resolution. Nevertheless, even if the measures described in this paragraph to revise the schedule of rates, fees, rentals and charges have been taken by the Board, in the event the Net Revenues in Fiscal Year Two, are less than the amounts specified above, such deficiency in Net Revenues shall, with the applicable notice, constitute an Event of Default under the Resolution.

An Authorized Representative is required to file with the Board within six months after the end of each Fiscal Year a calculation or other evidence from the Authorized Representative or an Airport Consultant demonstrating compliance (or non-compliance) with the coverage requirements described above.

See "FINANCIAL INFORMATION" herein for information regarding the Revenues.

Extraordinary Coverage Payments under the Airport Use Agreements

In addition to Landing Fees and Terminal Rentals and any other fees and charges as are allowable under the Airport Use Agreement, each Signatory shall be required to make extraordinary coverage protection payments in any Fiscal Year in which the amount of Revenues less Operation and Maintenance Expenses is or is forecasted to be less than 125% of the aggregate annual Debt Service requirement (as calculated under the Bond Resolution). Any amounts that must be collected for such extraordinary coverage protection payments from the Signatories shall be allocated to the Airfield Cost Center Requirement. See "APPENDIX B - Summary of Certain Provisions of the Airport Use Agreements."

Bond Reserve Fund

The Bond Reserve Fund is required to have on deposit an amount equal to the Reserve Requirement. Under the Resolution "Reserve Requirement" means the amount, if any, designated as such for the Series of Bonds in or pursuant to a Series Resolution to be on deposit in or credited to an account in the Bond Reserve Fund. Investments in the Bond Reserve Fund are required to be valued at market annually.

Under the Series 2016 Resolution, the Board has covenanted to deposit, or cause to be deposited, upon the issuance of the Series 2016 Bonds, amounts sufficient to maintain the Series 2016 Reserve Account (the "Series 2016 Reserve Account") in the Bond Reserve Fund in an amount equal to the Reserve Requirement for the Series 2016 Bonds. The Reserve Requirement means an amount equal to the least of (i) 10% of the original par amount of the Series 2016 Bonds; (ii) the maximum annual Principal and Interest Requirements on all outstanding Series 2016 Bonds in any Fiscal Year; or (iii) 125% of the average annual Principal and Interest Requirements on the outstanding Series 2016 Bonds.

The Series 2016 Resolution requires payments into the Series 2016 Reserve Account from the Net Revenues each month in an amount equal to one-twelfth (1/12) of the Reserve Requirement Deficiency after a withdrawal from the Series 2016 Reserve Account to pay interest on the immediately preceding Interest Payment Date and/or to pay principal on the immediately preceding Principal Payment Date until the amount therein equals the Reserve Requirement for the Series 2016 Bonds as described below in "– Funds and Accounts and Flow of Funds."

Under conditions specified in the Resolution, the Board may fund the Reserve Requirement for any Series of Bonds, including the Series 2016 Bonds, by delivering a letter of credit or other Credit Facility in substitution for, or in lieu of, moneys to be held in the Bond Reserve Fund for such Series. It is not anticipated that any portion of the Reserve Requirement for the Series 2016 Bonds will be funded with a Credit Facility.

The Board is required to draw on the Series 2016 Reserve Account in the Bond Reserve Fund whenever the amount held in the Interest Account or the Principal Account for the Series 2016 Bonds is insufficient to pay interest on or principal of such Bonds on the date such payments are due.

The Series 2016 Reserve Account is pledged to the payment of the Series 2016 Bonds; however the Series 2016 Reserve Account may also be pledged to Additional Bonds on a parity basis to secure those Additional Bonds.

Funds and Accounts and Flow of Funds

Funds Established.

General Bond Resolution. The General Bond Resolution establishes (i) the Revenue Fund, (ii) the Operations and Maintenance Fund (and the Operations and Maintenance Reserve Account therein), (iii) the Bond Fund (and the Principal Account and Interest Account therein), (iv) the Bond Reserve Fund, (v) the Rebate Fund, (vi) the Repair and Replacement Fund and (vii) the General Purposes Fund and provides for the establishment of (i) the Subordinate Bond Fund, (iii) the Subordinate Bond Reserve Fund and (iii) the Insurance and Condemnation Award Fund.

Series 2016 Resolution. The Series 2016 Resolution also establishes (i) the Designated PFC Revenue Account (in the Revenue Fund), (ii) the Series 2016 Interest Subaccount and the Series 2016 PFC Interest Subaccount (in the Interest Account of the Bond Fund), (iii) the Series 2016 Principal Subaccount and the Series 2016 PFC Principal Subaccount (in the Principal Account of the Bond Fund) and (iv) the Series 2016 Reserve Account (in the Bond Reserve Fund). The Series 2016 Resolution also requires that on or before the 20th day of each month the Board must deposit required amounts in order to satisfy Principal and Interest Requirements for the Series 2016 Bonds. See "Irrevocable Commitment of Designated PFC Revenues" above.

Revenue Fund. So long as there are any Bonds Outstanding, all Revenues (and Designated PFC Revenues as described above under "Irrevocable Commitment of Designated PFC Revenues") will be deposited into the Revenue Fund or the Designated PFC Revenue Account, as applicable, on or before the 20th day of each month, for the payment of the following amounts or deposited or transferred to the following Funds and Accounts in the order listed:

(i) Into the Operations and Maintenance Fund, the amount, together with any available amounts then on deposit therein disregarding amounts held as the Operations and Maintenance Required Reserve, sufficient to meet the O&M Expenses for the next month;

(ii) Into the Interest Account of the Bond Fund (specifically the Series 2016 Interest Subaccount or the Series 2016 PFC Interest Subaccount as set forth above under "Irrevocable Commitment of Designated PFC Revenues", as applicable) amounts set forth in the Series Resolutions with respect to each Series of Bonds sufficient to pay interest due on Outstanding Bonds and, if applicable, Net Payments related to Outstanding Bonds;

(iii) Into the Principal Account of the Bond Fund (specifically the Series 2016 Principal Subaccount or the Series 2016 PFC Principal Subaccount as set forth above under "Irrevocable Commitment of Designated PFC Revenues", as applicable) amounts set forth in the

Series Resolutions with respect to each Series of Bonds sufficient to pay principal due on Outstanding Bonds (at maturity or otherwise) and, if applicable, Mandatory Sinking Fund Requirements related to Outstanding Bonds;

(iv) Into the Accounts created in the Bond Reserve Fund amounts set forth in the applicable Series Resolutions with respect to each Series of Outstanding Bonds sufficient to eliminate the Reserve Requirement Deficiency which, as provided in the Series 2016 Resolution is an amount equal to one-twelfth (1/12) of the Reserve Requirement Deficiency existing after a withdrawal from the Series 2016 Reserve Account until the amount therein equals the Reserve Requirement for the Series 2016 Bonds;

(v) Into the Subordinate Bond Fund, if any, the amount sufficient, together with any other amounts then on deposit therein, to pay any principal and interest becoming due on Subordinate Bonds at the times and in the amounts set forth in the respective Subordinate Bonds Issuing Instrument;

(vi) Into the Subordinate Bond Reserve Fund, if any, as specified in the respective Subordinate Bonds Issuing Instrument to be used in the manner provided therein;

(vii) Into the Operations and Maintenance Reserve Account, an amount equal to one-twelfth of the Current Year Operating Increment plus one-twelfth of the aggregate amount, if any, withdrawn from such Account in the preceding twelve months, until the amount then on deposit in such Account equals the Operations and Maintenance Required Reserve;

(viii) Into the Repair and Replacement Fund, an amount equal to one-twenty-fourth of the Repair and Replacement Fund Requirement, but only to the extent such deposit is required to make the amount on deposit in the Repair and Replacement Fund equal to the Repair and Replacement Fund Requirement;

(ix) Into the Rebate Fund, the amounts and at the times, provided in any Series Resolution for the payment of any Rebate Amount; and

(x) Into the General Purposes Fund from time to time, at the discretion of the Board, any amount of the moneys remaining in the Revenue Fund, which the Board has reasonably determined taking into account additional Revenues projected to be received, will not be needed to make deposits described in paragraphs (i) through (ix) above.

In each month following a month in which any deposit or payment required by paragraphs (i) through (ix) has not been made, in addition to the amounts then due, there shall be deposited an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer of money or Investment Obligations to such Fund or Account from other Funds and Accounts.

Operations and Maintenance Fund. Moneys held in the Operations and Maintenance Fund will be used to pay O&M Expenses as they come due. Money in the Operations and Maintenance Reserve Account may be used to pay O&M Expenses when sufficient funds for that purpose are not otherwise available in the Operations and Maintenance Fund or available to transfer from the Revenue Fund. Whenever the amount on deposit in the Operations and Maintenance Fund (including any amounts in the Operations and Maintenance Reserve Account) is insufficient to pay O&M Expenses, the amount necessary to pay the same will be transferred to the Operations and Maintenance Fund, drawing upon funds available in the General Purposes Fund, and the Repair and Replacement Fund, in that order.

Bond Fund. Not later than two Business Days preceding each Interest Payment Date or Principal Payment Date, there shall be transferred to the Paying Agent from the Interest Account and Principal Account, and from any subaccount created for a particular Series of Bonds, the amount necessary to pay the interest, principal and Mandatory Sinking Fund Requirement due on any Outstanding Bonds.

If the Board fails to make any deposit to the Interest Account or Principal Account, or any subaccount therein, or if the balance in the Interest Account or Principal Account, or any subaccount therein, on the 20th Business Day of the month immediately preceding an interest or principal payment date is insufficient to pay interest, principal and Mandatory Sinking Fund Requirement becoming due on such payment date, the Board immediately shall deposit an amount sufficient to cure the same, drawing upon funds available in the General Purposes Fund and the Repair and Replacement Fund, in that order. If the amount so deposited is not sufficient to cure the deficiency in the Interest Account or Principal Account or any subaccount therein, there shall be transferred from the Bond Reserve Fund to such Account such amount as may be necessary to remedy such deficiency.

Bond Reserve Fund. The Bond Reserve Fund shall be used solely for the payment of Principal and Interest Requirements on the Bonds. An Account within the Bond Reserve Fund may be pledged to all Series of Bonds Outstanding or solely to one or more particular Series of Bonds as set forth in the Series Resolution. If a Reserve Requirement has been designated for a Series of Bonds, the related Series Resolution shall either (1) create a separate Account within the Bond Reserve Fund or (2) designate a previously created Account within the Bond Reserve Fund, if permitted, for the deposit of the Reserve Requirement. Whenever there is a deficiency in the Bond Fund for the payment of Principal and Interest Requirements for Bonds for which a Reserve Requirement has been designated, funds available in the appropriate Account of the Bond Reserve Fund shall be used by the Board for the payment of Principal and Interest Requirements on such Bonds.

The amounts in the Bond Reserve Fund, including proceeds of any Credit Facility, shall be used to make transfers, in the following order: to the Interest Account and the Principal Account to remedy any deficiency in any deposit required to be made to said Accounts or to pay the interest on or the principal of (whether at maturity or in satisfaction of the Mandatory Sinking Fund Requirement therefor) the Bonds when due, only whenever and to the extent that the money on deposit in any or all of said Accounts, together with transfers thereto from the General Purposes Fund and the Repair and Replacement Fund, is insufficient for such purposes.

Rebate Fund. Amounts, if any, deposited into the Rebate Fund represent sums required to be transferred in order to comply with the provisions of the Code. Amounts in the Rebate Fund, including earnings and deposits therein, are held in trust solely for future payments to the United States Treasury, as required by the Code and are not pledged as security for the Bonds.

Repair and Replacement Fund. Amounts in the Repair and Replacement Fund may be applied to any lawful purpose of the Board including the payment of the cost of renewals and replacements and unusual or extraordinary repairs to the Airport and of engineering and other expenses incurred in connection therewith.

The amounts in the Repair and Replacement Fund are required to be used to make transfers, in the following order, to (i) the Revenue Fund to pay O&M Expenses if the amount on deposit therein, together with transfers thereto from the General Purposes Fund, is insufficient, (ii) the Interest Account and the Principal Account, in that order, to remedy any deficiency in any deposit required to be made to said Accounts if the money to be deposited from the Revenue Fund, together with transfers thereto from the General Purposes Fund, is insufficient, and (iii) the Bond Reserve Fund, if necessary to cure a deficiency therein if money to be transferred to the Bond Reserve Fund from the General Purposes Fund is insufficient.

If the money held in the Repair and Replacement Fund exceeds the Repair and Replacement Fund Requirement (established by the Board) an amount equal to the excess may be transferred to the General Purposes Fund.

General Purposes Fund. Money on deposit in the General Purposes Fund is required to be applied to make transfers in the following order: (i) to the Revenue Fund to the extent necessary to pay O&M Expenses whenever the amount on deposit therein is insufficient, (ii) to the Interest Account and Principal Account, in that order, to remedy any deficiency in any deposit required to be made from the Revenue Fund, (iii) to the Bond Reserve Fund, to the extent necessary to cure a deficiency therein, (iv) to the paying agent for Subordinate Bonds upon a request therefrom to pay debt service on Subordinate Bonds, if amounts previously transferred to the paying agent for the Subordinate Bonds are insufficient for such purpose, and (v) to any Counterparty to which the Board then owes a Termination Payment in connection with an Interest Rate Swap. After making the aforementioned transfers, the Board may apply any amounts in the General Purposes Fund for any lawful aviation purpose.

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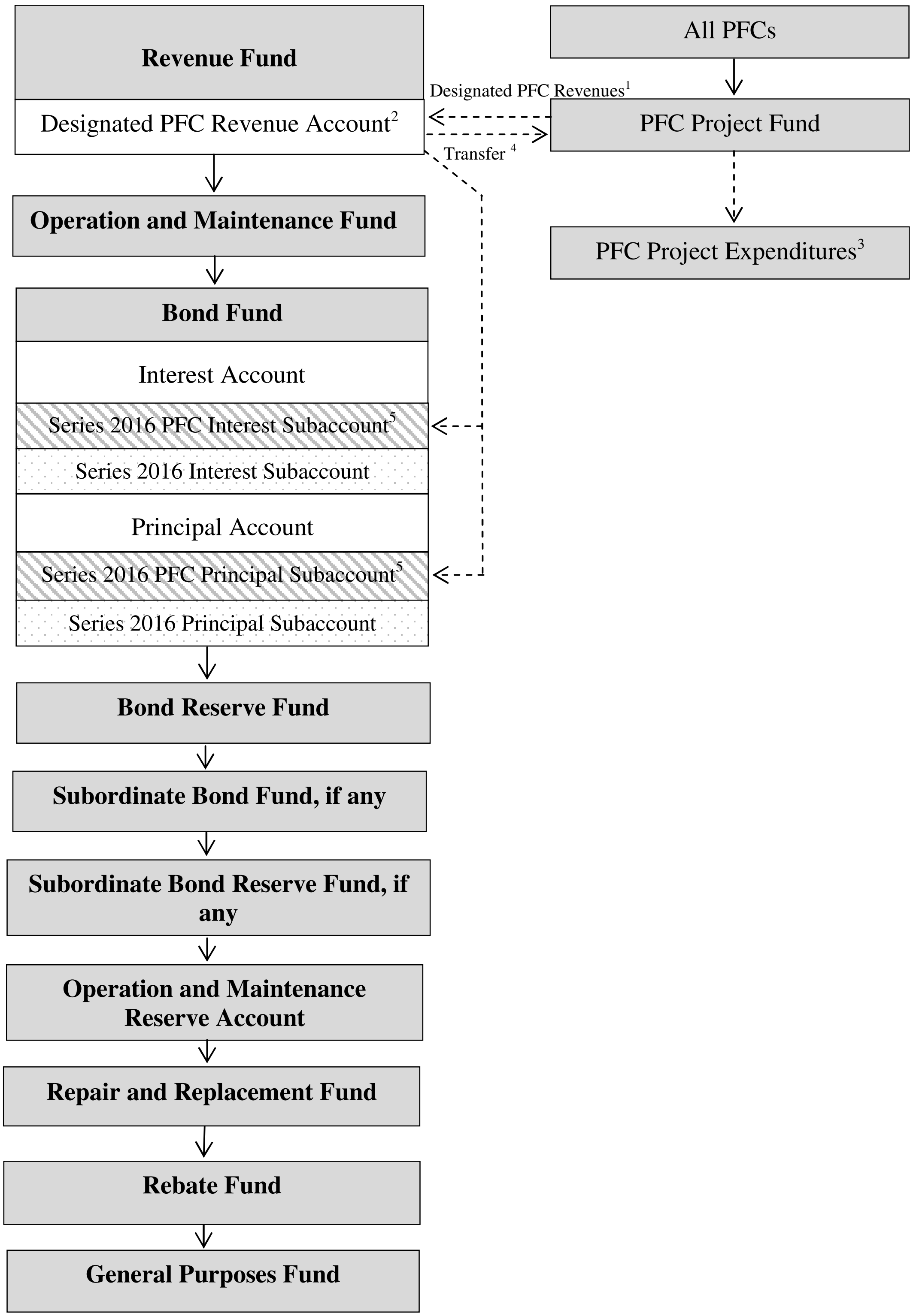
The following chart depicts the flow of funds required by the Resolution.



1. Irrevocable commitment of the lesser of (i) 125% of Principal and Interest Requirements for the Series 2016 Bonds or (ii) the total amount of PFCs then on deposit in the PFC Project Fund, from the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020 which period may be extended by action of the Board.
2. The Designated PFC Revenue Account in the Revenue Fund.
3. PFC funds used for PFC eligible projects.
4. All amounts as of the last day of each Fiscal Year.
5. Investment income to be transferred to the PFC Project Fund monthly.

Additional Bonds

The Board has reserved the right and privilege at any time to issue one or more series of Additional Bonds from time to time payable from the Net Revenues and ranking on a basis of parity and equality with the Bonds, including the Series 2016 Bonds, for the purpose of providing funds to pay the costs of further extensions and improvements to the Airport and air navigation facilities of the Airport, provided that before any such series of Additional Bonds are issued there must be procured and filed with the Board, the following:

(i) a certificate prepared by an Authorized Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of maximum aggregate annual Principal and Interest Requirement with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds were then Outstanding; or

(ii) a certificate prepared by an Airport Consultant showing that:

(A) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, were at least equal to 125% of the sum of the aggregate annual Principal and Interest Requirement due and payable with respect to all Outstanding Bonds for such applicable period; and

(B) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Principal and Interest Requirement for each such Fiscal Year with respect to all Outstanding Bonds and calculated as if the proposed Series of Bonds were then outstanding; and

(iii) a certificate of an Authorized Representative to the effect that no Event of Default has occurred and is continuing under the Resolution or, if an Event of Default then exists, that such Event of Default shall be cured upon issuance of such Additional Bonds and the application of the proceeds thereof as described or provided for in the Series Resolution therefor.

For purposes of clause (ii) above, in estimating Net Revenues, the Airport Consultant shall take into account (1) Revenues from new Airport facilities or other new capital improvements reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (3) any other increases in Net Revenues, including any Other Available Revenues specified in the Series Resolution (or any other action adopted by the Board), which the Airport Consultant believes to be a reasonable assumption for such period. With respect to O&M Expenses, the Airport Consultant shall use such assumptions as the Airport Consultant believes to be reasonable, taking into account: (i) historical O&M Expenses of the Board, (ii) additions to or reductions in O&M Expenses associated with the capital improvements to be funded with the proceeds of the Additional Bonds proposed to be issued and any other new capital improvements and Airport facilities and (iii) such other factors, including inflation and changing operations or policies of the Board, as the Airport Consultant believes to be appropriate.

Additional Bonds for Completion Purposes. The certificates in clauses (i), (ii), and (iii) above are not required if the Additional Bonds are issued for the purpose of completing Improvements previously undertaken by the Board, for which Bonds were previously issued; and instead there shall be filed with the Board a certificate of the Authorized Representative stating that (a) the principal amount of the Bonds to be issued for completion purposes does not exceed 15% of the principal amount of the Bonds, or the portion thereof allocable to those Improvements, previously issued for said Improvements, (b) all of the proceeds of the Bonds previously issued for the Improvements, including any investment earnings in the Construction Fund funded from the proceeds of said Bonds previously issued, have been or will be used to pays Costs of the Improvements, and (c) the estimated Costs of the Improvements exceed the amounts already paid for the Improvements plus money available in the Construction Fund.

Additional Bonds for Refunding Purposes. The certificates in clauses (i), (ii), and (iii) above are not required if the Additional Bonds are issued for the purpose of refunding previously issued Bonds; and instead there shall be filed with the Board a certificate of the Authorized Representative stating that (i) the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding after the issuance of such refunding Bonds shall be less than the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding prior to the issuance of such refunding Bonds or (ii) the proposed issuance of the refunding Bonds will reduce total debt service payments on all Outstanding Bonds on a net present value basis.

Events of Default and Remedies - No Acceleration; No Cross Default

There is no provision for acceleration of the maturity of the Series 2016 Bonds if any default occurs in the payment of the principal of or interest on the Series 2016 Bonds or in the performance of any other obligation of the Board under the Resolution or if interest on the Series 2016 Bonds becomes includible in the gross income of the owners thereof for federal income tax purposes. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution.

Other Obligations

Subordinate Bonds. The Board has reserved the right to issue, in addition to Additional Bonds, other obligations, the security and source of payment of which is subordinate and subject to the priority of the payments for the account of the Bonds, including the Series 2016 Bonds, or Additional Bonds permitted to be issued by the Resolution. The Board may issue Subordinate Bonds for any lawful airport or aviation-related purposes permitted by law, so long as the following conditions are met:

(a) Subordinate Bonds issued or otherwise entered into by the Board, must rank junior and subordinate to the Bonds, including the Series 2016 Bonds, issued and outstanding under the General Bond Resolution and may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Bonds, including the Series 2016 Bonds, whether by maturity or redemption have been paid in full and the Board is current on all payments, if any, required to be made to replenish the Bond Reserve Fund and any separate Accounts therein. In all cases Subordinate Bonds shall be secured on a junior and subordinate basis to the Bonds, including the Series 2016 Bonds, by the pledge of the Net Revenues or shall be secured by assets that are not Net Revenues or shall be unsecured. No Bond, note, other instrument of indebtedness, or Interest Rate Swap, shall be deemed to be "Subordinate Bonds" for purposes of the General Bond Resolution and payable on a subordinated basis from Net Revenues unless specifically designated by the Board as a "Subordinate Bonds" in the authorizing resolution and Subordinate Bonds Issuing Instrument; and

(b) the principal of, and the redemption premium, if any, and interest on any such Subordinate Bonds is payable as a whole or in part solely from the proceeds of other Subordinate Bonds, Additional Bonds, Net Revenues pursuant to the General Bond Resolution, any money available therefor in the General Purposes Fund, or from any other legally available source, provided that such Subordinate Bonds shall be payable from Additional Bonds only to the extent such indebtedness was issued for any purpose for which Additional Bonds may be secured under this General Resolution; except for payments from the proceeds of Additional Bonds, Net Revenues transferred to the paying agent for the Subordinate Bonds under the provisions of the General Bond Resolution, and the General Purposes Fund, no money in any other Fund or Account created under the provisions of the General Bond Resolution shall be used to pay the principal of, or the interest or redemption premium, if any, on, any Subordinate Bonds.

Special Facilities Obligations. The Board has reserved the right to issue special facilities bonds, notes or obligations from time to time for the purpose of financing the acquisition or construction of Special Facilities located on property that constitutes the Airport, or on property that will become incorporated into the Airport upon defeasance of the obligations issued to finance the Special Facilities. The special facilities bonds, notes or obligations are not directly or indirectly secured by or payable from Revenues, but are secured by and payable from income derived from the operation of the Special Facilities. The Board must levy charges on users of the Special Facilities in an amount sufficient to pay the principal of, and the premium, if any, and interest on obligations issued to finance the Special Facilities. Prior to the issuance of any special purpose bonds, the Board shall adopt a resolution describing in reasonable detail the Special Facilities to be acquired or constructed by the Board, authorizing the issuance of the special facilities bonds, notes or obligations and prescribing the rights, duties, remedies and obligations of the Board and the holder or holders of such special facilities bonds, notes or obligations.

No such special facilities bonds, notes or obligations shall be issued by the Board unless an Authorized Representative shall have filed with the Board a certificate stating that:

(a) the estimated Special Facilities Revenues pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Board and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due;

(b) with respect to the designation of any separately identifiable existing airport facilities or airport facility as a "Special Facility" or "Special Facilities," the estimated Net Revenues, calculated without including the new Special Facilities Revenues and without including any operation and maintenance expenses of the Special Facility as Operations and Maintenance Expenses of the Airport, will be sufficient so that the Board will be in compliance with Rate Covenant; and

(c) no Event of Default then exists.

PLAN OF FINANCE

Proceeds of the Series 2016 Bonds will be used by the Board to redeem the Refunded Bonds, and pay the costs of issuing the Series 2016 Bonds. The proceeds of the Series 2016 Bonds, together with certain amounts previously on deposit in the sinking fund and reserve account for the Refunded Bonds, that are required to redeem and discharge the Refunded Bonds, will be deposited in an escrow fund to be held by the Paying Agent, as escrow agent, in trust, for the redemption of the Refunded Bonds on August 1, 2016 at a redemption price equal to the principal amount redeemed, plus interest accrued to the redemption date. See "VERIFICATION OF MATHEMATICAL CALCULATIONS" herein. An amount equal to the Reserve Requirement for the Series 2016 Bonds will be transferred from the reserve account for the Refunded Bonds to the Series 2016 Reserve Account established for the Series 2016 Bonds.

The Refunded Bonds are as follows:

Maturity Date (March 1)	Interest Rate	Principal Amount	CUSIP Number
2017	5.500%	$2,255,000	491026SQ4
2018	5.500	2,380,000	491026SR2
2023[1]	5.000	13,875,000	491026SS0
2033[1]	4.875	40,080,000	491026ST8
TOTAL		$58,590,000	

[1] Term Bonds

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the Series 2016 Bonds:

Sources of Funds	
Par Amount of the Series 2016 Bonds	$47,785,000.00
Net Original Issue Premium	9,566,460.70
Transfers from Accounts of the Refunded Bonds	7,358,721.12
TOTAL	$64,710,181.82
Use of Funds	
Deposit to Escrow Fund to Refund the Refunded Bonds	$59,799,408.12
Deposit to Series 2016 Reserve Account	4,296,000.00
Costs of Issuance*	614,773.70
TOTAL	$64,710,181.82

* Includes Underwriters' discount and costs of issuance.

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OUTSTANDING OBLIGATIONS AND DEBT SERVICE REQUIREMENTS

Outstanding Obligations

After issuance and delivery of the Series 2016 Bonds, the Series 2016 Bonds will be the only outstanding obligations of the Board.

Debt Service Requirements

Bond Year (January 1)	Principal	Interest	Total Debt Service
2017	$1,250,000.00	$1,172,427.50	$2,422,427.50
2018	1,985,000.00	2,306,900.00	4,291,900.00
2019	2,065,000.00	2,227,500.00	4,292,500.00
2020	2,165,000.00	2,124,250.00	4,289,250.00
2021	2,280,000.00	2,016,000.00	4,296,000.00
2022	2,390,000.00	1,902,000.00	4,292,000.00
2023	2,510,000.00	1,782,500.00	4,292,500.00
2024	2,635,000.00	1,657,000.00	4,292,000.00
2025	2,765,000.00	1,525,250.00	4,290,250.00
2026	2,905,000.00	1,387,000.00	4,292,000.00
2027	3,050,000.00	1,241,750.00	4,291,750.00
2028	3,205,000.00	1,089,250.00	4,294,250.00
2029	3,360,000.00	929,000.00	4,289,000.00
2030	3,530,000.00	761,000.00	4,291,000.00
2031	3,710,000.00	584,500.00	4,294,500.00
2032	3,890,000.00	399,000.00	4,289,000.00
2033	4,090,000.00	204,500.00	4,294,500.00
TOTAL	$47,785,000.00	$23,309,827.50	$71,094,827.50

ORGANIZATION AND MANAGEMENT

Statutory Authorization

The Board was created pursuant to a resolution of the Fiscal Court of Kenton County adopted on June 3, 1943. Under the provisions of Chapter 183 of the Kentucky Revised Statutes and by the terms of such resolution, the Board has been created and organized as a public body politic and corporate. The Series 2016 Bonds are being issued by the Board pursuant to the provisions of Chapter 183 and Chapter 58 of the Kentucky Revised Statutes. Although the Airport is situated in Boone County, Kentucky, the Board has complete jurisdiction, control, possession and supervision of the Airport with the power and authority, among other things, to establish and fix reasonable rates, charges, and fees for the use of its landing areas, ramps and other common aviation facilities, and by contract or otherwise to negotiate general rates, charges, and fees for commercial vendors, concessionaires or other persons for the use and occupancy of its terminals or other ground use facilities.

Organization

The Board consists of 13 voting members with the majority of the members required to be a resident of Kenton County. Eight of the members are appointed by the Kenton County Judge Executive with the approval of the Kenton County Fiscal Court. Two members are appointed by the Boone County Judge Executive with approval of the Boone County and Kenton County Fiscal Courts. The Campbell County Judge Executive and Grant County Judge Executive each appoint one member with the approval of the respective counties' Fiscal Court as well as the Kenton County Fiscal Court and one member is the appointed by the Governor of Kentucky.

By an amendment to the Kentucky statute in 2015, the number of Board voting members increased from seven to 13 members effective July 1, 2015. The expirations of the initial terms of any new members appointed as of July 1, 2015 are staggered from one to four years. All subsequent appointments will be for four years terms.

Kenton County Airport Board Members

Board Member	Term Expiration
J. Michael Schlotman (Chair) Mr. Schlotman is the Senior Vice President and Chief Financial Officer of Kroger Company.	June 3, 2018
John A. Mocker, Jr. (Vice Chair Mr. Mocker is Vice President and Partner at LB Industries, Inc.	June 30, 2018
Kevin W. Canafax Mr. Canafax is Vice President of Public Affairs-Midwest Region, at Fidelity Investments.	June 30, 2019
Bryan Carlisle Mr. Carlisle is Chief Executive Officer at Maxim Crane Works, LP.	June 30, 2017
Kathy Collins Ms. Collins is Vice President of Private Banking at Fifth Third Bank.	June 3, 2017
Robert G. Cooper Mr. Cooper is Retired Vice President of Public Finance at J.J. B. Hilliard, W.L. Lyons.	June 3, 2017
Mike L. Drysdale Mr. Drysdale is Owner of Drysdale Direct Express.	June 30, 2019
Timothy S. Mauntel Mr. Mauntel is Retired Senior Vice President at Morgan Stanley.	June 3, 2016*
William T. (Bill) Robinson III Mr. Robinson is Member-in-Charge at Frost Brown Todd.	June 19, 2018
Todd M. Schneider Mr. Schneider is President and Chief Operating Officer – Rental Division at Cintas Corporation.	July 1, 2016
*William M. Schule*r Mr. Schuler is President and Chief Operating Officer at Castellini Company.	July 15, 2018
Chad L. Summe Mr. Summe is Vice President of Sales at Quotient.	July 1, 2020
Paul T. Verst Mr. Verst is President and Chief Executive Officer at Verst Group Logistics.	June 30, 2019

*Upon the expiration of his term, Mr. Mauntel will continue to serve on the Board until the Board appoints a new member.

Airport Management

Candace S. McGraw, Chief Executive Officer, was appointed Chief Executive Officer of the Airport in July 2011. Ms. McGraw has over 25 years of experience in aviation, legal affairs and public administration. Prior to leading the Airport staff, Ms. McGraw served in a number of positions at the Cleveland Airport System, including Deputy Director and served as General Counsel for Cleveland City Council and Legal Counsel and Deputy Director of Charitable Gaming for the Ohio Lottery Commission.

Ms. McGraw is active in the local community as well as the aviation industry. She is a graduate of Leadership Cincinnati and serves on a number of community boards. Ms. McGraw serves on the airport industry board, Airport Council International-North America (ACI-NA), and has earned the International Airport Professional (IAP) designation. Ms. McGraw has also been recognized as the "Best Boss in Northern Kentucky," 2013; Outstanding Woman of Northern Kentucky, 2015 and a YWCA Career Woman of Achievement, 2015 and Kentucky Aviation Manager of the Year, 2015.

Ms. McGraw received her Bachelor's and Master's degrees in Political Science from Duquesne University and a Juris Doctor degree from the University of Pittsburgh School of Law.

Tim Zeis, Chief Operating Officer, joined the Airport in January 2010. Mr. Zeis received his Bachelor of Arts degree in Business Administration in 1996 from Thomas More College in Crestview Hills, KY. He also attended Hanover College and the University of Dayton from 1979 through 1982, focusing on Business. Mr. Zeis previously worked for Regional Elite Airline Services, a wholly owned Delta Air Lines subsidiary, as the Director of Hub Operations at the Airport. Prior to Regional Elite Airline Services, Mr. Zeis had a 27-year career with Comair and was Vice President of Customer Service/Corporate Real Estate. While at Comair, Mr. Zeis served in numerous capacities such as Director of Planning and Development and several other management positions including General Manager of Support, training instructor and customer services supervisor.

Mr. Zeis is active in the community, and is a graduate of Leadership Northern Kentucky, and serves on the Leadership Northern Kentucky Steering Committee. Mr. Zeis also serves on the board of the Greater Cincinnati Sports Corporation and was President of the Board of the Greater Cincinnati Chapter of the Juvenile Diabetes Research Foundation. Additionally, he serves on two local high school Aerospace boards, supporting the U.S. Department of Education's Science, Technology, Engineering and Math: Education for Global Leadership (STEM) initiative and volunteers his time as a varsity high school football coach.

Sheila R. Hammons, CPA, Chief Financial Officer of the Airport and Secretary-Treasurer of the Board, joined the Airport in 1986. Ms. Hammons received a Bachelor of Science degree in accounting from the University of Kentucky in 1981 and worked for Price Waterhouse LLP before her employment by the Board. Ms. Hammons served as Controller of the Airport and Assistant Secretary-Treasurer of the Board until November 1994. Ms. Hammons is a member of the Ohio Society of Certified Public Accountants, the Kentucky Society of Certified Public Accountants, the Airports Council International-North America, and the American Association of Airport Executives.

THE AIR TRADE AREA

As shown in the following exhibit, the Airport's air trade area can be generally defined as the area within a 50-mile radius of the Airport. The airports in Columbus, Dayton, Indianapolis, Louisville, and Lexington influence this radius to the north, west, and south; while the eastern border of the air trade area extends beyond this radius due to a lack of air carrier facilities in that region.

Included within the Airport's air trade area is the 15-county Cincinnati Metropolitan Statistical Area (MSA). This area includes Brown, Butler, Clermont, Hamilton, and Warren counties in Ohio;

Boone (in which the Airport is located), Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton counties in Kentucky; and Dearborn, Ohio, and Union counties in Indiana. While counties in the air trade area that are not a part of the MSA support a portion of the Airport's air passenger traffic demand, it is the economic strength of the MSA that provides the primary basis of demand for local air transportation at the Airport. As a result, the MSA is considered the Airport's primary air trade area (defined hereinafter as "Air Trade Area" for purposes of socioeconomic data analysis provided in the remainder of this section).

Population

As shown in the table below, between 2010 and 2015 (the most recent data available), the population of the MSA increased an average of 0.4% annually, compared with a 0.8% average annual increase for the nation as a whole.

HISTORICAL POPULATION (000s)

	MSA	United States
2000	2,000	282,162
2005	2,055	295,517
2010	2,118	309,347
2011	2,123	311,722
2012	2,130	314,112
2013	2,138	316,498
2014	2,148	318,857
2015	2,158	321,419

AVERAGE ANNUAL PERCENT POPULATION INCREASE (DECREASE)

	MSA	United States
2000-2005	0.5%	0.9%
2005-2010	0.6	0.9
2010-2015	0.4	0.8
2000-2015	0.5	0.9

Notes: Population numbers are estimated as of July 1 each year. Calculated percentages may not match those shown because of rounding.

Sources: U.S. Department of Commerce, Bureau of the Census website, www.census.gov, accessed March 2016.

Prepared by: LeighFisher, Inc.

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Income

As shown in the table below, the MSA's per capita personal income in 2014 ($45,932) was nearly equal to the national average ($46,104). Between 2010 and 2014 (the most recent data available), per capita personal income in the MSA increased an average of 1.8% annually, compared with a 1.7% average annual increase for the nation as a whole.

PER CAPITA PERSONAL INCOME (2015 DOLLARS)

	MSA	United States
2000	42,846	42,121
2005	44,243	43,519
2010	42,824	43,779
2011	44,153	44,732
2012	45,097	45,697
2013	44,909	45,212
2014	45,932	46,104
2015	n/a	47,688

AVERAGE ANNUAL PERCENT PERSONAL INCOME INCREASE (DECREASE)

	MSA	United States
2000-2005	0.6%	0.7%
2005-2010	(0.6)	0.1
2010-2015	1.8 *(a)*	1.7
2000-2015	0.5 *(a)*	0.8

Notes: Calculated percentages may not match those shown because of rounding.
n/a = not available.
(a) Average annual percent increase through 2014.

Source: U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed March 2016.

Prepared by: LeighFisher, Inc.

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Employment

As shown in the table below, since 2012, the rate of unemployment has been lower for the MSA than for the nation. In 2015, unemployment in the MSA was 4.4% compared with 5.3% for the nation.

UNEMPLOYMENT RATES

	MSA	United States
2000	3.7%	4.0%
2005	5.4	5.1
2010	9.9	9.6
2011	8.9	8.9
2012	7.4	8.1
2013	7.2	7.4
2014	5.4	6.2
2015	4.4	5.3

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed March 2016.
Prepared by: LeighFisher, Inc.

As shown in the table below, between 2010 and 2015, nonagricultural employment in the MSA increased an average of 1.5% annually, compared with a 1.7% average annual increase for the nation as a whole.

NONAGRICULTURAL EMPLOYMENT (000s)

	MSA	United States
2000	1,015	132,024
2005	1,031	134,051
2010	982	130,361
2011	992	131,932
2012	1,009	134,175
2013	1,025	136,381
2014	1,042	138,958
2015	1,060	141,865

AVERAGE ANNUAL PERCENT EMPLOYMENT INCREASE (DECREASE)

	MSA	United States
2000-2005	0.3%	0.3%
2005-2010	(1.0)	(0.6)
2010-2015	1.5	1.7
2000-2015	0.3	0.5

Notes: Calculated percentages may not match those shown because of rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed March 2016.
Prepared by: LeighFisher, Inc.

The table below shows the top 20 employers in the region. Of these 20 employers, 5 are both headquartered in the MSA and on the *Fortune 500* list of largest U.S. companies and 6 are in the field of health care. *Fortune* 500 companies headquartered in the MSA but not listed in table below include: Ashland, Omnicare, AK Steel, General Cable, American Financial Group, and Western & Southern Financial Group. E.W. Scripps Company is another key employer headquartered in the MSA.

TOP EMPLOYERS

Rank	Company	Employment	Type of business
1	Kroger Co. [(a)]	21,600	Grocer/retail
2	University of Cincinnati	16,000	Education
3	Cincinnati Children's Hospital Medical Center	14,900	Health care
4	TriHealth Inc.	11,800	Health care
5	Proctor & Gamble Co. [(a)]	11,000	Consumer products
6	UC Health	10,000	Health care
7	GE Aviation [(a)]	7,800	Aerospace
8	Mercy Health - Cincinnati	7,500	Health care
9	St. Elizabeth Healthcare	7,500	Health care
10	Fifth Third Bancorp [(a)]	6,900	Financial services
11	City of Cincinnati	6,500	Local government
12	Christ Hospital Health Network	5,300	Health care
13	Archdiocese of Cincinnati	5,100	Religious organization
14	Hamilton County	4,600	Local government
15	Macy's Inc. [(a)]	4,500	Retail
16	Cincinnati Public Schools	4,500	School district
17	Internal Revenue Service	4,400	Government
18	Miami University	4,200	Education
19	Fidelity Investments	4,100	Financial services
20	Kings Island	4,000	Amusement park

Note: The Tri-state area as defined by Cincinnati Business Courier is generally analogous to the MSA.
(a) Fortune 500 company (based on 2014 revenue) headquartered in Cincinnati.
Source: Cincinnati Business Courier, 2015-2016 Book of Lists.
Data from July 2015.
Prepared by : LeighFisher, Inc.

Airport Competition

Several airports offering scheduled passenger air service are located within a two-hour drive of the Airport, namely: Blue Grass Airport (LEX), Dayton International Airport (DAY), Indianapolis International Airport (IND), Louisville International Airport (SDF), and Port Columbus International Airport (CMH). Cincinnati Municipal Lunken Airport (LUK), owned and operated by the City of Cincinnati, is primarily a general aviation airport with a limited amount of scheduled service provided by Ultimate Air Shuttle.

Dayton International Airport is the closest competing airport. A comparison of domestic passenger airline service, originating passengers, and average airfares at the Airport and Dayton International Airport is presented in the table below. Compared to Dayton International Airport, the Airport offers three times the number of departing seats to three times the number of nonstop destinations. Additionally, the Airport offers significantly more extensive low-cost carrier service. Between 2011 and 2015, average airfares increased 15% at Dayton International Airport while decreasing 8% at the Airport.

Over the same period, the number of domestic originating passengers increased 19% at the Airport, while decreasing 19% at Dayton International Airport.

DOMESTIC PASSENGER AIRLINE SERVICE, ORIGINATING PASSENGERS, AND AVERAGE AIRFARES
Cincinnati/Northern Kentucky and Dayton International Airports

	Cincinnati			Dayton		
	Low-cost carriers	All other carriers	Total	Low-cost carriers	All other carriers	Total
Number of destinations served nonstop *(a)*						
June 2012	--	49	49	5	14	17
June 2016	23	36	47	3	12	15
Change	*+23*	*-13*	*-2*	*-2*	*-2*	*-2*
Number of airlines providing scheduled service						
June 2012	--	5	5	2	4	6
June 2016	2	4	6	2	3	5
Change	*+2*	*-1*	*+1*	--	*-1*	*-1*
Average daily departing seats						
June 2012	--	11,252	11,252	1,212	3,551	4,763
June 2016	2,506	9,356	11,862	498	3,339	3,837
Percent change	*n.a.*	*-16.9%*	*+5.4%*	*-58.9%*	*-6.0%*	*-19.4%*
Domestic O&D Passengers						
CY 2011	--	1,875,630	1,875,630	327,620	792,740	1,120,360
CY 2015	515,410	1,715,550	2,230,960	159,910	750,500	910,410
Percent change	*n.a.*	*-8.5%*	*+18.9%*	*-51.2%*	*-5.3%*	*-18.7%*
Average roundtrip fare *(b)*						
CY 2011	$--	$451	$451	$265	$389	$352
CY 2015	$151	$494	$415	$295	$427	$404
Percent change	*n.a.*	*+9.6%*	*-8.0%*	*+11.3%*	*+9.8%*	*+14.5%*

Note: n.a.=not applicable.
(a) Includes destinations served by an average of at least one flight per week.
(b) In 2015 dollars. Excludes taxes, fees, and PFCs, and ancillary fees charged by the airlines.
Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2016; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
Prepared by: LeighFisher, Inc.

THE AIRPORT

The Airport is the air transportation facility for scheduled carriers serving the Cincinnati MSA. The Airport is located on approximately 7,500 acres in the northeastern corner of Boone County, Kentucky, approximately 13 miles southwest of downtown Cincinnati, across the Ohio River in Kentucky. Access to the Airport is provided by I-75, I-74, I-71, I-275 and I-471. The Airport began operations in 1947 at the present site in Boone County. Although the Airport is actually situated in Boone County, the Board has complete jurisdiction, control, possession and supervision of the Airport.

The Airport is classified as a medium air traffic hub by the FAA, ranking 48th nationally according to Airport Council International's rankings in terms of total enplaned and deplaned passengers for the year ended December 31, 2015 (the most recent year data is available). In 2015, the Airport served 3,160,248 enplaned passengers. The Airport also serves as DHL Express's ("DHL") main international cargo hub for the US and all of the Americas and in 2015 DHL accounted for approximately 49% of total Airport landed weight. See "INFORMATION CONCERNING THE AIRLINE INDUSTRY AND THE AIRLINES."

Role of the Airport

The Airport primarily serves residents of, and visitors to, the Cincinnati region, with origin passengers representing 84.5% of the Airport's total enplanements in 2015. Historically, Delta Air Lines, Inc. ("Delta") operated a sizable connecting hub at the Airport. Over the past ten years, Delta has downsized its operations at the Airport, primarily impacting the Airport's connecting traffic. As Delta has restructured its hub, incumbent airlines and new low-cost entrants have expanded service at the Airport. As a result, the carrier base at the Airport has diversified, enhancing competition, lowering air fares, and stimulating local passenger traffic. Since 2013, the Airport's enplanements have experienced positive growth with enplanements increasing by 10% between 2013 and 2015. In the first three months of 2016, this growth has continued with enplanements increasing by 8.3% and origin passengers representing 87.5% of total enplanements.

The Airport serves as DHL's main international cargo hub for North America and South America and is one of DHL's three global "super hubs." DHL accounts for 95% of cargo tonnage handled at the Airport. In 2015 the Airport ranked ninth amongst all North American airports with respect to total cargo handled according to Airport Council International-North America's rankings. DHL's U. S. hub operations were located at the Airport from 1983 until 2005, when DHL moved its U.S. hub to Wilmington, Ohio upon entering the US domestic express business. In 2009, DHL refocused its U.S. hub operations on handling international business and moved it operations back to the Airport. Since returning to the Airport, DHL has invested $275 million in its facilities at the Airport and has a total of $505 million invested in its hub facilities that were relocated to the south airfield area of the Airport in 2002. The latest expansion to the hub is scheduled to be completed in 2016 and will add 16 wide body aircraft parking positions. With this latest expansion at the request of DHL, the Board has authorized an extension of the existing cargo facility lease and/or a new lease that would effectively extend the original DHL cargo facility lease by more than 10 years to expire in December 2045, subject to two five-year extension options.

Airport Facilities

Airside Facilities. Airside facilities include four runways and interconnecting taxiways. The three north/south oriented parallel runways, 18R/36L, 18C/36C and 18L/36R, are the principal runways of the Airport and operate fully independently of each other with 4,300 and 6,243 foot separations, respectively. Runway 18C/36C, and Runway 18L/36R are 11,000 and 10,000 feet in length, respectively and Runway 18R/36L is 8,000 feet in length. Runway 9/27 has an east/west orientation and is 12,000 feet in length. Runway 9/27 is utilized as a primary departure runway and as a crosswind runway. Additionally, it serves as the primary nighttime arrival/departure runway for all aircraft. The Airport has ample runway capacity to handle projected operations at the Airport.

All runways are 150 feet wide and are constructed of Portland cement or asphaltic concrete and have been rehabilitated within the last 9 years, except for Runway 18R/36L that opened in 2005. Navigational aids are in position for each runway. These navigational aids range from Category IIIa ILS capability, permitting flight activity with a 50 foot ceiling limit and a visibility limit of 600 feet, to Category I ILS capability, permitting flight activity with a ceiling limit of 200 feet and visibility limit of 1,800 feet.

<u>Terminal Facilities</u>. The commercial passenger terminal facilities at the Airport consist of an approximate 304,000 square foot main terminal (the "Main Terminal" formerly known as Terminal 3) which houses the ticketing and bag claim facilities for all passenger carriers operating at the Airport and an approximate 51,000 square foot passenger security screening facility. These facilities are connected to two mid-field concourses, Concourses A and B, via an Automated Ground Transportation System (AGTS) tunnel that contains moving sidewalks and a dual train system.

Concourse A is approximately 345,000 square feet. In 2011, the Board undertook an approximate $40 million refurbishment project that included the refurbishment of the public and gate areas in Concourse A. As part of this project, 19 of the 22 Concourse A gates areas and the public areas serving the Concourse A gates were completely refurbished. Also as part of the refurbishment project, half of the ticket counters and the public space on the ticketing level of the Main Terminal, as well as the public areas in the AGTS tunnel, were renovated. In May 2012, all the carriers previously located in Terminal 2 at the Airport were relocated to Concourse A and all carriers operating at the Airport except for Delta operate out of Concourse A.

Concourse B is approximately 866,000 square feet, contains a total of 28 mainline passenger gates and is utilized by Delta and Delta Connection carriers. Concourse B includes 10 international gates that can be cross-utilized as domestic gates and an 110,000 square-foot Federal Inspection Service (FIS) facility. The Board has first rights to use the two of the international gates at Concourse B to accommodate non pre-cleared international service.

In addition to providing room for carrier growth and enhanced customer service, the move of the carriers from Terminal 2 to Concourse A paved the way for the demolition of the older and functionally obsolete Terminal 1 and Terminal 2 which were facilities that were originally constructed in 1947 and 1971, respectively. The demolition of Terminal 1 and Terminal 2 is scheduled to be completed by the end of 2016. The Terminal 1 and Terminal 2 site is the planned location for a new Consolidated Rental Car Facility. Also planned for demolition in order to make way for additional aircraft parking and aircraft deicing area is Concourse C, a regional jet facility that has not been used for flight activity since 2009.

<u>Parking Facilities</u>. Garage parking is provided immediately adjacent to the Main Terminal in a concrete parking deck with a total of 6,707 parking spaces. The Airport's remote surface parking lot has a capacity of 6,017 cars, with shuttle transportation from the parking lot to the terminal curb front.

<u>Air Cargo Facilities</u>. Air cargo needs are met by several facilities. Through a third party developer, the Airport is in the process of replacing its current main multi-tenant 27,000 square foot fully leased air cargo building with a new facility that is planned to be approximately 132,000 square feet. Federal Express is the largest tenant in the current multi-tenant cargo facility and will continue as the anchor tenant in the new facility. The Airport also owns a smaller 14,830 square foot fully leased multi-tenant cargo facility. In addition to DHL's facility discussed below, other cargo facilities at the Airport include a 130,300 square foot air cargo facility operated by Delta, and a 62,500 square foot U.S. Postal Service air mail facility.

DHL's hub facility is located in the south airfield area of the Airport on 182 acres that are located immediately adjacent to a cross field taxiway. DHL's facilities include sort facilities, truck docks, aircraft parking area as well as various support facilities. The DHL facility is currently accessed from South Airfield Drive. The Airport will begin construction later in 2016 on another road that will provide access to DHL's site and access to other currently inaccessible property located in the south airfield area of the Airport.

<u>Other Facilities</u>. Other facilities at the Airport include a 177-room Doubletree by Hilton Hotel, an airline catering kitchen leased by Gate Gourmet, a warehouse for Delta, three aircraft maintenance hangars constructed and/or leased by Delta and utilized by Delta or Delta Connection subsidiaries, a

maintenance hangar leased to American Airlines and utilized by American Airlines regional aircraft subsidiaries, an aircraft maintenance hangar constructed by Ameriflight, a maintenance facility for the fueling service operator leased by Aircraft Service International, a maintenance facility for the ground transportation service operator, five rental car service centers, an FAA air traffic control tower, an aircraft flight training center constructed by Flight Safety International; a 183,000 square foot five-story class A office building, and a general aviation center complex including hangar, office and apron facilities (leased to a Delta subsidiary for fixed base operations) and a corporate hangar.

In order to diversify its revenue sources the Airport has begun to market under long-term leases property at the periphery of the Airport for non-aviation concurrent development. A General Electric jet engine warehousing facility was constructed at the Airport in the mid-1980's. In recent years, two manufacturing facilities and an approximate 1,000,000 square foot industrial warehouse facility were constructed by third parties on Airport land. The Airport expects to announce additional land lease agreements in the near future.

Airlines Serving the Airport

Commercial air service is currently provided by the following airlines:

PASSENGER AIRLINES(1)	ALL-CARGO CARRIERS
Air Canada	DHL(2)
Allegiant Airlines	Federal Express
American Airlines	
Delta Air Lines	
Frontier Airlines	
Sun Country Airlines	
SwiftAir	
Ultimate Air Shuttle	
United Airlines	
Volaris	

(1) Service is provided through mainline and/or affiliates/code shares.
(2) DHL Express is a cargo and logistics company that operates its cargo flights through carrier contracts

As of June, 2016.
Source: Kenton County Airport Board

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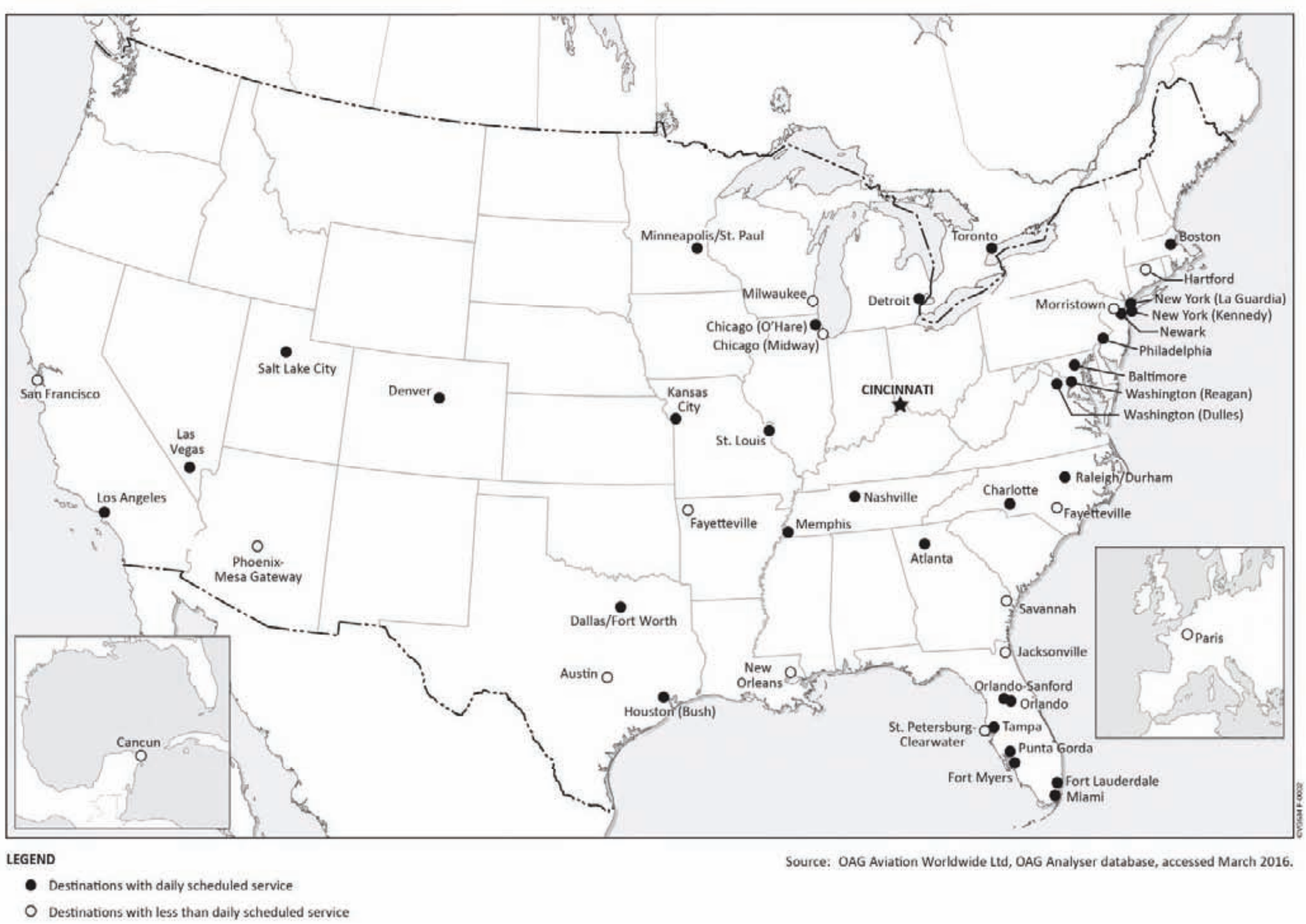
Commercial Passenger Air Service

Based on published schedules for June 2016, the Airport will have service to a total of 53 nonstop destinations with 161 departures on peak days. The Airport has nonstop service to six international destinations with non-stop year-round service to Paris, France; Toronto, Canada; and Cancun, Mexico and seasonal service to Freeport, Bahamas; Montego Bay, Jamaica; and Punta Cana, Dominican Republic. The Airport serves more markets nonstop and has more international non-stop service than any other airport in Ohio, Kentucky and Indiana. It is also the only airport in the region with non-stop transatlantic service. In 2015, international passengers made up approximately 4.5% of all passenger enplanements. The following map depicts the destinations with scheduled non-stop roundtrip service.



Information based on published schedules for June 2016.
Prepared by: LeighFisher, Inc.

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In 2015, the largest 20 markets accounted for nearly 73% of all domestic originating passengers at the Airport. Of the top 20 markets, all are scheduled to be served nonstop in June 2016, and 16 will have competing nonstop service by two or more airlines.

PASSENGERS, AIRFARES, AND SERVICE IN
TOP 20 DOMESTIC ORIGINATING CITY MARKETS
Cincinnati/Northern Kentucky International Airport

			Scheduled nonstop service (June 2016)		Average daily enplaned originating passengers				Average roundtrip fare *(a)*		
Rank	City market	Airports included	Airlines serving	Average daily departing flights	CY 2011	CY 2015	As percent of total 2015	Percent increase (decrease) 2011-2015	CY 2011	CY 2015	Percent increase (decrease) 2011-2015
1	Orlando	MCO,SFB	DL,F9,G4	3	232	461	7.5%	98.7%	$288.55	$202.76	(29.7%)
2	New York	EWR,JFK,LGA	AA,DL,UA	19	426	415	6.8	(2.6)	493.41	551.88	11.9
3	Miami/Fort Lauderdale/West Palm Beach	FLL,MIA,PBI	AA,DL,G4	4	263	396	6.5	50.7	327.89	251.14	(23.4)
4	Las Vegas	LAS	DL,F9,G4	3	166	331	5.4	98.8	418.23	280.24	(33.0)
5	Washington DC/Baltimore	BWI,DCA,IAD	AA,DL,G4,UA	10	238	282	4.6	18.5	426.46	301.98	(29.2)
6	Los Angeles	BUR,LAX,LGB,ONT,SNA	DL,F9	2	253	271	4.4	7.1	510.72	564.53	10.5
7	Dallas/Fort Worth	DAL,DFW	AA,DL,F9	9	154	268	4.4	73.7	524.84	330.85	(37.0)
8	Atlanta	ATL	DL,F9	7	172	226	3.7	31.1	406.35	406.01	(0.1)
9	Tampa/St. Petersburg	PIE,TPA	DL,G4	2	167	210	3.4	25.6	289.87	258.56	(10.8)
10	Chicago	MDW,ORD	AA,DL,P1,UA	18	195	207	3.4	5.9	538.96	489.20	(9.2)
11	Boston	BOS	DL	4	195	191	3.1	(2.0)	475.03	568.94	19.8
12	San Francisco	OAK,SFO,SJC	DL,F9	1	177	174	2.9	(1.7)	497.30	557.54	12.1
13	Denver	DEN	DL,F9,UA	4	113	167	2.7	47.7	435.13	368.02	(15.4)
14	Fort Myers	RSW	DL,F9	1	147	165	2.7	12.1	300.89	261.94	(12.9)
15	Phoenix	AZA,PHX	F9,G4	1	96	141	2.3	47.4	435.34	366.60	(15.8)
16	Philadelphia	PHL	AA,DL,F9	9	121	132	2.2	9.3	529.34	527.84	(0.3)
17	Punta Gorda	PGD	G4	1	--	119	2.0	n.a.	--	129.23	n.a.
18	Minneapolis-St. Paul	MSP	DL	6	103	118	1.9	14.2	586.45	608.92	3.8
19	Houston	HOU,IAH	DL,F9,UA	5	112	114	1.9	1.4	539.72	540.11	0.1
20	Seattle	SEA	DL	1	96	100	1.6	4.5	507.42	513.88	1.3
	Top 20 markets			108	3,428	4,488	73.4%	30.9%	$442.83	$383.35	(13.4%)
	All other markets			31	1,711	1,624	26.6	(5.1)	466.71	501.64	7.5
	All markets			140	5,139	6,112	100.0%	18.9%	$450.82	$414.78	(8.0%)

Notes: Columns may not add to totals shown because of rounding. Percentages shown were calculated using unrounded numbers.
Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, P1=Ultimate Air Shuttle, UA=United.
Airport legend: MCO=Orlando Int'l, SFB=Orlando-Sanford, EWR=Newark, JFK=New York-Kennedy, LGA=New York-LaGuardia, FLL=Fort Lauderdale, MIA=Miami, PBI=West Palm Beach, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, LAS=Las Vegas, BUR=Burbank, LAX=Los Angeles, LGB=Long Beach, ONT=Ontario, SNA=Orange County, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth Int'l, ATL=Atlanta, PIE=St. Petersburg-Clearwater, TPA=Tampa, MDW=Chicago-Midway, ORD=Chicago-O'Hare, BOS=Boston, OAK=Oakland, SFO=San Francisco, SJC=San Jose, DEN=Denver, AZA=Phoenix-Mesa Gateway, PHX=Phoenix-Sky Harbor, RSW=Fort Myers, PHL=Philadelphia, MSP=Minneapolis-St. Paul, HOU=Houston-Hobby, IAH=Houston-Bush, PGD=Punta Gorda, SEA=Seattle.
(a) Average one-way fares are net of all taxes, fees, and PFCs, and many ancillary fees charged by the airlines.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed March 2016

Prepared by: LeighFisher, Inc.

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Air Cargo Service

Total air cargo tons handled at the Airport increased from 47,728 tons in 2006 to 804,914 tons in 2015. In 2015, DHL accounted for 95% of cargo tonnage handled at the Airport. Since 2010, DHL's first full year of operations after returning to the Airport, the average annual growth rate in cargo volumes handled at the Airport has been 14.1%.

The following table provides annual cargo service data for the Airport for the most recent 10 year period:

HISTORICAL AIR CARGO (IN TONS)

Calendar Year	Airport[(1)]	DHL[(1)]
2006	47,728	0
2007	43,759	0
2008	48,721	0
2009	152,970	113,360
2010	415,692	376,352
2011	537,139	499,743
2012	599,778	557,738
2013	655,479	619,210
2014	722,431	691,173
2015	804,088	765,933

[(1)] Includes enplaned and deplaned air mail, air express and air freight
Source: Kenton County Airport Board

The following table provides a year over year first quarter (ended March 31) comparison of cargo service data for the Airport for the years 2015 and 2016:

HISTORICAL AIR CARGO (IN TONS)

First Quarter	Airport[(1)]	DHL[(1)]
2015	189,957	181,911
2016	189,939	182,387

[(1)] Includes enplaned and deplaned air mail, air express and air freight
Source: Kenton County Airport Board

Airport Activity Data

The following tables provide annual activity data for the Airport, including (1) enplaned passengers (broken out by originating and connecting passengers), (2) enplaned passengers by airline (which include combined mainline and affiliate/code-share activity), (3) total airline operations (take-offs and landings) and landed weight (in thousands of pounds), and (4) landed weight by airline. An analysis of this activity data is discussed below:

Enplaned Passengers. Total enplaned passengers at the Airport decreased from 8.1 million in 2006 to 2.9 million in 2013 and increased from 2.9 million in 2013 to 3.2 million in 2015. Originating enplanements increased from 2.6 million in 2006 to 2.7 million in 2015. In 2015, originating enplanements represent 84.5% of total enplanements as compared to 32.1% of total enplanements in 2006.

These changes reflect the transition of the Airport from largely serving as a connecting hub to primarily serving residents of, and visitors to, the Cincinnati region. The growth in enplanements in 2014 and 2015 reflects increases in originating enplanements as incumbent airlines American Airlines and United Airlines and new low-cost entrants Allegiant Air and Frontier Airlines have expanded service at the Airport. This diversification in the carrier base has served to enhance competition at the Airport, thereby lowering air fares and stimulating local passenger traffic. See "APPENDIX C - Airline Traffic Analysis and Review of Airport Forecast."

Total enplanements broken out between originating and connecting, for the years indicated, is as follows:

Calendar Year	Total Enplanements	Originating Enplanements	Connecting Enplanements	Originating Percentage
2006	8,102,254	2,596,966	5,505,288	32.1
2007	7,843,959	2,448,118	5,395,841	31.2
2008	6,801,611	2,196,391	4,605,220	32.3
2009	5,300,792	2,343,094	2,957,698	44.2
2010	3,987,938	2,335,172	1,652,766	58.6
2011	3,525,486	2,257,934	1,267,552	64.0
2012	3,033,424	2,112,322	921,102	69.6
2013	2,874,788	2,171,371	703,417	75.5
2014	2,964,657	2,299,489	665,168	77.6
2015	3,160,248	2,669,588	490,660	84.5

Source: Kenton County Airport Board.

Total enplanements broken out between originating and connecting for the first quarter of 2016 (ended March 31) have increased year over year from 2015 as indicated below:

1st Quarter (January 1 – March 31)	Total Enplanements	Originating Enplanements	Connecting Enplanements	Originating Percentage
2015	671,211	556,521	114,690	82.9
2016	726,657	635,517	91,140	87.5
% Change	8.3%	14.2%	-20.5%	

Source: Kenton County Airport Board.

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Enplaned Passengers by Airline. Since 2011, the carrier mix at the Airport has become increasingly diverse with Delta's share of enplanements decreasing from 82% in 2011 to 56.3% in 2015. In addition, in 2015, low cost carriers Allegiant Air's and Frontier Airlines' combined enplanements represented 16.5% of total enplanements and American Airlines' and United Airlines' shares of enplanements were 15.2% and 10.0% of total enplanements, respectively.

Enplanements by airline (combined mainline and regional carrier) for the years indicated, are as follows.

ENPLANED PASSENGERS BY AIRLINE (CALENDAR YEAR)

Airline [1]	2011	2012	2013	2014	2015
Delta	2,891,041	2,373,949	2,137,435	2,010,409	1,778,433
American	365,667	385,634	418,097	446,932	480,960
United	242,707	242,010	246,900	278,712	314,655
Air Canada	8,391	10,141	10,860	15,261	21,012
Allegiant	-	-	-	66,245	234,272
Frontier	-	-	33,035	116,158	288,116
Ultimate Air	-	-	781	4,310	6,730
All Other [2]	17,680	21,690	27,680	26,630	36,070
TOTAL	3,525,486	3,033,424	2,874,788	2,964,657	3,160,248

AIRLINE MARKET SHARES OF ENPLANED PASSENGERS (CALENDAR YEAR)

Airline [1]	2011	2012	2013	2014	2015
Delta	82.0%	78.3%	74.4%	67.8%	56.3%
American	10.4	12.7	14.5	15.1	15.2
United	6.9	8.0	8.6	9.4	10.0
Air Canada	0.2	0.3	0.4	0.5	0.7
Allegiant	0.0	0.0	0.0	2.2	7.4
Frontier	0.0	0.0	1.1	3.9	9.1
Ultimate Air	0.0	0.0	0.0	0.1	0.2
All Other [2]	0.5	0.7	1.0	0.9	1.1
TOTAL [3]	100.0%	100.0%	100.0%	100.0%	100.0%

[1] For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table. However, the activity for the airlines that are now a part of the surviving airline is included in the information presented.

[2] Consists of airlines no longer serving the Airport and/or charter airlines.

[3] Columns may not add to totals shown because of rounding.

Source: Kenton County Airport Board

A first quarter (ended March 31) comparison of enplanements by airline (combined mainline and regional carrier) for 2015 and 2016 is as follows:

Airline	1Q2015 Enplaned Passengers	1Q2015 Share	1Q2016 Enplaned Passengers	1Q2016 Share
Delta	405,213	60.4%	396,951	54.6%
American	105,996	15.8	119,960	16.5
United	61,427	9.2	74,766	10.3
Air Canada	3,256	0.5	4,550	0.6
Allegiant	46,919	7.0	68,357	9.4
Frontier	41,644	6.2	53,830	7.4
Ultimate Air	1,183	0.2	1,504	0.2
All Others	5,573	0.8	6,739	0.9
TOTAL[1]	671,211	100.0%	726,657	100.0%

[1] Columns may not add to totals shown because of rounding.
Source: Kenton County Airport Board

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Landed Weights by Airline. Landed weights (in thousands of pounds) have increased from 7.3 million in 2011 to 7.7 million in 2015. This change is comprised of an 18.1% decrease in passenger airline landed weights which is more than offset by a 42.7% increase in cargo landed weights.

Landed weights by airline, combined mainline and regional carrier, for the years indicated, are as follows:

LANDED WEIGHT BY AIRLINE (CALENDAR YEAR)[1]

Airline[2]	2011	2012	2013	2014	2015
Delta	3,559,908	2,885,539	2,647,833	2,374,723	2,109,192
American	474,064	520,588	525,548	544,471	556,366
United	375,600	350,115	322,996	313,394	376,204
Air Canada	24,619	25,461	24,267	25,615	37,036
Allegiant	-	-	-	62,412	229,984
Frontier	-	-	31,493	124,851	309,066
Ultimate Air	-	-	2,304	9,696	14,496
Subtotal – Passenger Airline[4]	4,434,191	3,781,703	3,554,441	3,455,162	3,632,344
DHL Carriers	2,663,683	2,969,192	3,207,159	3,410,914	3,758,545
Other Cargo[3]	158,733	225,050	217,108	232,095	269,594
Subtotal – All Cargo Carriers[4]	2,822,416	3,194,242	3,424,267	3,643,009	4,028,139
All Other[3]	57,015	48,356	51,941	57,147	81,144
AIRPORT TOTAL[4]	7,313,621	7,024,301	7,030,649	7,155,317	7,741,626

AIRLINE MARKET SHARE OF LANDED WEIGHT (CALENDAR YEAR)[1]

Airline[2]	2011	2012	2013	2014	2015
Delta	48.7%	41.1%	37.7%	33.2%	27.2%
American	6.5	7.4	7.5	7.6	7.2
United	5.1	5.0	4.6	4.4	4.9
Air Canada	0.3	0.4	0.3	0.4	0.5
Allegiant	0.0	0.0	0.0	0.9	3.0
Frontier	0.0	0.0	0.4	1.7	4.0
Ultimate Air	0.0	0.0	0.0	0.1	0.2
Subtotal – Passenger Airline[4]	60.6%	53.8%	50.6%	48.3%	46.9%
DHL Carriers	36.4	42.3	45.6	47.7	48.5
Other Cargo[3]	2.2	3.2	3.1	3.2	3.5
Subtotal – All Cargo Carriers[4]	38.8%	45.5%	48.7%	50.9%	52.1%
All Other[3]	0.8	0.7	0.7	0.8	1.0
AIRPORT TOTAL[4]	100.0%	100.0%	100.0%	100.0%	100.0%

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[1] Weights are in thousands of pounds.
[2] For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table. However, the activity for the airlines that are now a part of the surviving airline is included in the information presented.
[3] Consists of airlines no longer serving the Airport and/or charter airlines.
[4] Columns may not add to totals shown because of rounding.
Source: Kenton County Airport Board

A first quarter (ended March 31) comparison of landed weights by airline, combined mainline and regional carrier, for 2015 and 2016 is as follows:

Airline[1]	1Q2015 Landed Weight[1]	1Q2015 Share	1Q2016 Landed Weight[1]	1Q2016 Share
Delta	503,574	28.8%	501,854	25.8%
American	134,553	7.7	163,179	8.4
United	74,064	4.2	94,111	4.8
Air Canada	6,157	0.4	10,105	0.5
Allegiant	43,801	2.5	67,588	3.5
Frontier	47,672	2.7	51,781	2.7
Ultimate Air	3,552	0.2	4,213	0.2
DHL Carriers	869,899	49.8	980,747	50.3
Other Cargo[2]	52,655	3.0	56,958	2.9
All Other[2]	11,868	0.7	17,536	0.9
TOTAL[3]	1,747,795	100%	1,948,072	100%

[1] Weights are in thousands of pounds.
[2] Consists of airlines no longer serving the Airport and/or charter airlines.
[3] Columns may not add to totals shown because of rounding.
Source: Kenton County Airport Board

AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES

Airline Lease Agreements

Below is a summary of the Airport Use Agreement as well as the related Terminal Lease Agreements with passenger airline Signatories. This summary does not purport to be, nor is it, a complete summary of the agreements listed below. Except as otherwise defined herein, the capitalized words and terms that are used below have the meanings set forth in "APPENDIX B - Summary of Certain Provisions of the Use Agreement."

Airport Use Agreement. The Airport Use Agreement became effective on January 1, 2016 and expires on December 31, 2020. This agreement replaced a prior agreement that was entered into by the Board in 1972 and which expired on December 31, 2015. The following airlines are Signatories of the Airport Use Agreement:

Allegiant Air
American
Delta Air Lines
DHL
Federal Express
Frontier Airlines
United Airlines

The Airport Use Agreement provides for the use of the Airport and establishes Landing Fees. Each passenger airline that is a Signatory leases airport facilities under separate Terminal Lease Agreements as described below. The Airport Use Agreement establishes the methodology for calculating the various Terminal related rates and charges used to calculate Terminal Rentals to be paid under the Terminal Lease Agreements.

The Airline Use Agreement employs a hybrid rate setting methodology with an airfield residual and a terminal commercial compensatory rate setting methodology. The Operating and Maintenance Expenses, Expensed Capital Outlays, Amortization Charges, Debt Service, Coverage Requirement, Operations and Maintenance Reserve Account Requirement and the Repair and Replacement Reserve Fund Requirement are allocated to airline and Board Cost Centers. The airline Cost Centers include the Airfield, Terminal and Loading Bridge Cost Centers. The Board Cost Center includes the Commercial Property, Parking and Ground Transportation and Rental Car Sub-Cost Centers. The Landing Fee and Terminal rates and charges are calculated based on the costs allocated to the applicable airline Cost Centers. In the case of the Airfield Cost Center, a share of Net Remaining Revenues ("NRR"), as described below, reduces the Airfield Cost Center Requirement and this net requirement is fully recovered through the payment of Landing Fees and Terminal Ramp Area rental. The Terminal Cost Center Requirement is divided by total leasable terminal space to determine a gross rate that applies to all Terminal areas. This gross rate is then reduced by a per square foot concession credit which is calculated separately for the Terminal 3 Facilities and Concourse A based on the Concession Revenues generated in the applicable facilities divided by total leasable space in that facility. The charges for use of Loading Bridges are calculated in a manner to fully recover the requirements for the Loading Bridge Cost Center.

A share of NRR is applied to reduce the Airfield Cost Center Requirement as described above and to adjust Terminal Rentals as calculated under the applicable Terminal Lease Agreement. NRR is calculated for each Fiscal Year by first subtracting from Revenues as calculated prior to the application of any NRR to adjust Terminal Rental and Landing Fees: (i) Operation and Maintenance Expenses; (ii) Expensed Capital Outlays; (iii) Debt Service paid from Revenues; (iv) Amortization Charges; and (v) transfers as required to the Operations and Maintenance Reserve Account and Repair and Replacement Reserve Fund. Added back to Revenues is the Concourse C Adjustment (as hereinafter defined). The percentage of NRR that is to be applied to adjust Terminal Rentals and Landing Fees, is set forth below:

Net Remaining Revenues (NRRs)	Airfield	Terminal
Up to $10,000,000	10%	15%
In excess of $10,000,000	10	40
In excess of $30,000,000	10	65

The Landing Fees and Terminal Rentals are established annually during the budget process and therefore are based on projected airline activity, revenues, and cost. Under the Airport Use Agreement, the Board may make adjustments to Landing Fees and Terminal Rentals once during the Fiscal Year to account for changes in activity levels and budget changes, which result in a required adjustment of ten percent (10%) or more to the Landing Fees and Terminal Rentals. Additionally, after the close of each Fiscal Year, the Landing Fee rate, Terminal Rentals and the NRR adjustment to Terminal Rentals shall be recalculated using audited financial data. Any overpayments of such rental, fees and charges will be returned by the Board to the Signatory and any underpayments will be invoiced to the Signatory and due within 30 days of the Signatory's receipt of the invoice.

Majority-In-Interest Approval. The Airport Use Agreement utilizes a negative majority-in-interest ("MII") approval process whereby Signatories are required to issue written disapproval for Capital Expenditures requiring MII consideration within 60 days or the Capital Expenditure requiring MII consideration is deemed approved.

Extraordinary Coverage Protection Payments. In addition to the Landing Fees and Terminal Rentals and any other fees and charges allowable under the Airport Use Agreement, each Signatory is required to make extraordinary coverage protection payments in any Fiscal Year in which the amount of

Revenues less Operation and Maintenance Expenses is or is forecasted to be less than 125% of the aggregate annual Debt Service requirement as calculated under the Resolution. Any amounts that must be collected for such extraordinary coverage protection payments from the Signatories are to be allocated to the Airfield Cost Center Requirement.

Terminal Lease Agreements. Each passenger airline that is a Signatory leases terminal space at the Airport under separate Terminal Lease Agreements, all of which expire on December 31, 2020. The rentals, fees and charges paid under these agreements constitute the Terminal Rentals as defined in the Airport Use Agreement. These Terminal Lease Agreements are summarized below:

Delta's Terminal 3 Facilities Related Agreements. The Board entered into agreements with Delta on May 3, 2007 upon Delta's emergence from bankruptcy for the lease and operation of Terminal 3 (now known as the Main Terminal), Concourse B and the automated guideway transit system ("AGTS") tunnel connecting Terminal 3 to Concourses A and B which are defined as the Terminal 3 Facilities under the Airport Use Agreement. These agreements include the Terminal 3 Facilities Agreement and the Delta O&M Agreement.

Under the Terminal 3 Facilities Agreement Delta preferentially leases all the ticketing areas, airline offices, gates, airline operations space and other similar areas in the Terminal 3 Facilities. In connection with the lease of these areas Delta is granted the non-exclusive right to use certain airline shared areas and equipment which includes the baggage areas and equipment, loading bridges, AGTS area and equipment, flight information display systems, Federal Inspection Services ("FIS") Facility and other similar areas and equipment hereinafter referred to as the Terminal 3 Facilities Airline Shared Areas and Equipment and exclusive of the Equipment (the "Terminal 3 Facilities Airline Shared Areas"). Additionally, Delta leases all of the Terminal 3 Facilities Ramp Area on a non-exclusive basis. Under the lease Delta pays a ground rent pertaining to the Terminal 3 Facilities leased areas and Terminal 3 Facilities Airline Shared Areas.

Under the Delta O&M Agreement the Board is responsible for the maintenance of the public areas in the Terminal 3 Facilities and Delta is responsible for maintenance and operation of its leased premises as well as the Terminal 3 Facilities Airline Shared Areas and Equipment. Under the Delta O&M Agreement, Delta pays the Terminal 3 Facilities Terminal Rental Rate as calculated under the Airport Use Agreement for the square footage included in the leased premises as well as for the square footage of the Terminal 3 Facilities Airline Shared Areas. The square footage represents approximately 90% of the total Terminal 3 Facilities leasable space. Delta also pays the Terminal Ramp Area Rental Rate as calculated under the Airline Use Agreement for the lineal feet associated with the Terminal 3 Facilities Ramp Area.

Under the Terminal 3 Facilities Agreement Delta can surrender up to 51% of the leased area and, beginning on January 1, 2017, the area that can be surrendered increases to 65.7% of the leased areas. Any space returned must be properly balanced such that it can be used by other carriers. If space is surrendered, Delta continues to be responsible for all Terminal Rentals for the Terminal 3 Facilities, except that the ground rent due under the Terminal 3 Facilities Agreement would be reduced proportionately. If the Board leases any of the returned space, the applicable rentals would be credited back to Delta. As of the date of this Official Statement, Delta has not unilaterally surrendered any leased area.

Until July 1, 2011, Delta also leased Concourse A. At that time the Board entered into a Lease Modification Agreement with Delta that provided for the Board assuming full control over Concourse A in order to relocate air carriers that were currently operating out of older, functionally obsolete, facilities (Terminals 1 and 2) to Concourse A. Under the Lease Modification Agreement, in addition to assuming control over Concourse A, the Board obtained the right to sublease the ticket positions and related offices located on the west side of Terminal 3 and assumed control over two international gates in Concourse B to allow for new or expanding carriers to provide non pre-cleared international service at the Airport and to utilize the FIS area located in Concourse B. The Lease Modification Agreement also established the methodology for allocating costs related to the Terminal 3 Facilities Airlines Shared Areas and Equipment as well as other areas in the Terminal 3 Facilities for purposes of charging the carriers operating in Concourse A and charging other carriers for use of the two international gates in Concourse B and the FIS Facility. Amounts collected for the use of any of the Terminal 3 Facilities leased to Delta or for the Terminal 3 Facilities Airline Shared Areas and Equipment are credited back to Delta to the extent that they represent reimbursement for costs paid by Delta.

Concourse A Agreements. Signatories located in Concourse A non-exclusively lease gate areas and operations areas located in Concourse A as well as ticket counters and operations areas located in the Main Terminal (formerly known as Terminal 3). The Signatory and number of gates in Concourse A leased to the respective Signatory is as follows:

Signatory Airline	Concourse A Gates [1]
Allegiant Air	1
American Airlines	5
Frontier Airlines	1
United Airlines	4

[1] Signatory and non-signatory airlines utilize gates on a per-turn basis with a total of 4 additional gates frequently utilized.

In conjunction with the lease of these areas, the Signatory has the non-exclusive right to use the Terminal 3 Facilities Airline Shared Areas and Equipment as well as airline shared areas and equipment serving Concourse A and maintained by the Board. The applicable Terminal Rental Rate as calculated under the Airport Use Agreement is charged for the square footage included in the Signatory's Terminal leased premises; the Terminal Ramp Area Rental Rate as calculated under the Airport Use Agreement is charged for the lineal feet associated with each leased gate area; and for the Loading Bridge associated with each leased gate area the Signatory pays the Loading Bridge charge as calculated under the Airline Use Agreement. The Signatory pays the costs for the use of Terminal 3 Facilities Airline Shared Areas and Equipment, as allocated utilizing the methodology established under the Lease Modification Agreement.

Concourse C Agreement. In 1993, the Board and Comair entered into a lease agreement for Concourse C with a term through December 31, 2025. Delta is successor in interest to the Concourse C Agreement. Coinciding with the effective date of the Airport Use Agreement, the Concourse C Agreement was amended by the Concourse C Amendment to provide that the Terminal Rentals for Concourse C as calculated using the rates and charges outlined in the Airport Use Agreement would be credited back each month by the Board in favor of Delta in an amount equal to the Terminal Rentals owed by Delta under the Concourse C Agreement ("Concourse C Adjustment"). The Concourse C Adjustment is added back to Revenues when calculating the NRR to be applied to reduce the Airfield Cost Center Requirement and Terminal Rentals such that this credit does not impact the NRR calculation. The premises as leased under the Concourse C Agreement are not considered leased Terminal space for purposes of determining the allocation of NRR applied to adjust Terminal Rentals.

Concourse C was designed to serve 50-seat regional jets and has not been used for flight activity since 2009. As of December 31, 2015, all debt service related to Concourse C has been recovered through the rentals received for Concourse C. As part of the Concourse C Amendment, the term of the Concourse C Agreement was changed to expire on December 31, 2020 with Delta remaining responsible for the portions of the Delta's fuel hydrant system that were serving Concourse C. It was also agreed that Delta had no further rights to the facility and the Board could demolish Concourse C at any time so this area could be used for the purposes set forth in the Board's master plan which includes additional aircraft parking and aircraft deicing areas.

Non-Signatory Operating Agreements and Permits

The airlines operating at the Airport that are not Signatory to the Airline Use Agreement enter into operating agreements under which they pay a Landing Fee rate equal to 115% of the Signatory Landing Fee rate; provided that, a Signatory may designate an airline as an Affiliate under the Airport Use Agreement whereby the Signatory guarantees the Affiliate's Landing Fees and as a result the Affiliate's flights are not then subject to the 15% non-signatory landing fee premium. For the use of the Terminal, passenger airlines are issued a permit under which they have the right to use specified gates and ticket counters on a per turn basis for certain periods of time. Such airlines are billed a per turn fee that is based on a proration of the Terminal Rentals related to the facilities and equipment being used.

Cargo Agreements

DHL Agreement. The Board has a ground lease with DHL for a 182-acre site from which DHL operates its largest North American hub. DHL constructed the improvements on the site and has invested more than $500 million in the facility. At the request of DHL, the Board has authorized an extension of the existing cargo facility lease and/or a new lease that would effectively extend the original cargo facility lease by more than 10 years to expire in December 2045, subject to two five-year extension options.

Other Agreements. In connection with its signing of the Airport Use Agreement, Federal Express entered into a Cargo Signatory Commitment agreement whereby they agreed to pay a minimum of $150,000 in Landing Fees during each year of the Airline Use Agreement and if such commitment is not met, they are required to pay the difference to the Board within 30 days of the end of the Fiscal Year. Federal Express also currently leases space in the Board's multi-use cargo building and ramp area on a short-term basis. The Board recently approved entering into an agreement with a developer for the development of a new multi-tenant cargo building that would replace the existing building.

Terminal Concessions Agreements

The Board has agreements to lease space to concessionaires who provide food, beverages, specialty retail, news, gifts and other products and services to users of the Airport. The length of these contracts varies with some terms being month-to-month and with the latest expiration date being October 21, 2022. Under these agreements concessionaire are generally obligated to pay the higher of a percentage of gross revenues or a minimum annual guarantee.

Parking Agreements

The Board has a management agreement with Standard Parking to provide for the nonexclusive operation, management and maintenance of certain parking facilities at the Airport. Including two one-year extension options, the agreement expires on November 30, 2019. Under the agreement, the Board pays Standard Parking a fixed monthly management fee that escalates at a fixed amount annually over the term of the agreement. Additionally, the Board reimburses Standard Parking for all direct local expenses pertaining to the operation and maintenance of the parking facilities. The Board receives all parking revenues.

Rental Car Agreements

There are currently nine on-airport rental car operators at the Airport (Hertz, Budget, Avis, Payless, Zipcar, Dollar, Thrifty, Alamo/National and Enterprise) which are owned by a total of three companies. The Board has one-year license agreements with each of these operators that are renewable on a year-to-year basis. Under the license agreements the rental car operator pays a fee equal to 10% of gross revenues. Additionally, the Board has a total of five ground and building leases with the three companies that own the rental car operators for rental car service centers at which all customer service and maintenance functions occur for the various airport rental car operators. All of these agreements have a term that ends on October 31, 2017 and have five one-year option periods. Ean Holdings, the owner of the Alamo/National and Enterprise concession at the Airport, also has a ground lease that runs through 2025 for a separate car storage lot. Upon demolition of the old Terminal 1 and Terminal 2 by the end of 2016, the Airport has current plans to begin construction of a new Consolidated Rental Car Facility at that site.

CAPITAL PLANS

Sources of Capital Funding

The Board may fund capital projects through the issuance of bonds, the collection of Passenger Facility Charges ("PFCs"), the collection of Customer Facility Charges ("CFCs"), the receipt of federal and state grants and internally generated funds.

Federal Grants. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program (AIP), an airport grant program administered by the FAA and funded from the Airport and Airways Trust Fund. Moneys in the Trust Fund are generated from taxes and fees. The AIP provides funding for airport development, airport planning, noise compatibility planning and noise compatibility programs. AIP funds are administered by the FAA and are allocated on an entitlement and discretionary basis. Discretionary funds are allocated under a national priority system and are divided among several set aside programs guaranteeing that a certain percentage will be allocated to reliever airports, general aviation airports, noise abatement, capacity enhancement and other purposes. Actual entitlement and discretionary funding levels and timing may vary and such differences may be material.

The AIP has been amended several times and reauthorized. The Federal Aviation Administration and Reform Act of 2012 (the "FAA Reauthorization Act") was signed into law on February 14, 2012 as a more permanent solution to the temporary short-term extensions previously enacted as funding stop gaps. This $63.6 billion reauthorization was scheduled to expire on September 30, 2015. However, Congress authorized an extension of the FAA Reauthorization Act from October 1, 2015 through March 31, 2016. The six-month extension provided $1.675 billion in AIP funding, which is half of the $3.35 billion per federal fiscal year provided under the FAA Reauthorization Act. A subsequent bill then extended FAA programs and funding through July 15, 2016 as lawmakers work toward approval of the longer term FAA Reauthorization Act of 2016. Although a new FAA reauthorization bill is on the current congressional legislative agenda, no assurance can be given (i) that reauthorization will occur when that legislation expires, (ii) at what levels the program may be funded in the future, or (iii) that the federal grants described above will actually be received in the amounts or at the times anticipated by the Airport.

Passenger Facility Charges. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, the VISION 100-Century of Aviation Reauthorization Act of 2008, and the FAA Modernization and Reform Act of 2012 (collectively, the "PFC Acts"), public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) may charge each enplaning passenger using the airport a PFC at certain levels between $1.00 and $4.50. Public agencies wishing to impose and use PFCs are required to apply to the FAA for such authority and to meet specific requirements as established by the FAA pursuant to the PFC Acts. For the FAA to approve an application to collect a PFC level above $3.00 at a large-hub or medium-hub airport, the projects included under that application must meet certain criteria which demonstrate a "significant contribution to improving air safety and security, increasing competition among air carriers, reducing current or anticipated congestion, or reducing the impact of aviation noise on people living near the airport." PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents.

The FAA granted approval to the Board to impose a PFC and to use the PFCs to fund allowable costs related to specific approved projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between air carriers. The Board is currently collecting PFCs at a level of $4.50 per qualifying enplaned passenger. PFC applications are approved by the FAA to fund specific projects in specific total amounts and the Board may impose the designated PFC only until it collects the authorized total amount. Interest earnings on the collections are treated as collections for purposes of the authorized total.

Since June 1, 1994, the Board has submitted and received authorizations for 14 PFC applications. The FAA's approvals authorize the Board to collect the amount of PFCs necessary to fund the allowable costs of approved projects, but not to exceed $590.8 million. Through December 31, 2015, PFCs received by the Board, including investment earnings, totaled approximately $515 million, of which approximately $469 million had been expended on approved project costs. The FAA's approvals of three of the Board's PFC applications authorize the use of PFCs for the debt service requirements and related costs of revenue bonds issued to finance the projects included in those applications. As such, the FAA approval permits the use of PFCs received to pay debt service on the Series 2016 Bonds. The Board's PFC collection authority currently permits PFC collections to continue until March 1, 2020. However, due to project cost underruns, more project costs being funded by AIP grants than originally estimated and the anticipated debt service savings to be realized through the refunding of the Refunded Bonds with the proceeds of the Series 2016 Bonds it is currently projected that during the first half of 2018, cumulative PFC collections to date will be sufficient to pay debt service on the Series 2016 Bonds and fund the other projects currently approved for PFC funding. The Board currently intends to submit to the FAA an application for authority to fund additional projects with PFCs. The approval of the additional application, if received, will make the PFCs in the PFC Project Fund available for use on the newly approved projects and extend the Board's collection authority. In the unexpected event of a significant decrease in PFC collections or a significant increase in project costs that would result in insufficient PFCs being collected by the authorized collection cessation date, the Board would exercise, as appropriate, the amendment or extension provisions in the PFC regulations to extend PFC collections to the date necessary to ensure that sufficient PFCs have been collected to fund the allowable costs of the approved projects, including the debt service on the Series 2016 Bonds.

Competition Plan. In accordance with the provisions of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century and, specifically, Section 155 thereof, the Board was required to prepare and submit to the FAA an Airline Competition Plan (the "Competition Plan") applicable to the Airport. The purpose of the Competition Plan and its implementation by the Board is to assure availability of gates and related Airport facilities to new air carrier entrants and expanding incumbent air carriers at the Airport. Historically, the Board has never had a complaint and the Board has always been able to accommodate requests by new entrants and expanding incumbent carriers for gates and related Airport facilities. The Board submitted its Competition Plan and it was approved December 8, 2000, by the FAA. Since that time, the Board has submitted and received approval on each occasion for five updates to the Competition Plan. The Competition Plan and updates are required to maintain the Board's eligibility to receive AIP funding and to continue its ability to impose PFC's. As a result of entering into new Airport Lease Agreements and Airport Use Agreements, the Board submitted its sixth update to the Competition Plan on January 26, 2016, and is awaiting approval by the FAA.

Customer Facility Charges (CFCs). Pursuant to an ordinance of the Board, the collection of Customer Facility Charges ("CFCs") began on April 1, 2006. The CFCs, which are charged at a rate per rental car transaction day, are being collected to provide for the planning, construction, operation, and maintenance of facilities to accommodate the ground transportation needs at the Airport. CFCs are currently being collected at a rate of $4.75 per rental car transaction day. As of December 31, 2015, total assets in the CFC Account were $38.5 million. See below "– Capital Improvement Program (CIP)" for a discussion of CFC funding of the construction of a Consolidated Rental Car Facility.

Capital Expenditure Account. The Board has a Capital Expenditure Account which represents funds received through federal and state grants, other third parties that provided for reimbursement of prior capital expenditures. Assets held in the Capital Expenditure Account are restricted for use on capital expenditures. As of December 1, 2015, the Capital Expenditure Account had assets of $53.4 million.

Funds for Demolition of Excess Facilities. The Airport's 2035 Master Plan called for a consolidation of all airline operations into Terminal 3, Concourse A and Concourse B, thereby allowing the demolition of excess, less cost efficient structures at the Airport. During 2014 and 2015, funds began to be accumulated by the Airport for the eventual demolition of Terminals 1 and 2, as well as certain other ancillary structures at the Airport. The assets in the Demolition of Excess Facilities Account as of December 31, 2015 were $14.8 million. See "FINANCIAL INFORMATION-Discussion of Historical Financial Operating Results."

Capital Improvement Program (CIP)

The Board submitted its latest Airport Master Plan Update to the FAA in June 2013. This update developed a blueprint for the growth of the Airport through the year 2035 ("2035 Master Plan"). While providing a plan for growth, the 2035 Master Plan also provided for flexibility in the sequencing and timing of projects. The goal of the plan was to provide a guide for development to efficiently serve future aviation needs, while preserving the Airport's flexibility to respond to changing aviation industry conditions.

The 2035 Master Plan identified several terminal area alternatives for purposes of meeting future alternative demand scenarios. Given the diversification in the passenger carrier mix at the Airport as well as the increase in originating passenger traffic since 2013, beginning in late 2016 the Board plans to review these terminal area alternatives in more detail as part of an update to the 2035 Master Plan. In support of the development of a cost-effective ongoing renewal and replacement (R&R) program for the Airport's terminal infrastructure as well as to inform the update to the 2035 Master Plan, the Board is in the process of performing assessments of the condition of various infrastructure components. These condition assessments as well as the update to the 2035 Master Plan will help to inform ongoing infrastructure terminal area renewal and replacement investment decisions so that facilities are well maintained and growth in air travel demand is accommodated in a cost-effective manner.

A summary of the Board's CIP for the period 2016-2021 is shown in the "Capital Improvement Program by Project Type" table in this section, and is estimated at $345.9 million. The largest single project included in the CIP is a $150 million Consolidated Rental Car Facility ("CONRAC"). Terminal R&R reserves have been included during the latter years of the 2016-2021 CIP.

The Board anticipates funding the 2016-2021 CIP through internally generated funds, Pay-Go PFCs, the CFCs, and the receipt of federal and state grants. The Board does not anticipate issuing debt to be paid from Net Revenues to fund the 2016-2021 CIP. Should PFCs and/or federal and state grants not be received as anticipated the Board will review and defer timing of expenditures accordingly.

The Board has completed conceptual planning and has begun the preliminary design process for the CONRAC so as to refine the cost estimates for the project and commence construction of certain enabling projects. CFC-backed bonds are anticipated to be issued during the forecast period to pay for the costs of the CONRAC. The design, construction, operation and maintenance of the CONRAC are planned to be funded from CFCs and by the rental car companies.

CAPITAL IMPROVEMENT PROGRAM BY PROJECT TYPE
(2016-2021)

Location and Description		Amount (in millions)
Airfield		
Airfield Pavement Renewal & Rehab		$22.6
Common Use Aircraft Apron Replacement		8.0
Spent Aircraft Deicing Fluid (SADF) Expansion		5.7
Concourse C Site Restoration		5.0
All Other Airfield		1.3
	TOTAL	$42.7
Terminal & Airline Equipment		
Terminal Renewal & Rehab Reserve		$35.8
Bag System		12.5
Terminal Refurbishment		11.4
Loading Bridge Additions		8.4
T3/Main Terminal Consolidation/Reactivation of Conc A-Bag System		4.0
Common Use Psgr. Processing		3.1
Systems		2.3
Other		1.0
	TOTAL	$76.4
Parking & Ground Transportation		
Parking Guidance System & Lighting		$7.5
Parking Revenue Control System Replacement		3.7
Parking/Ground Transportation Renewal & Rehabilitation		4.5
	TOTAL	$15.7
Roadways		$14.5
Vehicles & Equipment		$10.2
Kenton County Airport Board		
Demolition of Facilities		$18.1
Commercial Development		4.3
Enterprise Asset Management Systems		4.3
Other Software and Hardware Systems		5.5
Other		3.2
	TOTAL	$35.3
Rental Car		
Consolidated Rental Car Facility		$150.0
All Other		$1.1
TOTAL – ALL PROJECTS		$345.9

Source: Kenton County Airport Board

Airfield Projects ($42.7 million). Key airfield capital projects include airfield pavement renewals and rehabilitation, common use aircraft apron replacement, and expansion of the Spent Aircraft Deicing Fluid (SADF) System.

Terminal & Airline Equipment Projects ($76.4 million). As discussed earlier, the Board is starting to review the 2035 Master Plan as it relates to future terminal alternatives as well as updating facility condition assessments. While the specific timing of terminal investment is still under development, the Board has established reserves for renewal and rehabilitation of key components of the terminal facilities such as the Bag System, Roofs, Conveyances, and Utilities. The Board is planning near-term investment in the bag system to provide greater operational redundancy and capacity due to an increasingly diversified carrier base. Additionally, to respond to future demand growth, the Board has identified required capital investment in loading bridges, holdroom areas, and common use passenger processing.

Parking & Ground Transportation Projects ($15.7 million). A key component of the Parking & Ground Transportation capital program is the implementation of an Intelligent Parking Guidance System in the terminal parking garage in order to increase the garage capacity as well as to provide for enhanced customer service. It also includes the installation of energy efficient lighting fixtures, controls, metering and associated equipment in the Terminal Parking Garage to replace the existing lighting fixtures and associated equipment. Other parking projects include a five-year phased upgrade of the Parking Revenue Control System, Ground Transportation Center improvements, and rehabilitation of the Long Term and Terminal 2 parking lots.

Roadways ($14.5 million). The majority of roadway expenditures between 2016 and 2021 are anticipated to be for existing roadway rehabilitation. The Board also plans to extend Wendell Ford Boulevard and its associated utilities thereby providing more direct access to the South Airfield area of the Airport.

Vehicles & Equipment ($10.2 million). The development of the Vehicle & Equipment program is based on condition assessment and overall age of all the fleet equipment/vehicles. The list is updated and reviewed annually to reprioritize this schedule based on the overall dependability and economic viability of the equipment including anticipated ongoing maintenance lifecycle costs.

Board Administration ($35.3 million). The Board has identified a number of key initiatives to provide more efficient, safe, and trackable operations of the Airport. Through 2017, the Board plans to demolish obsolete facilities such as Terminal 1 and 2, Concourse C, and other outlying buildings. The demolition of landside facilities will reduce O&M expense and repurpose land primarily to enhance rental car and cargo logistics operations at the Airport. The Board is also making a significant investment in Enterprise Asset Management systems and other critical systems such as the Company Radio System, Utility Monitoring, and Software Additions and Replacements

Consolidated Rental Car Facility (CONRAC) ($150 million). The Board plans to consolidate the rental car operations at the Airport into a single four-level facility, increasing airport customer service and optimizing land use. The CONRAC is planned to be located on the site of the former Terminal 1 and Terminal 2 allowing direct pedestrian access and reduced curbside congestion.

FINANCIAL INFORMATION

General

The Board maintains its financial records on a calendar year basis. Financial statements are audited annually by a firm of independent certified public accountants. Financial statements for the years ended December 31, 2015 and 2014 are included in this Official Statement as APPENDIX D. The accounting policies followed by the Board for these statements were, as described in Note 1 to the audited financial statements, designed to account for compliance with the Board's bond resolutions and the Airport's airline use agreement governing the periods for which the audited statements were issued.

The Series 2016 Bonds are being issued to refund the Refunded Bonds and, upon issuance and delivery of the Series 2016 Bonds, the Series 2016 Bonds will be the Board's only outstanding obligations. Concurrently with the approval of the Series 2016 Resolution pertaining to the Series 2016

Bonds, the Board has approved a new General Bond Resolution that will govern the Series 2016 Bonds and the issuance of Additional Bonds. These resolutions are collectively referred to herein as the Resolution. The Resolution includes definitions of Revenues and Operating and Maintenance Expense that differ from the definitions included in the resolutions under which the Refunded Bonds and prior bonds of the Board were issued ("Prior Bond Resolution"). Additionally, the Resolution establishes new Funds and Accounts and related flow of funds that will pertain to the Series 2016 Bonds and Additional Bonds.

On January 1, 2016, a new Airport Use Agreement became effective. This agreement replaces a prior agreement that was entered into by the Board in 1972 and which expired on December 31, 2015. Under the new Airport Use Agreement, the airline rates and charges methodology and the amount of net revenues less debt service retained by the Board are significantly different than under the prior agreement that expired on December 31, 2015.

Given the changes in the Resolution and the rates and charges methodology under the Airport Use Agreement, the historical financial results are not directly comparable to the 2016 Budget or the financial projections as presented in the table of section "FINANCIAL INFORMATION - Summary of Financial Projections." With the changes in both the Board's bond resolutions and the Airport's Airport Use Agreement, beginning with the financial statements for the year ending December 31, 2016, the Airport's audited financial statements will be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Summary of Historical Financial Operating Results

The financial information presented for the years ended December 31, 2015 and 2014 was derived from the audited financial statements presented in APPENDIX D. The financial information presented for the years ended December 31, 2013, 2012 and 2011 was derived from audited financial statements that are not included herewith.

The 2016 Budget as presented, represents the 2016 Budget as originally adopted by the Board and as planned to be amended after issuance of the Series 2016 Bonds to reflect the terms of the Resolution. The 2016 Budget is planned to be amended to no longer include CFCs as non-operating revenues pursuant to the terms of the Resolution and to reduce debt service and the related transfer of PFCs to reflect required 2016 debt service deposits after issuance of the Series 2016 Bonds. It should be noted that the 2016 Budget was developed in October 2015 and by its nature reflects conservative projections. Additionally, it does not reflect new service announcements that have occurred since the preparation of the 2016 Budget and continued increases in originating enplanements that occurred in the last quarter of 2015.

The total revenues and total expenses as presented herein for the years ended December 31, 2011 through December 31, 2015 are consistent with the financial statements as included in the audited financial statements. So as to conform the presentation of the historical financial results to the 2016 Budget and the financial projections which reflect the terms of the Resolution and new Airport Use Agreement, certain balances have been reclassified.

Summary of Financial Operating Results
Cincinnati / Northern Kentucky International Airport
(2011-2016)

	2011	2012	2013	2014	2015	2016
	For Year Ended December 31 (in thousands)					
Operating Revenues	Audited[1]	Audited[1]	Audited[1]	Audited[1]	Audited[1]	Budget
Airline Revenues[3]						
Landing fees	$ 24,381	$ 23,683	$ 24,035	$ 14,762	$ 18,686	$ 18,733
Terminal and Ramp rentals & use charges	20,458	20,740	19,754	20,081	20,219	19,799
Misc. Airline Revenue	139	136	136	136	136	173
Total Airline Revenues	$ 44,978	$ 44,559	$ 43,925	$ 34,979	$ 39,041	$ 38,705
Non-Airline Revenues						
Parking	$ 20,611	$ 21,149	$ 23,300	$ 24,888	$ 28,751	$ 28,007
Rental cars	5,689	5,770	5,776	6,305	6,728	6,730
Terminal concessions	5,287	4,253	4,128	4,052	4,393	4,568
Commercial development	3,867	4,088	4,100	4,241	4,259	4,603
Reimbursed O&M expenses	3,291	3,057	2,994	2,663	2,923	2,066
Aircraft servicing & catering	978	881	997	850	1,019	566
Ground transportation	259	345	333	363	408	507
Terminal rentals - Non-Airline	352	264	367	274	255	285
Miscellaneous Non-Airline Revenue	881	907	566	841	576	455
Total Non-Airline Revenues	$ 41,215	$ 40,714	$ 42,561	$ 44,477	$ 49,312	$ 47,786
Total Operating Revenues[2]	$ 86,193	$ 85,273	$ 86,486	$ 79,456	$ 88,353	$ 86,492
Non-Operating Revenues						
Investment income	$ 515	$ 363	$ 255	$ 162	$ 168	$ 72
Customer Facility Charge[3]	4,090	4,185	4,305	4,365	5,744	N/A
Police forfeiture revenues (transferred for expense)	35	91	85	64	175	N/A
Passenger facility charges (transferred for debt service)[4]	14,148	13,635	7,443	5,967	3,628	6,175
Total Non-Operating Revenues	$ 18,788	$ 18,274	$ 12,088	$ 10,558	$ 9,715	$ 6,248
Total Revenues Available for Operating Expenses, Debt Service, & required transfers	$ 104,981	$ 103,547	$ 98,574	$ 90,014	$ 98,068	$ 92,739
Operating Expenses						
Salaries, wages and benefits[5]	$ 31,198	$ 33,230	$ 34,176	$ 34,879	$ 41,326	$ 38,857
Contracted services	15,053	14,937	14,670	16,710	18,312	18,775
Utilities	7,123	7,627	7,813	8,324	7,270	8,226
General administration	2,041	1,932	1,838	1,098	1,605	2,338
Supplies	4,246	4,716	4,692	5,741	6,131	5,138
Insurance	1,339	1,302	1,231	1,383	1,245	1,307
Expensed Capital	1,147	1,142	1,194	1,051	3,007	594
Total Operating Expenses-Departmental	$ 62,147	$ 64,886	$ 65,614	$ 69,186	$ 78,896	$ 75,234
Non-Departmental Expenses						
Demolition Funding Expense[6]	$ -	$ -	$ -	$ 7,445	$ 9,800	N/A
Customer Facility Charge[3]	4,090	4,185	4,305	4,365	5,744	N/A
Total Non-Departmental Expenses	4,090	4,185	4,305	11,810	15,544	N/A
Total Operation & Maintenance Expense	$ 66,237	$ 69,071	$ 69,919	$ 80,996	$ 94,440	$ 75,234
Net Revenue	$ 38,744	$ 34,476	$ 28,655	$ 9,018	$ 3,628	$ 17,506
Disposition of Net Operating Revenues						
Debt Service						
Revenue Bond Principal	$ 23,225	$ 21,338	$ 17,827	$ 3,856	$ -	$ 3,240
Revenue Bond Interest	7,769	6,243	5,097	3,358	2,902	1,700
Total Debt Service	$ 30,994	$ 27,581	$ 22,924	$ 7,214	$ 2,902	$ 4,940
Excess Revenue Over Debt Service						
Depreciation Account	-	-	-	-	-	N/A
Restricted for debt service and/or						
Improvements to Airport Accounts	5,223	4,348	4,232	610	-	N/A
Operations and Maintenance Reserve Account[7]	N/A	N/A	N/A	N/A	N/A	-
Repair and Replacement Reserve Fund[8]	N/A	N/A	N/A	N/A	N/A	-
General Fund	N/A	N/A	N/A	N/A	N/A	11,330
Passenger Facilty Charge Project Account	2,527	2,547	1,499	1,194	726	1,235
Total Excess Revenue over Debt Service	$ 7,750	$ 6,895	$ 5,731	$ 1,804	$ 726	$ 12,565
Total Disposition of Net Operating Revenues	$ 38,744	$ 34,476	$ 28,655	$ 9,018	$ 3,628	$ 17,506
Debt Service Coverage[9]	1.25	1.25	1.25	1.25	1.25	3.54

Source: KCAB.

Notes:
1. To conform the presentation of the historical financial results with the 2016 Budget and the financial projections which reflect the terms of the Resolution and new Airport Use Agreement certain balances have been reclassified between line items. The 2015/2014 comparative audited financial statements are attached hereto for reference.
2. 2016B airline revenues are net of Signatory Airlines Share of Net Remaining Revenues which offset the amount of rentals, fees, and charges that are due from the signatory airlines each fiscal year.
3. Under the airport use agreement that expired December 31, 2015 and prior bond resolution, CFC's were considered earned upon collection from the rental car companies and were recognized as both operating revenues and general administrative operating expense and transferred to the CFC account in the Restricted for Airport Facilities Account Group.
Under the new Resolution, CFCs are no longer included as Revenues unless designated as such under a Series Resolution.
4. 2016B PFCS transferred for debt service reflect estimated deposits to pay debt service assuming the 2003B Series Bonds are refunded with the 2016 Series.
5. 2015 amounts include $5.1 million in pension expense recorded as a result of GASB 68 provisions as described in the Operating Expenses and Pension and Postemployment Benefits sections.
6. Demolition Funding Expense represents an amount the signatory airlines agreed to include as operating expenses in 2014 and 2015 for purposes of setting funds aside for the demolition of Terminals 1 and 2 as wells as other facilities that are no longer needed for the operations of the Airport.
7. Operations & Maintenance Reserve Account was fully funded January 1, 2016 equal to 25% of budgeted 2016 O&M expenses as described in Liquidity and Transition of Funds section.
8. Repair and Replacement Reserve Fund was fully funded January 1, 2016 at $10,000,000 as described in Liquidity and Transition of Funds section.
9. Debt service coverage calculation is net revenues divided by total debt service.

Discussion of Historical Financial Operating Results

Operating Revenues.

Airline Revenues. Airline revenues represent landing fees and other charges to airlines for the use of the terminal, ramp and airfield areas of the Airport. These charges are calculated in accordance with the terms of the relevant Airport Use Agreement and thus the amounts for the years 2011 through 2015 reflect the rates and charges methodology under the prior agreement that expired on December 31, 2015.

Under the expired airport use agreement, the landing fees paid by airline tenants were based upon an airport-residual methodology, under which the airlines who signed the airport use agreement agreed to pay landing fees in an amount that would result in net revenues (revenues less O&M expenses) equaling 1.25 times the debt service on the Board's outstanding Bonds (the coverage requirements).

Under this airport-residual methodology, landing fees as calculated under the expired airport use agreement that expired on December 31, 2015 did not reflect the actual cost of the airfield but rather were the balancing figure to make net revenues equal the coverage requirement. As such, for the years 2011 through 2015 the changes in landing fee revenues were reflective of the net variance in all other components of revenues, expenses and debt service. Under this formula landing fees were relatively level for the years 2011 through 2013. In 2014 and 2015 landing fees were significantly lower primarily as the result of the maturity or early redemption of all of the Airport's debt except for the Refunded Bonds.

Under the expired airport use agreement, terminal and ramp rentals and use charges were determined every three years with the rates calculated based on the second preceding year's terminal and ramp costs. The last change in rates occurring on January 1, 2013 and the rates as calculated were based on 2011 costs. Under this methodology, terminal and ramp rentals and use charges for the years 2011 through 2015 remained relatively level.

Non-Airline Revenues. The primary sources of non-airline revenues are activity based revenues such as parking, rental cars and terminal concessions. The $8.14 million and $1.04 million increase in parking and rental car revenues over the period from 2011 through 2015 reflect changes in originating enplanements. Also impacting parking revenues were increases in parking rates in 2012 and 2013. The $.89 million decrease in terminal concessions over the period from 2011 through 2015 is reflective of changes in enplanements. See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES – Terminal Concessions Agreements; - Parking Agreements; - Rental Car Agreements."

Commercial Development includes revenues received related to leasing of "non-terminal" buildings and land at the Airport. These revenues have steadily increased as the result of increases in rates under existing agreements as well as increased leasing activity at the Airport. See "THE AIRPORT-Airport Facilities."

Reimbursed O&M expenses are operating expenses that are reimbursed through the rebilling of costs to tenants or through reimbursement by government agencies such as the Transportation Security Administration ("TSA"). Rebilled utilities represent the largest component of these revenues. These reimbursements were comparatively level over the period from 2011 through 2015.

Non-Operating Revenues. Non-operating revenues represent revenues which would not be considered operating revenues under GAAP but are considered as revenues pursuant to the definition of revenues under the Prior Bond Resolution.

Customer Facility Charges. CFCs are a per rental car transaction day fee imposed by the Board to fund ground transportation related improvements. See "CAPITAL PLANS - Sources of Capital Funding." CFCs were included as revenues under the Prior Bond Resolution as well as for purposes of calculating the airport-residual landing fee rate under the expired Airport Use Agreement. CFCs were relatively level over the years 2011 through 2014 and increased by $1.4 million in 2015 as the result of an increase in the per rental car transaction day fee effective as of May 1, 2015. Under the Resolution, CFCs are no longer included as Revenues unless designated as such under a Series Resolution.

Passenger Facility Charges. Under the Prior Bond Resolution, PFCs were considered Revenues to the extent they were transferred by the Board from the PFC Project Fund to the PFC Revenue Account to fund debt service requirements on bonds authorized to be paid from PFC and to fund PFC-eligible operating expenses. For the years 2011 through 2015, PFCs equal to 125% of the debt service requirements on PFC eligible bonds were transferred to the PFC Revenue Account. The decreases in the amounts transferred over the period 2011 through 2015 are reflective of a decrease in the amount of PFC-eligible debt outstanding due to the maturity or early redemption of bonds.

Operating Expenses.

Departmental Operating Expenses. Departmental operating expenses represent the types of expenses which would be considered as operating expenses under both the Prior Bond Resolution and the Resolution to be implemented with the issuance of the Series 2016 Bonds.

Beginning in 2015, as required by the Governmental Accounting Standards Board (“GASB”), the Board implemented the provisions of GASB Statement No. 68, related to financial reporting for pensions. Prior to 2015, the Board recognized as pension expense in any year the amount of the required contributions to the Kentucky Retirement Systems’ (“KRS”) County Employees Retirement System (“CERS”), the cost-sharing multiple employer plan in which the Board participates. Under GASB 68, which was implemented in Fiscal Year 2015 the Board, like other governmental employers which participate in cost sharing multiple-employer defined benefit pension plans, is required to reflect in its financial statements a proportionate share of the pension plan’s net pension liability and pension expense. GASB 68 reporting reflects changes in experience and actuarial assumptions and thus there will be volatility in amounts to be recorded from year to year. Impacting the 2015 amounts recorded was a five-year experience study performed by the CERS wherein the economic and demographic assumptions used in the actuarial calculations for the plan were examined and adjusted. These changes as well as other changes which are normally considered on an annual basis led to an overall increase in the net pension liability of the CERS at December 31, 2015 and the requirement for the Board to record in its 2015 financial statements $5.1 million of pension expense in addition to the amount recognized as expense as contributions were made during the year. See “FINANCIAL INFORMATION- Pension Plan and Postemployment Benefits Other than the Pension Plan” for additional information related to the CERS and the Board’s implementation of GASB 68.

Operating expenses under the Prior Bond Resolution were defined to include operating expenses as defined under GAAP. As such, the 2015 results include the additional pension expense as recorded under GASB 68. Operating expenses as defined under the Resolution will reflect the required contributions to the CERS. With recent legislative changes made to the CERS, the latest KRS actuarial projections indicate that the Board’s required pension contribution rates will decrease over time.

Salaries, wages and benefits increased $5.0 million over the period from 2011 to 2015 prior to the recording of the $5.1 million in additional pension expense in 2015 pursuant to GASB 68. This increase primarily resulted from increases in wages rates as well as increases in the number of full time equivalents position over the period.

Contract services increased by $3.3 million over period from 2011 to 2015. This increase was primarily related to the fact that contract service expenses in 2014 and 2015 were higher than usual due to a large moving sidewalk repair project. Also contributing to the larger than normal contract service expense were a number of other special projects that also occurred in 2015 with the largest of these related to repair and cleanup of various components of the Airport's storm water system.

Supplies expense fluctuated over the period from 2011 through 2015 with the primary variations pertaining to severity of the winter weather as well as the cost of fuel.

Under the terms of the expired airport use agreement expensed capital represents capital additions under $10,000 and capital replacements under $50,000. These amounts will vary from year to year with purchases averaging $1.2 million for the period 2011 through 2014. The amount of expensed capital purchases in 2015 was higher than normal due to the acceleration of certain purchases that would have otherwise occurred in future years.

Non-Departmental Operating Expenses. Non-departmental operating expenses represent expenses which would not be considered as operating expenses under GAAP but were considered as operating expenses under the Prior Bond Resolution and for purposes of calculating airline rates and charges under the terms of the airport use agreement that expired on December 31, 2015. Under the Prior Bond Resolution the definition of operating expenses was tied to the definition of operating expenses under the expired airport use agreement. The expired airport use agreement provided that by MII approval of the airlines signatory to the agreement costs that would not otherwise be considered operating expenses could be included as operating expenses for purposes of establishing the airline landing fee rate.

As approved by MII of the signatory airlines, CFCs collected were recognized as an operating expense and transferred monthly to a separate CFC account to be used to fund ground transportation related improvements. The amounts recorded as CFC expense in the years 2011 through 2015 are equal to the amounts recorded as CFC Revenues.

Demolition funding expense represents an amount the signatory airlines agreed to include as operating expenses in 2014 and 2015 for purposes of calculating the landing fee rate so that funds could be accumulated and set aside for purposes of demolishing Terminals 1 and 2 as wells as other facilities that are no longer needed for the operation of the Airport.

Debt Service Coverage. Under the expired airport use agreement, airport residual landing fee formula the excess revenues over debt service were equal to .25 times debt service thereby resulting in a debt service coverage ratio of 1.25. Additionally, under this formula the amount of excess revenues over debt service was directly tied to debt service requirements. Accordingly, as the Board's debt matured or was redeemed the amount of excess revenues over debt service decreased.

Cost Per Enplaned Passenger. The cost per enplaned passenger (passenger airline costs divided by enplanements) for the years 2011 through 2015 are as follows:

HISTORICAL COST PER ENPLANEMENT (CPE)

(For Years Ended December 31, 2011-2015)

	2011	2012	2013	2014	2015
CPE	$8.98	$10.84	$10.66	$8.77	$9.17

Source: Kenton County Airport Board

Liquidity and Transition of Funds

Under the Prior Bond Resolution, net revenues after debt service and other required transfers were to be transferred to the debt service and/or improvements to airport accounts. Amounts in these accounts could be used to redeem or purchase bonds or for other purposes relating to the Airport and as further provided for in the expired airport use agreement. At the time the new Airport Use Agreement was approved the Board approved the establishment of the Operations and Maintenance Reserve Account, the Repair and Replacement Reserve Fund and the KCAB General Fund as subaccounts of the debt service and/or improvement airport accounts, with such fund and accounts to be replaced by the funds and accounts established for such purposes under the Resolution. The Board additionally approved the transfer as of January 1, 2016 of the balance in the debt service and/or improvement to airport account to first fully fund the 2016 Operations and Maintenance Required Reserve and the Repair and Replacement Fund Requirement in amounts as defined in the Resolution, with the balance of the account being transferred to the General Fund. As of January 1, 2016, $18.7 million was transferred to the Operations and Maintenance Reserve Account, $10 million was transferred to the Repair and Replacement Reserve Fund and $20.1 million was transferred to the General Fund from the debt service and/or improvements to airport accounts.

Also maintained under the Prior Bond Resolution was a depreciation account that was available for capital additions and replacements as well as for payment of operations and maintenance expense as may be required. The assets in this account as of December 31, 2015 totaled $1.2 million and are planned to be transferred to the General Purposes Fund upon the refunding of the Refunded Bonds.

Under the Prior Bond Resolution, the Board maintained Revenue and Operation and Maintenance Funds, the balances of which will be transferred to the Revenue and Operations and Maintenance Fund created under the Resolution. The assets in these funds as of December 31, 2015 were $22.2 million. The Board has also created an internal service fund for purposes of funding and providing reserves related to the Board's self-funded health coverages maintained for employees. The assets in this account as of December 31, 2015 totaled $5.3 million.

Summary of Financial Projections – Operating Results

The financial projections for the years 2017 through 2021 were derived from the "Airline Traffic Analysis and Review of Airport Forecasts" included as Appendix C and reflect the summarized 2016 Budget as discussed under "Summary of Historical Financial Operating Results."

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Summary of Financial Operating Results
Cincinnati / Northern Kentucky International Airport
(2016-2021)

	For Year Ended December 31 (in thousands)					
	2016	2017	2018	2019	2020	2021
Operating Revenues	Budget[1]	Forecast	Forecast	Forecast	Forecast	Forecast
Airline Revenues[2]						
Landing fees	$ 18,733	$ 19,642	$ 20,152	$ 20,714	$ 21,290	$ 21,792
Terminal and Ramp rentals & use charges	19,799	20,619	20,796	21,136	21,475	21,549
Misc. Airline Revenue	173	173	173	173	173	173
Total Airline Revenues	$ 38,705	$ 40,435	$ 41,121	$ 42,023	$ 42,939	$ 43,514
Non-Airline Revenues						
Parking	$ 28,007	$ 29,583	$ 30,986	$ 32,353	$ 33,755	$ 35,275
Rental cars	6,730	7,109	7,446	7,775	8,112	8,477
Terminal concessions	4,568	4,763	4,963	5,159	5,360	5,577
Commercial development	4,603	4,674	4,692	4,712	4,780	4,825
Reimbursed O&M expenses	2,066	2,116	2,168	2,221	2,276	2,333
Other Non-airline Revenues	1,813	1,401	1,438	1,474	1,512	1,550
Total Non-Airline Revenues	$ 47,786	$ 49,646	$ 51,692	$ 53,694	$ 55,795	$ 58,037
Total Operating Revenues[2]	$ 86,492	$ 90,081	$ 92,813	$ 95,718	$ 98,734	$ 101,551
Non-Operating Revenues						
Investment income	$ 72	$ 72	$ 72	$ 72	$ 72	$ 72
Passenger facility charges (transferred for debt service)[3]	6,175	5,570	5,572	5,569	5,574	5,570
Total Non-Operating Revenues	$ 6,248	$ 5,642	$ 5,644	$ 5,641	$ 5,646	$ 5,642
Total Revenues Available for Operating Expenses, Debt Service, & required transfers	$ 92,739	$ 95,723	$ 98,456	$ 101,358	$ 104,381	$ 107,194
Operating Expenses	$ 75,234	$ 77,764	$ 79,920	$ 82,143	$ 84,443	$ 86,812
Net Revenue	$ 17,506	$ 17,959	$ 18,537	$ 19,215	$ 19,938	$ 20,381
Disposition of Net Operating Revenues						
Debt Service						
Revenue Bond Principal	$ 3,240	$ 2,120	$ 2,185	$ 2,270	$ 2,365	$ 2,480
Revenue Bond Interest (excluding capitalized interest)	1,700	2,336	2,272	2,185	2,094	1,976
Total Debt Service	$ 4,940	$ 4,456	$ 4,457	$ 4,455	$ 4,459	$ 4,456
Excess Revenue Over Debt Service						
Operations and Maintenance Reserve Account[4]	$ -	$ 633	$ 539	$ 556	$ 575	$ 592
Repair and Replacement Reserve Fund[5]	-	-	-	-	-	-
General Fund	11,330	11,756	12,426	13,091	13,789	14,219
Passenger Facility Charge Account	1,235	1,114	1,114	1,114	1,115	1,114
Total Excess Revenue over Debt Service	$ 12,565	$ 13,503	$ 14,079	$ 14,760	$ 15,478	$ 15,925
Total Disposition of Net Operating Revenues	$ 17,506	$ 17,959	$ 18,537	$ 19,215	$ 19,938	$ 20,381
Debt Service Coverage[6]	3.54	4.03	4.16	4.31	4.47	4.57

Source: KCAB.

Notes:
1. Reflects adjustments as discussed in the Summary of Historical Financial Results.
2. Airline revenues are net of Signatory Airlines Share of Net Remaining Revenues which offset the amount of rentals, fees, and charges that are due from the signatory airlines each fiscal year.
3. 2016B PFCS transferred for debt service reflect estimated deposits to pay debt service assuming the 2003B Series Bonds are refunded with the 2016 Series.
4. Operations & Maintenance Reserve Account was fully funded January 1, 2016 equal to 25% of budgeted 2016 O&M expenses as described in Liquidity and Transition of Funds section.
5. Repair and Replacement Reserve Fund was fully funded January 1, 2016 at $10,000,000 as described in Liquidity and Transition of Funds section.
6. Debt service coverage calculation is net revenues divided by total debt service.

Discussion of Financial Projections – Operating Results

The 2016 Budget and financial forecast reflect the terms of the Resolution as well as the airline rate and charges methodology under the new Airport Use Agreement. Based on the assumptions as discussed in more detail in the Airline Traffic Analysis and Review of Airport Forecasts included as APPENDIX C, debt service coverage ratios are forecast to range from 4.03 in 2017 to 4.57 in 2021. Additionally, the amount of excess revenues over debt service is anticipated to steadily increase over the projection period with the amounts available to be deposited in the General Purposes Fund projected to increase from $11.8 million in 2017 to $14.2 million in 2021.

The forecasted cost per enplaned passenger (passenger airline costs divided by enplanements) as calculated based on the 2016 Budget and the financial projections for the years 2017 through 2021 are as follows:

FORECAST COST PER ENPLANEMENT (CPE)

(For Years Ended December 31, 2016-2021)

	2016B	2017F	2018F	2019F	2020F	2021F
CPE	$8.93	$9.10	$9.02	$9.02	$9.02	$8.92

Source: Kenton County Airport Board

Risk Management and Insurance

The Airport is exposed to various risk of loss related to torts: theft of, damage to and destruction of assets; errors omissions; injuries to employees, general liability claims and natural disasters. The Airport manages these risks through the purchase of commercial insurance.

Investment Policy

Under Kentucky law, all units of local government, including airport boards, are required to adopt an investment policy. The Board has adopted a policy to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Board and conforming to all state statutes and Board regulations governing the investment of public funds. This investment policy applies to all financial assets held directly by the Board, provided that the Board follows the more restrictive Resolution limits regarding investments for funds governed by the Resolution. Financial assets of the Board held and invested by trustees or fiscal agents are excluded from these policies; however, such assets are required to be invested in accordance with the Kentucky law that is applicable to the investment of local government funds and in accordance with the Board's primary investment objectives, applicable bond resolutions and other governing regulations applicable to Board funds.

The Board's primary investment objectives, in order of priority, are the following:

1. Safety of principal is the foremost objective of the Board's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. The Board's investment portfolio shall remain sufficiently liquid to enable the Board to meet all operating requirements, which might be reasonably anticipated.

3. The Board's investment portfolio shall be designed with the objective of attaining a market rate of return (or higher) throughout the budgetary and economic cycles, taking into account the Board's investment risk constraints and the cash flow characteristics of the portfolio.

Management responsibility for the Board's investment program is delegated by the Board to the Secretary/Treasurer of the Board. The actions of the Secretary/Treasurer in the performance of his or her duties as manager of the Board's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

The funds of the Board available for investment shall be invested in accordance with this policy in investments currently authorized by Section 66.480 of the Kentucky Revised Statutes. In general, those investments include obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements; obligations of any corporation of the United States government; supranational bonds; certificates of deposit issued by or other interest-bearing accounts of any bank which are insured by the Federal Deposit Insurance Corporation or similar board or which are collateralized; investments which meet certain rating criteria, including uncollateralized certificates of deposit, bankers' acceptances, commercial paper, bonds or securities issued by a state or local government; and certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities. Certain mutual fund investments are also permitted, so long as the mutual fund is an open-end diversified investment company registered under the Federal Investment Company Act of 1940, has been in operation for at least five (5) years and only invests in securities that are eligible investments described above. No investment shall be purchased for the Board on a margin basis or through the use of any similar leveraging technique.

The Board recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the Board's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

To the extent possible, the Board will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Board's funds should not, in general, be invested in securities maturing more than three years from the date of purchase. However, the Board may collateralize its repurchase agreements using longer-dated investments not to exceed 10 years to maturity. Reserve funds may be invested in securities exceeding three years, if maturity of the investments is made to coincide as nearly as practicable with the expected use of the funds.

Pension Plan and Post-Employment Benefits Other than the Pension Plan

Defined Benefit Plan. All full-time employees who were employed by the Board on or before December 31, 2013 are members of the CERS, a cost-sharing multiple-employer defined benefit pension plan which was created by the Kentucky General Assembly pursuant to the provisions of KRS Section 78.520. The CERS is administered by the Board of Trustees of the Kentucky Retirement Systems under the provisions of KRS Section 61.645 and provides retirement, disability and death benefits to its members. Employer contribution rates are determined by the Board of Trustees of the CERS. Benefits to be paid from the CERS are calculated as a multiple of final average compensation and the participant's number of years of service. System participants become fully vested in the CERS after the completion of sixty months of service, twelve of which are current service.

Net pension liability is the amount by which the total actuarially determined pension liability exceeds the fiduciary net position of the plan. To address the growing net pension liability for CERS, significant changes have been made to the CERS, some of which include increased employee contribution rates, lengths of service and suspension of retirement cost of living increases. Additionally, in April 2013, Kentucky adopted a hybrid cash balance retirement plan for new state and local public employees who commenced employment on or after January 1, 2014. The hybrid cash plan replaces the cost sharing defined benefit pension plan, redefining the defined benefit of the formula-based annuity which participants would have previously received during retirement with a lump sum benefit, or accumulated account balance, at the individual participant's retirement date. The accumulated account balance is composed of contributions from the participant during their employment period, an employer contribution, or pay credit, equal to a percentage of compensation paid to the participant during their employment period, and an interest credit added to the accumulated balance each year during the participant's employment period. At the participant retirement date, the accumulated account balance is converted to either a lump sum payment or a monthly annuity, at which point the retirement benefit becomes fixed and no additional pay credits or interest credits are accrued to the outstanding balance.

Like other governmental participants in cost sharing multiple employer plans, the Board historically recognized as pension expense in any year the amount of the required contributions to the plan. The liability reported was equal to required contributions due, but not yet paid as of the date of the financial statements.

As required by the GASB, beginning in its 2015 audited financial statements, the Board implemented the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27" ("GASB 68"). Under GASB 68, the Board, like other governmental employers which participate in cost sharing multiple-employer defined benefit pension plans, is required to reflect in its financial statements a proportionate share of the pension plan's net pension liability and pension expense. The purpose of GASB 68, as stated by the GASB, is to improve the decision-usefulness of information in the financial reports of participating employers, enhancing its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

Pension expense, as calculated by the CERS, includes amounts for service cost, interest on the total pension liability, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actual experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date and investment gains/losses are amortized over five years. The unamortized portions of each year's experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows, which also must be included in the employers' financial statements. The collective amounts are allocated to the participating employers based on each employer's actual contributions to the plan during the measurement period.

While the provisions and commitments of the plan, as well as the changes and corrective actions taken by the plan as discussed above, affect the amounts ultimately required to be contributed by the participating employers, the implementation of GASB 68 does not. GASB 68 merely affects the manner in which participating employers must reflect on their financial statements their proportionate shares of the plan's liabilities, expense, and deferred inflows/outflows.

GASB 68, in the year implemented, requires retroactive implementation for all years presented within the audited financial statements. Accordingly, the 2014 amounts presented for comparative purposes in the 2015 statements were restated to also reflect applicable amounts under the provisions of GASB 68. With the retroactive restatement required by GASB 68, in the 2015/2014 statements, the Board's January 1, 2014 beginning net pension liability was approximately $43.0 million. This was recorded with a $41.2 million reduction in net position and $1.8 million of deferred outflows. At December 31, 2014, the net pension liability was reduced by approximately $4.8 million, being reflected by $4.1 million of adjustments to deferred inflows/outflows and a reduction of pension expense of $.7 million. This resulted in recognizing overall pension expense of $.7 million less than the contributions made to the CERS for 2014.

A five-year experience study was performed by the CERS wherein the economic and demographic assumptions used in the actuarial calculations for the plan were examined and adjusted. As a result of these adjustments and other changes normally considered on an annual basis, there was an overall increase in the net pension liability of the CERS. According to the allocation of this increase performed by the CERS, the Board's proportionate share of the net pension liability at December 31, 2015 increased by $12.6 million, being reflected by $7.5 million of adjustments to deferred inflows/outflows and pension expense of $5.1 million in addition to the amount recognized as expense as contributions were made during the year.

Certain experience factors will be adjusted each year and will result in changes to the amounts recorded on the financial statements of the participant employers. The CERS has represented that it intends to also perform experience studies similar to the study described above at five-year intervals. Depending upon such primary factors as investment returns, mortality rates, lengths of service, the amount and average salary levels of employees retiring, and the funding received from other sources, the Net Pension Liability and pension expense to be recognized under GAAP will increase or decrease. However, based on a 2014 20-year projection of employer contribution rates which utilized the recommended actuarial assumptions in the 5-year experience study discussed above, employer pension contribution rates overall are projected to decrease through 2034.

Postemployment Benefits Other Than Pensions (OPEB). The Board of Trustees of the Kentucky Retirement Systems also administers the Kentucky Retirement Systems Insurance Fund ("Insurance Fund"), an insurance fund established to provide group hospital and medical benefits to retirees drawing benefits from the pension plans administered by the Kentucky Retirement Systems. The cost of insurance premiums is funded by a combination of employer contributions, as determined by the Board of Trustees of the Insurance Fund, and amounts withheld from benefit payments to members of the pension plans. The portion of a member's insurance premiums which is covered by employer contributions is based on several factors including whether the member's position is considered by KRS to be hazardous or non-hazardous, the coverage elected by the member and the member's years of service in the CERS.

In its 2018 financial statements, the Board will be required to reflect the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Similar to the provisions of GASB 68, the Board will be required to report its assigned proportional share of the Insurance Fund's unfunded liability, deferred inflows/outflows and collective OPEB expense. Based on amounts reported in the comprehensive annual financial report of the Kentucky Retirement Systems for the year ended June 30, 2015, the amount of the unfunded liability related to the CERS Insurance Fund was approximately 23% of the unfunded liability of the pension. Accordingly, the amounts of the liability, deferred inflows/outflows and OPEB expense which will be required to be recognized on the financial statements of the Board under GASB 75 are expected to be significantly less that the corresponding amounts recognized for the pension under GASB 68.

OPEB expense, like pension expense, is expected to increase or decrease with the plan experience and changes in factors and assumptions which are used in the actuarial calculations. However, also based on the 2014 twenty-year projection of employer contribution rates discussed above, employer contribution rates for the Insurance Fund overall are projected to decrease through 2034.

Additional Information. More information related to the CERS can be found in the footnotes to the 2015 audited financial statements attached hereto as APPENDIX D and in the comprehensive annual financial report of the Kentucky Retirement Systems at http://kyret.ky.gov.

INFORMATION CONCERNING THE AIRLINE INDUSTRY AND THE AIRLINES

General

For discussion on key factors affecting the level of aviation activity and the airline industry, see "APPENDIX C - Airline Traffic Analysis and Review of Airport Forecast."

Airline Information

Certain of the airlines or their parent corporations, including Delta, are subject to the information reporting requirements of the Exchange Act, 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 which can be located by calling the SEC at 1-800-SEC-0330. 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 ("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.

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 U.S. Department of Transportation.

NEITHER THE BOARD NOR THE UNDERWRITERS UNDERTAKE ANY RESPONSIBILITY FOR NOR MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE CONTENT OF INFORMATION APPEARING ON THE SEC'S WEBSITE AS DESCRIBED ABOVE, INCLUDING, BUT NOT LIMITED TO, UPDATES OF SUCH INFORMATION OR LINKS TO OTHER INTERNET SITES ACCESSED THROUGH THE SEC'S WEB SITE. NEITHER THE BOARD NOR THE UNDERWRITERS MAKE ANY REPRESENTATION WHATSOEVER WITH RESPECT TO THE CONTINUED VIABILITY OF ANY OF THE AIRLINES SERVING THE AIRPORT.

CERTAIN INVESTMENT CONSIDERATIONS

The Series 2016 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2016 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

General

The Revenues of the Airport are affected substantially by the economic health of the air transportation industry and the airlines serving the Airport. Certain factors that may materially affect the air trade area, the Airport and the airlines include, but are not limited to (i) the availability and cost of aviation fuel and other necessary supplies, (ii) national and international economic conditions and currency fluctuations, (iii) the financial health and viability of the airline industry, (iv) air carrier service and route networks, (v) the population growth and the economic health of the region and the nation, (vi) changes in demand for air travel, (vii) service and cost competition, (viii) levels of air fares, (ix) fixed costs and capital requirements, (x) the cost and availability of financing, (xi) the capacity of the national air traffic control system, (xii) the capacity of the Airport and of competing airports, (xiii) alternative modes of travel and transportation substitutes, (xiv) national and international disasters and hostilities and public health events, (xv) the cost and availability of employees, (xvi) labor relations within the airline industry, (xvii) regulation by the federal government, (xviii) environmental risks and regulations, noise abatement concerns and regulations, (xix) bankruptcy and insolvency laws, and (xx) safety concerns arising from international conflicts, the possibility of terrorist or other attacks and other risks (including the impact of such attacks on other airports that have flights to or from the Airport, including the possibility of the closure of those airports for a period of time).

Airline Mergers, Acquisitions and Alliances

In response to competitive pressures and increased costs (see "Costs of Aviation Fuel" below), airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta fully completed its merger with Northwest Airlines, and in that same year, Republic Airways Holdings, a regional airline, acquired Frontier Airlines and Midwest Airlines. In October 2010, United Airlines and Continental Airlines merged, creating the world's then largest airline in terms of operating revenue and revenue passenger miles. In May 2011, Southwest Airlines completed its acquisition of AirTran. In April 2015, American and US Airways completed their merger which created the largest airline in the world in terms of operating revenue and revenue passenger miles (surpassing United). In April 2016, Alaska Air Group, parent of Alaska Airlines, announced that it will acquire Virgin America Airlines. In 2015, the two airlines together accounted for 6.6% of domestic U.S. airline industry seat-mile capacity. The proposed acquisition is subject to regulatory approval. In addition, all of the large U.S. airlines are members of alliances with foreign-flag airlines, which alliances, and other marketing arrangements, provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines.

Cost of Aviation Fuel

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

Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Financial Condition of Airlines Serving the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees paid by airlines using the Airport. The financial strength and stability of these airlines, together with the underlying strength of the Airport's passenger and cargo markets and numerous other factors, influence the level of aviation activity at the Airport and revenues, including PFCs, realized by the Airport. The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Delta, to make the necessary investments to provide service. Many of the airlines serving the Airport were impacted by the global economic downturn and recession that occurred between 2008 and 2009, and most major domestic airlines suffered significant financial losses. Though many of the airlines serving the Airport have improved their financial position since the recession, there can be no assurances that any such improvement or recovery will continue. Current and future financial and operational difficulties encountered by the airlines serving the Airport, could have a material adverse effect on operations at, and the financial condition of, the Airport.

Press reports have stated that a strike by pilots for certain air carriers that operate flights on behalf of DHL has been authorized. On June 3, 2016, DHL provided a statement regarding the situation that said, "We are aware of the ongoing contract negotiations between Teamsters Local 1224 and the respective airlines as well as the union's strike vote report from May 17. These are negotiations between our airline partners and their unions. We can confirm that DHL does not currently anticipate any impact on our operations from these on-going discussions." The Board cannot predict whether a strike would adversely affect the operations or financial condition at the Airport.

Effect of Airline Bankruptcy

Several airlines (including some operating at the Airport) have emerged from bankruptcy reorganization over the last several years. Other U.S. airlines may file for bankruptcy protection in the future. The cessation of operations by an airline with significant operations at the Airport, such as Delta, could have a material adverse effect on operations, Revenues (with the resultant effect on repayment of the Series 2016 Bonds) and the cost to the other airlines of operating at the Airport.

In the event of bankruptcy proceedings involving an airline that is a party to an Airport Use Agreement, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airport Use Agreement. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance.

Rejection of an Airport Use Agreement by a Signatory that is a debtor in a bankruptcy proceeding would result in the termination of that Airport Use Agreement. Such rejection of an Airport Use Agreement would give rise to an unsecured claim of the Board against the Signatory's estate for damages, the amount of which is limited by the Bankruptcy Code. As a result of a Signatory's rejection of an Airport Use Agreement in a bankruptcy proceeding, the Board may recover any outstanding amounts owed under the Airport Use Agreement by the application of such Signatory's Security Deposit. See "APPENDIX B – Security Deposit." After the application of the Security Deposit, any unpaid Landing Fees and/or rentals for the lease of Terminal Ramp by the bankrupt Signatory would be recovered by the Board from the other Signatories under the Settlement Provisions of the Airport Use Agreement as a result of the residual rate setting methodology for the Airfield Cost Center See "APPENDIX B – Settlement Provisions." Any unpaid amounts owing by the bankrupt Signatory for the lease of Terminal Space and/or Loading Bridges as a result of the commercial compensatory rate setting methodology of the Terminal Cost Center and Loading Bridge Cost Center would essentially reduce the Net Remaining Revenues to be paid to the remaining Signatories and the Board at the end of the Fiscal Year. See "Agreements for the use of Airport Facilities." The Board has additional protection resulting from a Signatory's rejection of an Airport Use Agreement. See "APPENDIX B - Adjustment to Rates and Charges" allowing the Board to adjust each Signatories rates and charges once during any Fiscal Year if Landing Fees and Terminal Rentals would result in an adjustment of 10% or more of budgeted Landing Fees and Terminal Rentals. See also "APPENDIX B -Extraordinary Coverage Payments" requiring Signatories to make extraordinary coverage protection payments in any Fiscal Year in which the amount of Revenues less Operation and Maintenance Expenses is or is forecast to be less than 125% of the aggregate annual debt service coverage requirement as calculated under the Resolution.

In addition, the bankruptcy of a Signatory may affect the amount and timing of receipt by the Board of PFCs collected by that airline. See "Ability to Collect PFCs" below.

Concentration of Delta Operations at the Airport

In 2015, Delta accounted for approximately 48.2% of the Airport's origin enplanements. Delta accounted for over 20% percent of the annual Revenues at the Airport, and enplaned the largest share of passengers at the Airport at 56.3% in 2015. Delta leases all 28 gates in Concourse B at the Airport, through December 31, 2020. If Delta were to cease operations at the Airport for any reason or significantly eliminate or reduce its activity at the Airport, that activity may not be replaced by other airlines.

Public Health Risks

Public health concerns also have affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome ("SARS") led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In 2014, following an outbreak of the Ebola virus in West Africa, concerns about the spread of the virus have adversely affected travel to and from certain regions of Africa. In January 2016, the Centers for Disease Control and Prevention issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus, which has been linked to a type of birth defect called microcephaly, is spreading, a list that currently includes 22 countries and territories.

Aviation Safety and Security Concerns

Concerns about the safety of air travel and the effectiveness of security precautions, particularly in the context of international hostilities and domestic and foreign terrorist attacks and threats and other airline incidents may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Safety concerns in the aftermath of the terrorist attacks on September 11, 2001, were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have enhanced security measures to guard against possible terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies.

Capacity of National Air Traffic Control and Airport System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. The FAA Reauthorization Act contains several provisions aimed at accelerating the implementation of NextGen. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations (down approximately 20% between 2007 and 2014), but, as airline travel increases in the future, flight delays and restrictions can be expected, and no assurances can be given that these airline travel increase will not again adversely affect airline operations.

Expiration of Airport Use Agreements

The expiration date of the Airport Use Agreements is December 31, 2020. A significant portion of the debt service on the Series 2016 Bonds becomes due after such date. It is not possible to predict whether any airline will be contractually obligated to make payments, including, among other things, for debt service on the Series 2016 Bonds, or any Additional Bonds after the expiration date of the Airport Use Agreements in 2020. Upon the expiration of the Airport Use Agreements, the Board may enter into extensions of such agreements with the airlines, enter into new agreements with the airlines, or impose rates and charges upon the airlines. The Board has covenanted in the Resolution (which extends beyond the expiration of the Airport Use Agreements) to establish rentals, rates and other charges for the use and operation of the Airport such that Revenues (including rentals, fees and charges imposed on the airlines), together with certain other moneys deposited in Accounts and Funds pursuant to the Resolution, are sufficient to satisfy the coverage requirements contained in the Resolution. See "SECURITY FOR THE SERIES 2016 BONDS – Rate Covenant."

Ability to Collect PFCs

The ability of the Board to collect annually sufficient PFCs depends upon a number of factors, including, without limitation, the number of enplanements at the Airport, the use of the Airport by the carriers collecting the PFCs (the "Collecting Carriers") and the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the Board. The Board relies on the Collecting Carriers' collection and remittance of PFCs, and both the Board and the FAA rely upon the airlines' reports of enplanements and collections.

Under the terms of the PFC Acts, the FAA may terminate the Board's authority to impose a PFC if the Board's PFCs are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or if the Board otherwise violates the PFC Acts or regulations. The FAA may also terminate the Board's authority to impose a PFC for a violation by the Board of the Airport Noise and Capacity Act. The PFC termination provisions contained in the regulations provide both informal and formal procedural safeguards.

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Board) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. Furthermore, the FAA's PFC regulations require Collecting Carriers to account for PFC collections separately, and further indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC. Recent bankruptcy court decisions, however, indicate that in a bankruptcy proceeding involving a Collecting Carrier, it is likely that PFCs will not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds.

Additional Federal Authorization and Funding Considerations

The Board receives funding for the Airport not only in connection with FAA AIP Grants and PFC authorizations, but also in the form of funding for TSA, air traffic control and other FAA staffing and facilities. Prior to the enactment of the Airport and Airway Extension Act of 2015, the FAA operated under the FAA Reauthorization Act, which expired on September 30, 2015. That statute was the first long-term FAA authorization enacted since 2007 and ended an approximately five-year period of short-term extensions of FAA authority. The Airport and Airway Extension Act of 2016 extended the programs under the FAA Reauthorization Act through July 15, 2016. In the event that the Airport and Airway Extension Act of 2016 were to expire without a long-term reauthorization or another short-term extension, during such period FAA programs would be unauthorized, including FAA programs providing funding for the Airport. The Board is unable to predict whether legislation to extend or reauthorize this statute or otherwise continue FAA programs will be adopted prior to the scheduled expiration date, if not so adopted, the duration of any resulting period of de-authorization, and the impact on the Airport finances which might result therefrom.

Federal funding is also impacted by sequestration, a budgetary feature first introduced under the federal Budget Control Act of 2011. Unless changed by the United States Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, the and Customs and Border Control ("CBP") budgets and staffing, resulting in staffing shortages and traffic delays and cancellations at airports across the United States. The full impact of sequestration on the aviation industry and the Airport, generally, resulting from potential layoffs or further furloughs of federal employees responsible for federal airport security screening, air traffic control and CBP, is unknown at this time.

Regulations and Restrictions Affecting the Airport

The operations of the Airport and its ability to generate revenues are affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Airport Use Agreements, the PFC Acts and other extensive federal legislation and regulations applicable to all airports in the United States. There is no assurance that there will not be any change in, interpretation of, or addition to any such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the Airport, which could materially adversely affect the Airport's operations or financial condition.

In addition, following the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the TSA and the Department of Homeland Security. 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 Board or whether such restrictions or legislation or regulations would adversely affect Revenues.

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 Board 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. This proposed endangerment finding will be subject to public comment and the EPA plans to finalize the aircraft endangerment finding in mid-2016. If finalized as proposed, EPA has stated its intent to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization, which are scheduled for final review and adoption in 2016. The Board cannot predict what the EPA's emission standards will be or what effect those standards may have on the Board or on air traffic at the Airport.

Competition

The Airport competes for passengers with other commercial service airports in the region. Specifically, the Dayton International Airport, which is approximately 66 miles from the Airport and provides non-stop service to 19 destinations, is the closest competing airport offering similar services. See "THE AIR TRADE AREA – Airport Competition." Competition for airline travelers by these competitive airports has been largely based on level of service, but as low-cost carriers introduce service, the price of airfare has become a key competitive factor. The Board cannot predict, however, whether this trend will continue long-term. Both the Dayton International Airport and Port Columbus International Airport are expected to continue to be competitors for the region's domestic and international traffic. See "APPENDIX C – Airline Traffic Analysis and Review of Airport Forecast" for a more detailed discussion.

International air travel may be more easily disrupted by political instability, terrorist activities, currency fluctuations and other factors outside the control of the Board. The Board cannot predict whether the level of international passengers will remain stable or will grow, or what events, domestic or international, may adversely affect such air traffic.

Any increases in operating costs at the Airport may increase costs to the airlines, which could result in the Airport being put into a competitive disadvantage relative to other airports and other types of transportation.

Impact of Economic Conditions on Airport

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economy. With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Following significant and dramatic changes which occurred in the financial markets in September 2008, the U.S. economy experienced a recession followed by weak growth. As a result of concerns about the U.S. government's ability to resolve long-term deficits, S&P in August 2011 downgraded the credit rating of the U.S. sovereign debt from "AAA" to "AA+." While the global economy generally has rebounded, there can be no assurances that any such rebound will continue. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Alternative Travel Modes and Travel Substitutes

Teleconference, video-conference and web-based meetings continue to improve in quality and price and are considered a satisfactory alternative to some face-to-face business meetings.

In addition, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by discounting fares have changed consumer expectations regarding airfares and the availability of transparent price information on the internet, which allows easier comparison shopping, has changed consumer purchasing habits. As a result, pricing and marketing have become more competitive in the United States airline industry.

Enforceability of Remedies; Limitation on Remedies; No Acceleration; No Cross Default

The occurrence of an Event of Default under the Resolution does not grant a right to the bondholders to accelerate payment of the Series 2016 Bonds. As a result, the Airport may be able to continue collecting Revenues and applying them to the operation of the Airports even if an Event of Default has occurred and no payments are being made on the Series 2016 Bonds. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Events of Default and Remedies - No Acceleration; No Cross-Default."

The rights and remedies available to the owners of the Series 2016 Bonds upon an Event of Default under the Resolution are in many respects dependent upon judicial enforcement actions which are often subject to discretion and delay.

Force Majeure Events Affecting the Board and the Airport

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

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain statements relating to future results that are forward-looking statements. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The Board does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. See "Regarding Use of the Official Statement."

LETTER REPORT AND THE BOARD'S FINANCIAL FORECASTS

The Letter Report set forth in APPENDIX C was prepared by the Airport Consultant, in connection with the issuance of the Series 2016 Bonds, for the purpose of reviewing the forecasts prepared by the Board, and providing commentary on certain key assumptions made in those forecasts. See "APPENDIX C - Airline Traffic Analysis and Review of Airport Forecast." The Board's financial projections and forecasts are based on assumptions that were provided by, or reviewed with and adopted by, the Board. The Letter Report should be read in its entirety for an understanding of the Board's forecasts and the underlying assumptions contained therein. As noted in the Letter Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period may vary, and the variations may be material.

Accordingly, the projections contained in the Letter Report or that may be contained in any future certificate of the Board or an Airport Consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the Board assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Board are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2016 Bonds are cautioned not to place undue reliance upon the Letter Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Board to make timely payment of the principal of and interest on the Series 2016 Bonds may be materially adversely affected.

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

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the Board, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Series 2016 Bonds, the collection of Revenues or the use of Revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Series 2016 Bonds have been authorized and are to be issued or delivered, or the validity of the Series 2016 Bonds or that would materially adversely affect the assets of the Airport or its operations.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance of the Series 2016 Bonds are subject to the approving legal opinion of Squire Patton Boggs (US) LLP, Bond Counsel. A signed copy of that opinion will be delivered to the Underwriters at the time of such original delivery, substantially in the form attached hereto as APPENDIX E.

Certain legal matters will be passed upon by Ziegler & Schneider, P.S.C, general counsel to the Board, and for the Underwriters by their counsel, Dinsmore & Shohl, LLP.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 2016 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the SEC under the Securities Exchange Act, as amended (the "Exchange Act"). The MSRB has designated its electronic Municipal Market Access System, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the Board to comply with the Undertaking will not constitute a default under the Resolution, and beneficial owners of the Series 2016 Bonds are limited to the remedies described in the Undertaking. See below under subcaption "Consequences of Failure of the Board to Provide Information." A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the Board and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, copies of which are available from the Board upon request.

Annual Financial Information Disclosure

The Board covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB. The Board is required to deliver such information so that the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means (a) financial and statistical data of the Airport relating to (i) Enplaned Passengers by Airline, (ii) Landed Weight by Airline (iii) Debt Service Coverage, (iv) Historical Cost Per Enplanement, and (v) Historical Air Cargo (in tons), generally consistent with that contained in the Official Statement and (b) with respect to each Obligated Person other than the Board. If such Obligated Person does not file SEC Reports, the Board will not be able to provide such information on that Obligated Person. If any of the Board's Annual Financial Information that is published by a third party is no longer publicly available, the Board shall include a statement to that effect as part of its Annual Financial Information for the year in which such lack of availability arises.

"Audited Financial Statements" means the audited financial statements of the Board prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

"Obligated Person" means the Board and each airline or other entity at any time using the Airport (i) that is obligated under an Airport Use Agreement, lease or other agreement having a term of more than one year to pay a portion of the debt service on the Airport Obligations and (ii) has paid amounts equal to at least 20% percent of the Revenues of the Airport for each of the prior two fiscal years of the Airport. At this time, Delta is the only entity using the Airport that qualifies as an Obligated Person pursuant to the Rule.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB no later than 270 days after the last day of the Board's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed when available.

Material Event Notification and Disclosure

The Board covenants that it will disseminate in a timely manner, in accordance with the Rule, to the MSRB the disclosure of the occurrence of a Material Event (as described below). The "Material Events," certain of which may not be applicable to the Series 2016 Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. 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 securities, or other material events affecting the tax status of the securities;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;

12. bankruptcy, insolvency, receivership, or similar proceedings of an Obligated Person;*
13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or the change of the name of a trustee, if material.

Consequences of Failure of the Board to Provide Information

The Board shall give notice in a timely manner, not in excess of 10 Business Days, to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the Board to comply with any provision of the Undertaking, the beneficial owner of any Series 2016 Bond may seek mandamus or specific performance by court order to cause the Board to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Kenton County, Kentucky. A default under the Undertaking shall not be deemed a default under the Resolution, and the sole remedy under the Undertaking in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Board may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Board or type of business conducted;

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2016 Bonds, as determined by parties unaffiliated with the Board (such as the Paying Agent or bond counsel); or

(b) the amendment or waiver is otherwise permitted by the Rule.

* Note that, for purposes of the event identified in item 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Termination of Undertaking

The Undertaking shall be terminated if the Board shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2016 Bonds under the Resolution. If this provision is applicable, the Board shall give notice in a timely manner to the MSRB.

EMMA

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Material Event, in addition to that which is required by the Undertaking. If the Board chooses to include any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Material Event in addition to that which is specifically required by the Undertaking, the Board shall have no obligation under the Undertaking to update such other information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Material Event.

The Board is in compliance in all material respects with undertakings previously entered into by it pursuant to the Rule, except that the Board failed to file material event notices in a timely manner with respect to certain underlying rating upgrades. Specifically, the Board filed with EMMA on November 21, 2014 a notice with respect to an underlying rating upgrade by Fitch on July 1, 2013, and filed with EMMA on April 11, 2016 a notice with respect to an underlying rating upgrade by Moody's on March 24, 2016.

In addition, the Board failed to file material event notices in a timely manner with respect to certain rating changes affecting bond insurance companies (collectively, the "Bond Insurers"), which insured previously outstanding bonds of the Board. The Board filed with EMMA on November 21, 2014 a notice with respect to all rating changes known to the Board and affecting the Bond Insurers occurring since November 1, 2009.

TAX TREATMENT

General

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2016 Bonds is exempt from income taxation and the Series 2016 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2016 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Board contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2016 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Board's certifications and representations or the continuing compliance with the Board's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Board may cause loss of such status and result in the interest on the Series 2016 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016 Bonds. The Board has covenanted to take the actions required of it for the interest on the Series 2016 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2016 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds or the market value of the Series 2016 Bonds.

A portion of the interest on the Series 2016 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2016 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2016 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2016 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2016 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Series 2016 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2016 Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Series 2016 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series

2016 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2016 Bonds.

Prospective purchasers of the Series 2016 Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2016 Bonds at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2016 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2016 Bonds will not have an adverse effect on the tax status of interest on the Series 2016 Bonds or the market value or marketability of the Series 2016 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2016 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Series 2016 Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2016 Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2016 Bonds may be adversely affected and the ability of holders to sell their Series 2016 Bonds in the secondary market may be reduced. The Series 2016 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2016 Bonds are not subject to adjustment in the event of any such change in the tax treatment of interest on the Series 2016 Bonds.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Series 2016 Bonds ("Discount Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2016 Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2016 Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Grant Thornton LLP, Minneapolis, Minnesota will verify, from information provided to them, the mathematical accuracy as of the date of the closing on the Series 2016 Bonds of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the provided schedules, to be held in escrow, is sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds, and (ii) the computations of yield on both the securities and the Series 2016 Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes. Grant Thornton LLP has expressed no opinion on the assumptions provided to them, nor as to the exemption from income taxation of interest on the Series 2016 Bonds.

RATINGS

Fitch Ratings ("Fitch") has assigned the Series 2016 Bonds the rating of "A+" with a stable outlook and Moody's Investors Service, Inc. ("Moody's") has assigned the Series 2016 Bonds the rating of "A2" with a stable outlook.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The Board has furnished to the rating agencies certain information and materials relating to the Series 2016 Bonds and the Airport, including certain information and materials that have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that any rating will continue for any given period of time, or that any rating will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2016 Bonds.

UNDERWRITING

The Underwriters, represented by Merrill Lynch, Pierce, Fenner & Smith Incorporated, have agreed, jointly and severally, to purchase the Series 2016 Bonds subject to certain conditions set forth in the Bond Purchase Agreement with the Board. The Bond Purchase Agreement provides that the obligations of the Underwriters to accept delivery of the Series 2016 Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2016 Bonds if any Series 2016 Bonds are purchased. The Underwriters have agreed to purchase the Series 2016 Bonds at an aggregate purchase price of $57,106,691.79 (reflecting an underwriters' discount of $244,768.91 and net original issue premium of $9,566,460.70).

The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public.

The Series 2016 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Series 2016 Bonds into investment accounts.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Board, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, 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 Board.

The Underwriters and their 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.

PNC Capital Markets LLC ("PNCCM") may offer to sell to its affiliate, PNC Investments, LLC ("PNCI"), securities in PNCCM's inventory for resale to PNCI's customers, including securities such as those to be offered by the Board. PNCCM may share with PNCI a portion of the fee or commission paid to PNCCM if any Bonds are sold to customers of PNCI.

FINANCIAL ADVISOR

Frasca & Associates, LLC (the "Financial Advisor"), serves as independent financial advisor to the Board on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments, and is an independent registered municipal advisor. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2016 Bonds and has reviewed and commented on certain legal documentation, including this

Official Statement. The advice on the plan of financing and the structuring of the Series 2016 Bonds was based on materials provided by the Board and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Board or the information set forth in this Official Statement or any other information available to the Board with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

AIRPORT CONSULTANT

The Letter Report of the Airport Consultant, included as APPENDIX C, reviews the forecasts of air traffic and financial results prepared by the Board. These forecasts prepared by the Board are based, in part, on historic data from sources considered by the Board to be reliable, but the accuracy of these data has not been independently verified by the Airport Consultant. The forecasts are based on assumptions made by the Board concerning future events and circumstances which the Board believes are significant to the forecasts. The achievement of the results described in the forecasts may be affected by fluctuating economic conditions and depends upon the occurrence of other future events which cannot be assured. Therefore, the actual results achieved may vary from the forecasts, and such variations could be material.

CONCLUDING STATEMENT

This Official Statement is effective as of its date. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized.

This Official Statement is not to be construed as a contract with the original purchasers or subsequent holders of the Series 2016 Bonds.

This Official Statement has been duly prepared and delivered by the Board and executed for and on behalf of the Board by the Chief Financial Officer of the Airport.

KENTON COUNTY AIRPORT BOARD

By: /s/ Sheila R. Hammons
Chief Financial Officer

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

In addition to certain information provided under the headings "THE SERIES 2016 BONDS" and "SOURCES OF PAYMENT AND SECURITY" in the body of this Official Statement, included in this Appendix A are summaries of certain provisions of the General Bond Resolution and Series 2016 Resolution, both adopted by the Board on May 16, 2016. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the General Bond Resolution and the Series 2016 Resolution.

DEFINITIONS

The following are definitions of certain terms used in this Official Statement (except as otherwise set forth therein) and summarized in this Appendix A.

"Act" means Sections 183.132 through 183.165, inclusive, 183.476, and 183.630 through 183.740, inclusive, of the Kentucky Revised Statutes, as supplemented and amended, and Chapter 58 of the Kentucky Revised Statutes, as supplemented and amended, and all laws amendatory thereof or supplemental thereto.

"Account(s)" means any account(s) residing in a Fund, as designated in the General Bond Resolution or as otherwise designated under the Series Resolution.

"Accreted Value" means, as of any date of computation with respect to any Capital Appreciation Bond, the sum of the amount set forth in a Series Resolution as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date; provided that in each case the Accreted Value shall be determined in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year consisting of twelve, 30-day months.

"Additional Bonds" means the bonds, notes and other evidence of indebtedness of the Board authorized to be issued under the General Bond Resolution.

"Airport" means the site of the Cincinnati/Northern Kentucky International Airport in Boone County, Kentucky, together with all buildings, structures, terminals, concourses, runways, aprons, equipment and facilities thereof, taking into consideration all future reductions, extensions, expansions, and improvements thereto and enlargements thereof, whether or not made with the proceeds of Bonds or obligations of the Board, grants from any federal, state or other public bodies or from any other funds of any nature whatsoever. Unless the Board expressly excludes any additional airport facilities acquired in the future, "Airport" also includes any additional airport facilities acquired by the Board in the future.

"Airport Consultant" means a firm or firms of national recognition experienced in the field of planning the development, operation and management of airports and aviation facilities, selected and employed by the Board from time to time.

"Authorized Representative" or "Authorized Representatives" means the Chairman of the Board, the Vice Chairman of the Board, the Secretary-Treasurer of the Board, the Chief Executive Officer, the Chief Financial Officer, or such other officers or employees of the Board or other persons which other officers, employees or persons have been designated by the Board by written notice as an Authorized Representative.

"Balloon Bonds" means, with respect to any Series of Bonds which (i) mature on the same date or within a 12-month period (with Mandatory Sinking Fund Requirements on Term Bonds deemed to be maturing) and which on the date of original issuance constitute at least 50% of the principal amount of the Bonds of such Series and (ii) are expressly designated as "Balloon Bonds" in the Series Resolution providing for the issuance of such Series of Bonds. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the applicable Series Resolution, to be amortized by prepayment or redemption prior to its stated maturity date.

"Beneficial Owner" means the person in whose name a Series 2016 Bond is recorded as the beneficial owner thereof by the respective systems of DTC and each of the DTC Participants, or the Registered Holder of such Series 2016 Bond if such Series 2016 Bond is not then registered in the name of Cede & Co.

"Board" means the Kenton County Airport Board, a political subdivision of the Commonwealth, as created and organized under the Act.

"Bond" or "Bonds" means any bonds or any other evidences of indebtedness for borrowed money issued from time to time pursuant to the General Bond Resolution and the terms of the Series Resolution. The terms "Bond" and "Bonds" shall not include Subordinate Bonds.

"Bond Counsel" means a firm or firms of attorneys which are nationally recognized counsel experienced in matters relating to municipal finance and which are familiar with transactions contemplated under the General Bond Resolution and which have been appointed by the Board.

"Bond Fund" means the special and separate account designated as the Kenton County Airport Board Bond Fund created pursuant to the General Bond Resolution.

"Bond Reserve Fund" means the special and separate account designated as the Kenton County Airport Board Bond Reserve Fund created pursuant to the General Bond Resolution.

"Bondholder" or "Holder" means the holder or registered owner of any Bond Outstanding.

"Business Day" means a day on which banks located in New York, New York, and in the city in which the principal corporate office of the Paying Agent is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by in the Series Resolution.

"Capital Appreciation Bonds" means any Series of Bonds to which all or a portion of interest is compounded and accumulated at the rates and on the dates set forth in a Series Resolution and is payable only upon redemption or on the maturity date of such Bonds.

"Capitalized Interest" means the amount of interest on a Series of Bonds, if any, funded from the proceeds of such or another Series of Bonds or other monies that are deposited in the Bond Fund or the Construction Fund as described or provided for in a Series Resolution for the Series of Bonds, a portion of the proceeds of which may to be used to pay interest on such or another Series of Bonds.

"Carryover Amount" means any amounts in the General Purposes Fund as of the last day of a Fiscal Year, to the extent such amounts (i) are not restricted to other uses or required to be applied to cure a deficiency in any Fund or Account and (ii) do not exceed 25% of the Principal and Interest Requirements on all Outstanding Bonds for the next succeeding Fiscal Year.

"Certificate of Award" means, with respect to any Series 2016 Bonds, the certificate delivered by the Chairman or Vice Chairman and the Chief Executive Officer or Chief Financial Officer, as Authorized Representatives, awarding that Series 2016 Bonds to their original purchaser.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor Internal Revenue Code, and the applicable regulations promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

"Commercial Paper Program" means a program of Term Bonds that may be issued and reissued from time to time and that have the characteristics of commercial paper in that such debt obligations have a stated maturity not later than 270 days from their date of issue. Any such Term Bonds may be issued as Bonds, Subordinate Bonds or any other junior lien debt issued pursuant to a Subordinate Bonds Issuing Instrument.

"Common Reserve Bonds" means the Bonds of any other Series issued under the General Bond Resolution and designated by the Board as being secured on parity with the Series 2016 Bonds by amounts on deposit in the Series 2016 Reserve Account.

"Commonwealth" means the Commonwealth of Kentucky.

"Completion Date" means the date of acquisition or completion of any Improvement, as certified by the Board.

"Construction Fund" means the special and separate account designated as the Kenton County Airport Board Construction Fund created pursuant to the General Bond Resolution.

"Consultant" means any consultant, engineer, engineering firm, firm of certified public accountants, or corporation, financial advisory firm, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the Board under the General Bond Resolution who:

(a) is in fact independent of the Board;

(b) does not have any substantial interest, direct or indirect, with the Board; and

(c) is not connected with the Board as an officer or employee of the Board but who may be regularly retained to make annual or other periodic reports to the Board.

"Cost" or "Costs," as applied to any Improvements financed with any Series of Bonds, means, but are not limited to, all of the following:

(a) labor, materials, services, and other obligations incurred or provided by contractors, builders, and material men for (i) the construction, acquisition, and equipping of Improvements; (ii) the restoration of property damaged or destroyed in connection with such construction, acquisition, and equipping; and (iii) the demolition, removal, or relocation of any structures, and the clearing of lands as necessary for the Improvements;

(b) interest accruing upon any Series of Bonds as may be provided in the corresponding Series Resolution for such Bonds;

(c) the cost of acquiring by purchase, and the amount of any award or final judgment in any proceeding, to acquire by condemnation, such land, structures and improvements, property rights, rights-of-way, franchises, easements, and other interests in lands as may be deemed necessary or convenient in connection with the construction or operation of the Airport, and the amount of any damages incident thereto;

(d) expenses of administration properly chargeable to the Improvements, including (i) construction, legal, architectural and engineering expenses and fees; (ii) cost of audits and of preparing and issuing the Bonds; (iii) fees and expenses of consultants; (iv) financing charges; (v) liability, property, and casualty insurance premiums in connection with construction; (vi) bond insurance premiums; (vii) the cost of funding the Bond Reserve Fund; and (viii) all other items of expense not elsewhere in this subparagraph specified that are incident to financing, constructing, or acquiring the Improvements and placing them in operation;

(e) any obligation or expense incurred by the Board for any of the foregoing purposes, including the cost of materials, supplies or equipment furnished by the Board in connection with the construction of the Improvement and paid for by the Board out of the funds other than money in the Construction Fund; and

(f) any other costs otherwise permitted to be financed with Bonds under the Act, the General Bond Resolution, and the Series Resolution.

"Counterparty" means a financial institution whose senior long-term debt obligations, or whose obligations under any Interest Rate Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated in one of the three highest Rating Categories by the Rating Agencies or (b) fully secured by obligations described in KRS 66.480(1)(a) or KRS 66.480(1)(b) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon.

"County" means Kenton County, Kentucky, a political subdivision of the Commonwealth.

"Credit Enhancer" means, with respect to a Series of Bonds, the provider of a Credit Facility.

"Credit Facility" means, with respect to any Series of Bonds, the letter of credit, line of credit, municipal bond insurance, surety policy, or other form of credit enhancement and/or liquidity support, if any, for such Series of Bonds, provided for in the applicable Series Resolution, including any alternate Credit Facility with respect to such Series of Bonds delivered in accordance with provisions of the Series Resolution providing for the issuance of such Series of Bonds.

"Current Year Operating Increment" means an amount equal to one-fourth of the amount by which the total O&M Expenses of the Board as reflected on its annual budget for the current Fiscal Year exceeds the total O&M Expenses of the Board as reflected in its annual budget for the immediately preceding Fiscal Year.

"Customer Facilities Charges" or "CFCs" means the charges (including interest earnings thereon) authorized, implemented, and collected by the Board that are imposed on car rental operators from time to time to accommodate the Airport's ground transportation needs.

"Defeasance Obligations" means (i) obligations described in KRS 66.480(1)(a) or KRS 66.480(1)(b) or any successors thereto, which are not redeemable prior to the maturity thereof, and (ii) state and municipal obligations, bonds, or certificates of indebtedness of the Commonwealth and of its agencies and instrumentalities, and securities issued by a state or local government, or any instrumentality or agency thereof in the United States, provided that the issuing entity has a long term debt rating of not less than "AA" (or its equivalent) by all Rating Agencies which rate that issuer, which are not redeemable prior to the maturity thereof or an optional redemption date thereof previously publicly announced by the paying agent or trustee therefor, and that are fully secured by and payable solely from obligations described in clause (i) held under an escrow agreement; and in each case under clauses (i) and (ii) hereof, only if permitted by the Investment Policy of the Board.

"Depositary" or "Depositaries" means any bank or trust company duly authorized by law to engage in the banking business and selected by the Board as a depositary of money under the General Bond Resolution.

"Designated CFC Revenues" means, for any period of time, the amount of Customer Facilities Charges specified in any Series Resolution (or any other action adopted by the Board) in which the Board irrevocably commits to pay Principal and Interest Requirements, and such Customer Facilities Charges shall be deemed Other Available Revenues under the General Bond Resolution.

"Designated Grant Revenues" means, for any period of time, the amount of Grant Funds specified in any Series Resolution (or any other action adopted by the Board) in which the Board irrevocably commits to pay Principal and Interest Requirements, and such Grant Funds shall be deemed Other Available Revenues under the General Bond Resolution.

"Designated PFC Revenue Account" means the special and separate account designated as the Kenton County Airport Board Designated PFC Revenue Account in the Revenue Fund created pursuant to the Series 2016 Resolution.

"Designated PFC Revenues" means certain Passenger Facilities Charges that are irrevocably committed to pay Principal and Interest Requirements of the Series 2016 Bonds when such Passenger Facilities Charges are deposited in the Designated PFC Revenue Account pursuant to the Series 2016 Resolution. Such Designated PFC Revenues also shall be deemed Other Available Revenues pursuant to the General Bond Resolution.

"DTC Participants" means trust companies, banks, brokers, dealers, clearing corporations, and certain other organizations that are direct or indirect participants or members of DTC, or if DTC or its successor or assign resigns from its functions as depository for the Series 2016 Bonds, any other Securities Depository which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Series 2016 Bonds and which is selected by the Board.

"Eminent Domain" means the eminent domain or condemnation power by which all or any part of the Airport may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

"EMMA" means the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board, or any successor thereto designated as a nationally recognized municipal securities information repository by the United States Securities and Exchange Commission.

"Escrow Agent" means a bank or trust company, either within or without the Commonwealth, designated as Escrow Agent in the Escrow Deposit Agreement, and performing such functions as are required by such Escrow Deposit Agreement.

"Escrow Deposit Agreement" means any agreement between the Board and an Escrow Agent providing for the application of Bond proceeds and other legally available funds of the Board to the payment and redemption of certain Outstanding Bonds.

"Escrow Fund" means a Fund so designated under an Escrow Deposit Agreement.

"Event of Default" means each of those events of default as set forth in the General Bond Resolution.

"Fiscal Year" means the fiscal year of the Board ending as of December 31 of each year or such other date as may be designated from time to time in writing by the Board.

"Fund(s)" means any fund(s) created under and designated in the General Bond Resolution, as well as any funds created under and designated in the Series Resolution.

"GAAP" means Generally Accepted Accounting Principles as then applicable to the Board.

"General Bond Resolution" means the resolution adopted by the Board on May 16, 2016, as amended, authorizing the issuance of the Bonds.

"General Purposes Fund" means the special and separate account designated as the Kenton County Airport Board General Purposes Fund created pursuant to the General Bond Resolution.

"Grant Funds" means grants (including interest earnings thereon, but only to the extent required by the terms of the grant) to be provided to the Board under a written commitment in connection with Airport facilities or projects.

"Improvement" or "Improvements" means any improvements, additions, replacements or extensions to the Airport, including real estate and interests therein, buildings, structures, fixtures, facilities and additions thereto, machinery, equipment, furniture, and other personal property.

"Insurance and Condemnation Award Fund" means the special and separate account designated as the Kenton County Airport Board Insurance and Condemnation Award Fund created pursuant to the General Bond Resolution.

"Interest Account" means the special and separate account designated as the Kenton County Airport Board Interest Account in the Bond Fund created pursuant to the General Bond Resolution.

"Interest Payment Date" means, in the case of the Series 2016 Bonds, January 1 and July 1 of each year, commencing on January 1, 2017.

"Interest Rate Swap" means any contract, agreement or arrangement between the Board and a Counterparty relating to the issuance of any Series of Bonds (a) providing for payments based on levels of, or changes in, interest rates or other indices, (b) providing for the exchange of cash flows or a series of payments, or (c) providing for the hedge of payment, rate spread or similar exposure, including but not limited to interest rate exposure. The term "Interest Rate Swap" includes any interest rate swap agreement, a forward purchase contract, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, rate, spread or similar exposure.

"Interim Bonds or Notes" means bonds or notes issued by the Board with a final maturity not longer than 60 months (or longer period if then so permitted by the provisions of Commonwealth law relating to the issuance of bond anticipation notes by counties) in anticipation of the refinancing thereof from all or a portion of the proceeds of a Series of Bonds secured under the General Bond Resolution.

"Investment Obligations" means all investments from time to time permitted to be purchased by political subdivisions of the Commonwealth, as set forth with particularity in KRS 66.480, as may be amended.

"Investment Policy" means the policy adopted by the Board and on file therewith from time to time governing permitted investments of moneys and funds of the Board.

"Issuing Instrument" means, (i) with respect to any obligations other than Bonds or Subordinate Bonds, the resolution, loan agreement, lease, installment purchase agreement, revolving credit agreement, or other instrument or agreement with which such obligations are issued or incurred; and (ii) with respect to any Series of Bonds (which shall be issued under any applicable Series Resolution), such other agreements as are authorized in the Series Resolution, including a loan agreement, revolving credit agreement, or other instrument providing certain terms of such Bonds.

"Mandatory Sinking Fund Requirement(s)" means, with respect to Term Bonds of any Series and for any Fiscal Year, the principal amount fixed in the Series Resolution for the retirement of such Term Bonds of any Series by purchase prior to, or redemption on, the Principal Payment Date of the following Fiscal Year. The aggregate amount of such Mandatory

Sinking Fund Requirements for the Term Bonds of each Series, together with the amount due upon the final maturity of such Term Bonds, shall be equal to the aggregate principal amount of the Term Bonds of such Series. The Mandatory Sinking Fund Requirements for the Term Bonds of the same maturity of each Series shall begin in the Fiscal Year determined in accordance with the provisions of the Series Resolution for such Series and shall end with the Fiscal Year immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any Series Resolution for any Series that contains Term Bonds may specify such additional provisions as the Board deems necessary to adjust the Mandatory Sinking Fund Requirements for that Series, including, but not limited to, adjustments for any purchases of Term Bonds or portions thereof from moneys in the Principal Account prior to the next scheduled Mandatory Sinking Fund Requirement and any optional redemptions of Term Bonds or portions thereof prior to the next scheduled Mandatory Sinking Fund Requirement.

"Master Plan" means any then effective plan stated to be a Master Plan of the Airport filed with the Board.

"Net Payments" means, with respect to an Interest Rate Swap, the amount payable by the Board on each scheduled payment date under such Interest Rate Swap net of the amount payable by the Counterparty under such Interest Rate Swap on such scheduled payment date, provided, however, Net Payments shall not include Termination Payments.

"Net Proceeds" means the gross proceeds derived from property insurance, less payment of attorneys' fees and expenses properly incurred in the collection of those gross proceeds.

"Net Revenues" means the sum of Revenues remaining after provision is made for the payment of O&M Expenses plus transfers of Other Available Revenues, if any, as specified in a Series Resolution (or any other action adopted by the Board).

"Operations and Maintenance Expenses" or "O&M Expenses" means the Board's expenses for the operation, maintenance and repair of the Airport. O&M Expenses shall normally include those items and amounts accrued and/or expensed in accordance with GAAP. However, in situations where GAAP calls for amounts to currently be recorded as expense but (i) the timing of the required payment of the expense or a portion of the expense, while known, is more than one year in the future or (ii) the actual timing of the required payment of the expense is not readily determinable (*e.g.,* pension and post-employment benefits calculated actuarially), the Board may include as O&M Expense the amount required to be paid for the current period, rather than the entirety of amounts required to be expensed in accordance with GAAP. O&M Expenses shall not include (i) any allowance for amortization, depreciation or obsolescence of the Airport, (ii) any extraordinary items arising from the early extinguishment of debt, (iii) charges for the payment of principal, Redemption Price, purchase price, interest or other payments on any Series of Bonds or Subordinate Bonds, (iv) in respect of capital leases or any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Airport which under GAAP are properly chargeable to a capital account or a reserve for depreciation, (v) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties, (vi) any deposits to any Fund or Account created under the General Bond Resolution, (vii) any expenses funded with grants or any moneys other than Revenues, or (viii) any loss resulting from changes in valuation of any Interest Rate Swap or Investment Obligations.

"Operations and Maintenance Fund" means the special and separate account designated as the Kenton County Airport Board Operations and Maintenance Fund created pursuant to the General Bond Resolution.

"Operations and Maintenance Required Reserve" means, as of the date of determination, one-fourth of the amount budgeted as O&M Expenses for the then current Fiscal Year; provided that such amount may be increased if authorized by the Series Resolution.

"Operations and Maintenance Reserve Account" means the special and separate account designated as the Kenton County Airport Board Operations and Maintenance Reserve Account in the Operations and Maintenance Fund created pursuant to the General Bond Resolution.

"Optional Tender Bonds" means a Series of Bonds, a feature of which is an option on the part of the Holders of such Bonds to tender such Bonds to the Board for payment or purchase prior to stated maturity.

"Other Available Revenues" means, for any period of time, all of (i) Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenues that the Board receives as provided in the General Bond Resolution, in any Series Resolution, or by any other action adopted by the Board and (ii) the amount of any other future income or revenue source that the Board deems as Other Available Revenues as specified in the Series Resolution (or any other action adopted by the Board); provided, however that any Series Resolution (or any other action adopted by the Board) shall also establish or identify the corresponding Funds, Accounts, and subaccounts along with functional provisions for the receipt, deposit and application of such source of income or revenue substantially similar to what is currently provided in the General Bond Resolution.

"Outstanding" when used with reference to Bonds means, as of a particular date, all Bonds theretofore issued and secured under the General Bond Resolution except:

(a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds for the payment of which money, Defeasance Obligations, or a combination thereof, in an amount sufficient to pay on the date when such Bonds are to be paid or redeemed the Redemption Price of the Bonds to be paid or redeemed, have been irrevocably deposited in a subaccount of the Redemption Account created for such purpose or under an Escrow Deposit Agreement and held in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the Redemption Price of such Bonds to such date; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the General Bond Resolution.

"Passenger Facilities Charges" or "PFCs" means charges collected by the Board under the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport 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, or any similar fee or charge authorized by any amendment thereto or by any successor federal law.

"Paying Agent" means, with respect to the Series 2016 Bonds, U.S. Bank, National Association, and its successors designated in the applicable Series Resolution as the paying agent for such Series 2016 Bonds.

"Person(s)" means any individual, corporation, firm, association, partnership, trust or other entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"PFC Project Fund" means the special and separate fund designated as the Kenton County Airport Board PFC Project Fund currently being maintained by the Board, into which all Passenger Facilities Charges received by the Board are deposited.

"Principal Account" means the special and separate account designated as the Kenton County Airport Board Principal Account in the Bond Fund created pursuant to the General Bond Resolution.

"Principal and Interest Requirements" means the amount of payments from Net Revenues which are required to be deposited in the applicable Funds and Accounts in each Fiscal Year for payment of principal of and interest on all Series of Bonds, including Mandatory Sinking Fund Requirements and Net Payments, and payments to any Credit Enhancer to reimburse such Credit Enhancer for debt service payments made:

(a) in determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds in accordance with any amortization schedule established by the Series Resolution setting forth the terms of such Bonds; and in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at such fixed rate and on the required funding dates;

(b) with respect to Variable Rate Bonds, the interest rate shall be assumed to be The Bond Buyer 25 Revenue Bond Index, or its successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if The Bond Buyer 25 Revenue Bond Index is no longer published, another similar index selected by the Board;

(c) with respect to Interim Bonds or Notes, interest only and not the principal shall be included in Principal and Interest Requirements if all or a portion of the proceeds of any Series of Bonds are expected to be used to refinance such Interim Bonds or Notes and such Series of Bonds have been duly authorized by the Board; provided however, no interest or principal on Interim Bonds or Notes shall be included in Principal and Interest Requirements if the Board shall determine in the resolution authorizing the issuance of such Interim Bonds or Notes that (i) such Interim Bonds or Notes (1) shall be Subordinate Bonds, or (2) shall not be secured by a pledge of Net Revenues; or (ii) the

Series of Bonds expected to be issued to refinance such Interim Bonds or Notes have been duly authorized by the Board as Subordinate Bonds;

(d) with respect to Optional Tender Bonds, Principal and Interest Requirements shall not include the principal portion of the purchase price of such Optional Tender Bonds payable upon exercise by the holders thereof of the option to tender such Bonds for purchase to the extent and for so long as a Credit Facility shall be in full force and effect with respect to such Optional Tender Bonds but shall include the regularly scheduled principal payments on such Optional Tender Bonds, either upon payment at maturity or redemption in satisfaction of the Mandatory Sinking Fund Requirement for such Optional Tender Bonds; provided, however, that during any period of time after the issuer of the Credit Facility has advanced funds thereunder and before such amount is repaid, Principal and Interest Requirements shall include the principal amount so advanced and interest thereon, in accordance with the principal repayment schedule and interest rate or rates specified in the Credit Facility;

(e) with respect to Capital Appreciation Bonds, included as a principal amount, the Accreted Value maturing or scheduled for redemption in such Fiscal Year;

(f) if moneys or Defeasance Obligations have been irrevocably deposited or Capitalized Interest has been set aside exclusively to be used to pay principal or interest on specified Bonds, then the principal or interest to be paid from such moneys, Defeasance Obligations or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Principal and Interest Requirements;

(g) Principal and Interest Requirements shall not include the principal of, redemption premium, if any, and interest on Subordinate Bonds;

(h) if all or any portion or portions of an Outstanding Series of Bonds constitute Balloon Bonds, then, for purposes of determining Principal and Interest Requirements, each maturity that constitutes Balloon Bonds shall, unless otherwise provided in the Series Resolution under which such Balloon Bonds are issued or unless paragraph (j) of this definition applies to such maturity, be treated as if it were to be amortized over a period of no 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 Balloon Bonds were issued, and extending not later than the stated or deemed, as the case may be, final maturity of such Balloon Bonds, but in no event later than 30 years from the date such Balloon Bonds were originally issued; and the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or its successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a banking institution or an investment banking institution selected by the Board knowledgeable in airport finance as the interest rate or rates at which the Board could reasonably expect to borrow by incurring indebtedness with the same term as assumed above, with no credit enhancement and 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 Balloon Bonds, the remaining portion shall be treated as described in such other provision of this definition as shall be applicable and, with respect to any Series of

Bonds or that portion of a Series thereof which constitutes Balloon Bonds, all Principal and Interest Requirements becoming due prior to the year of the stated maturity of the Balloon Bonds shall be treated as described in such other provision of this definition as shall be applicable;

(i) any maturity of Bonds which constitutes Balloon Bonds as described in paragraph (h) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Principal and Interest Requirements is made, shall be assumed to become due and payable on the stated maturity date and paragraph (h) above shall not apply thereto unless there is delivered to the person making the calculation of Principal and Interest Requirements a certificate of an Authorized Representative confirming the Board's intent to refinance such maturity and stating the probable terms of such refinancing; upon the receipt of such certificate, such Balloon Bonds shall be assumed to be refinanced in accordance with the probable terms set out in such commitment and such terms shall be used for purposes of calculating Principal and Interest Requirements, provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (h) above and shall be amortized over a term of not more than 30 years from the date of refinancing;

(j) with respect to any obligations which are part of a Commercial Paper Program, it shall be assumed that the authorized amount of such Commercial Paper Program will be amortized over a term of 35 years and it shall be assumed that debt service with respect to such Commercial Paper Program shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or its successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a banking institution or an investment banking institution selected by the Board knowledgeable in airport finance as the interest rate or rates at which the Board could reasonably expect to borrow by incurring indebtedness with the same term as assumed above, with no credit enhancement and taking into consideration whether such obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(k) with respect to any Variable Rate Bonds in connection with which there exists an Interest Rate Swap that obligates the Board to pay the Counterparty a fixed interest rate (for the period during which such Interest Rate Swap is reasonably expected to remain in effect), such Bonds shall be deemed to bear interest at that fixed rate;

(l) with respect to any Variable Rate Bonds in connection with which there exists an Interest Rate Swap that obligates the Board to pay the Counterparty a different variable interest rate (for the period during which such Interest Rate Swap is reasonably expected to remain in effect), the interest rate on such Bonds shall be assumed to be The Bond Buyer 25 Revenue Bond Index, as further set forth in paragraph (b);

(m) with respect to any Bonds that bear interest at a fixed rate in connection with which there exists an Interest Rate Swap that obligates the Board to pay the Counterparty a floating rate, the interest rate on the Bonds (for the period during which such Interest Rate Swap is reasonably expected to remain in effect) shall be assumed to be The Bond Buyer 25 Revenue Bond Index, as further set forth in paragraph (b); and

(n) if all or any portion of the interest or principal due or coming due on Bonds is paid or expected to be paid from cash subsidy payments or other similar payments made or expected to be made by the United States Treasury or other federal or state governmental entity to or on behalf of the Board, the amount of interest or principal so paid or expected to be paid shall not be included in calculating Principal and Interest Requirements.

"Principal Payment Date" means, with respect to any Series of Bonds, the dates on which principal is stated to be payable on the Bonds at stated maturity or pursuant to Mandatory Sinking Fund Requirements.

"Rating Agency" and "Rating Agencies" means, with respect to a Series of Bonds, any nationally recognized credit rating agencies specified in the related Series Resolution.

"Rating Category" means (i) with respect to any long-term rating category of a Rating Agency, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any commercial paper rating category of a Rating Agency, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Amount" means the amount required to be rebated to the United States pursuant to Section 148(f)(2) of the Code or successor provisions applicable to the Bonds.

"Rebate Fund" means the special and separate account designated as the Kenton County Airport Board Rebate Fund created pursuant to the General Bond Resolution.

"Record Date" means the fifteenth day of the calendar month next preceding each Interest Payment Date.

"Redemption Account" means the special and separate account designated as the Kenton County Airport Board Redemption Account in the Bond Fund created pursuant to the General Bond Resolution.

"Redemption Price" means the principal amount of a Bond called for redemption plus interest accrued thereon to the date of redemption, plus the applicable premium, if any, payable upon redemption thereof in the manner provided by the Series Resolution.

"Registered Holder" or "Registered Owner" means the person in whose name a Series 2016 Bond is registered as of the Record Date.

"Released Revenues" means Revenues in respect of which the following have been filed with the Board:

(a) a resolution of the Board describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (i) a certificate prepared by an Authorized Representative showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments under the application of money in Revenue Fund provisions of the General Bond Resolution, or (B) an amount not less than 150% of average Principal and Interest Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments under the application of money in Revenue Fund provisions of the General Bond Resolution, or (B) an amount not less than 150% of the average Principal and Interest Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of the General Bond Resolution will not, by 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 that have been requested by the Board to maintain a rating on the Bonds and are then maintaining a rating on any of the Bonds to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the General Bond Resolution will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Additionally, the Board shall give written notice to each Rating Agency that has been requested by the Board to maintain a rating on the Bonds and that is then maintaining a rating on any of the Bonds at least 15 days prior to any specific identifiable portion of Revenues being excluded from the pledge and lien of the General Bond Resolution as provided in this definition of "Released Revenues."

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the Board shall no longer be included in Revenues and shall be excluded from the pledge and lien of the General Bond Resolution, unless otherwise included in Revenues and in the pledge and lien of the General Bond Resolution under the Series Resolution.

"Repair and Replacement Fund" means the special and separate account designated as the Kenton County Airport Board Repair and Replacement Fund created pursuant to the General Bond Resolution.

"Repair and Replacement Fund Requirement" for any Fiscal Year means an amount equal to $10,000,000; provided that such amount may be increased if authorized by the Series Resolution.

“Reserve Requirement” means, with respect to the Series 2016 Bonds, the amount set forth in the Certificate of Award, which amount shall be equal to or less than the maximum annual Principal and Interest Requirements on the Series 2016 Bonds in any Fiscal Year; provided, however, the Reserve Requirement with respect to the Series 2016 Bonds shall equal the least of (i) 10% of the original par amount of the Series 2016 Bonds, (ii) the maximum annual Principal and Interest Requirements on all outstanding Series 2016 Bonds in any Fiscal Year or (iii) 125% of the average annual Principal and Interest Requirements on the outstanding Series 2016 Bonds; provided that such amount may be recalculated at any time (a) upon the designation and issuance by the Board of any Common Reserve Bonds and (b) upon the redemption or purchase and cancellation of any Series 2016 Bonds or Common Reserve Bonds.

“Reserve Requirement Deficiency” means, for each Series of Bonds, the difference between the Reserve Requirement and the amount on deposit, whether in the form of moneys or a Credit Facility or both, in the respective account of the Bond Reserve Fund as of the last day of the immediately preceding Fiscal Year.

“Revenue Fund” means the special and separate account designated as the Kenton County Airport Board Revenue Fund created pursuant to the General Bond Resolution.

“Revenues” means (a) except to the extent hereinafter excluded, all income, receipts, earnings and revenues received by or accrued to the Board from the operation and use of and for the services furnished or to be furnished at the Airport, (b) any proceeds of business interruption insurance, (c) all income, receipts and earnings from the investment of moneys held by or on behalf of the Board in any Funds and Accounts established by the General Bond Resolution and the income and gains realized upon the maturity or sale of securities held by or on behalf of the Board in such Funds and Accounts, except for investment earnings, income or realized gains on or from (i) moneys deposited in escrow or trust to defease Bonds, (ii) any Capitalized Interest deposited in the Bond Fund, (iii) moneys deposited in any account within the Construction Fund unless otherwise provided in the corresponding Series Resolution, (iv) moneys deposited in any rebate fund or account therein, and (v) moneys deposited in any Account or subaccount established under the Other Available Revenues provisions of the General Bond Resolution, unless otherwise provided in the corresponding Series Resolution (or any other action adopted by the Board) and (d) amounts received by the Board from any Person, including, without limitation, the federal or state government, as reimbursement of O&M Expenses. There shall not be included in Revenues (i) any contributions or donations otherwise included in this definition of “Revenues” which are restricted by their terms to purposes inconsistent with the payment of O&M Expenses or the payment of Bonds or Subordinate Bonds, (ii) proceeds from the sale and disposition of the Airport, (iii) Special Facilities Revenues, except as provided in the Special Facilities and Special Facility Obligations provisions of the General Bond Resolution and (e), (iv) any unrealized gains on securities held for investment by or on behalf of the Board in any Funds and Accounts established by the General Bond Resolution, (v) any proceeds of insurance other than as mentioned above, (vi) the proceeds of any borrowing, (vii) cash subsidy payments or other similar payments made or expected to be made by the United States Treasury or other federal or state governmental entity to or on behalf of the Board for the payment of all or any portion of the interest or principal due or coming due on Bonds, except to the extent otherwise provided in the Series Resolution corresponding to a Series of Bonds, (vii) any gains resulting from changes in valuation of any Interest Rate Swap or Investment Obligations, (ix) any Passenger Facilities Charges, Customer Facilities Charges or Grant Funds, provided however Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenue may be deemed Other Available Revenues for one or more Series of Bonds under any Series Resolution (or any other action adopted by the Board), (x) any Released Revenues, and (xi) any Termination Payment made to the Board by a Counterparty. For purposes of testing compliance with the rate covenant described in the Rate Covenant provisions of the General Bond Resolution and the limitations on the issuance of Additional Bonds contained in the Additional Bonds provisions of the General Bond Resolution, Revenues will be calculated based upon GAAP, except that such calculation will include and exclude those items specifically included or excluded above. Additionally, in situations where GAAP calls for amounts to currently be recorded as revenue, but (i) the timing of the required receipt of the revenue or a portion of the revenue, while known, is more than one year in the future or (ii) the actual timing of the required receipt of the revenue is not readily determinable, the Board may include as Revenues for the current period, the amounts recorded as revenues which were received during the year and any known amounts which were recorded as revenues and are to be received within one year.

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"Secretary-Treasurer" means the Secretary-Treasurer of the Board, or his or her designee, authorized to exercise the power and authority reposed in the Secretary-Treasurer, including any Assistant Secretary-Treasurer.

"Securities Depository" means a Depository registered under Section 17A of the Securities Exchange Act of 1934, as amended, which may be the record owner of Bonds.

"Serial Bonds" means Series 2016 Bonds maturing in annual installments.

"Series" means any series of Bonds issued at any one time in accordance the Series Resolution for such Bonds.

"Series 2016 Bonds" means the Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016, issued pursuant to the provisions of the General Bond Resolution and the Series 2016 Resolution.

"Series 2016 Costs of Issuance Fund" means the fund designated as the Kenton County Airport Board Series 2016 Costs of Issuance Fund created pursuant to the Series 2016 Resolution to be used to make payments for the costs of issuing the Series 2016 Bonds and refunding the Refunded Bonds.

"Series 2016 Interest Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2016 Interest Subaccount in the Interest Account of the Bond Fund created pursuant to the Series 2016 Resolution.

"Series 2016 PFC Interest Subaccount" means the special and separate account designated as the Kenton County Airport Board Series 2016 PFC Interest Subaccount in the Interest Account of the Bond Fund created pursuant to the Series 2016 Resolution.

"Series 2016 PFC Principal Subaccount" means the special and separate account designated as the Kenton County Airport Board Series 2016 PFC Principal Subaccount in the Principal Account of the Bond Fund created pursuant to the Series 2016 Resolution.

"Series 2016 Principal Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2016 Principal Subaccount in the Principal Account of the Bond Fund created pursuant to the Series 2016 Resolution.

"Series 2016 Reserve Account" means the special and separate account designated as the Kenton County Airport Board Series 2016 Reserve Account in the Bond Reserve Fund created pursuant to the Series 2016 Resolution for the Series 2016 Bonds and any Common Reserve Bonds.

"Series 2016 Resolution" means the resolution adopted by the Board on May 16, 2016, as amended, authorizing the issuance of the Series 2016 Bonds.

"Series Resolution" means any resolution of the Board amending or supplementing the General Bond Resolution, including without limitations any such resolution authorizing the issuance of Bonds under the General Bond Resolution, and any resolution amendatory thereof or supplement thereto.

"Special Facilities Revenues" means income from the operation of any Special Facilities described in the Special Facilities and Special Facility Obligations provisions of the General Bond Resolution.

"Special Facility or Facilities" means any facility, group of facilities or category of facilities that is described as a Special Facility in a Special Facility Agreement and meets the conditions provided for in the Special Facilities and Special Facility Obligations provisions of the General Bond Resolution; provided that such designation shall immediately end upon the expiration or termination of the Special Facility Agreement relating to the Special Facility or Special Facilities.

"Special Facility Agreement" means an agreement entered into by the Board and one or more parties, relating to the design, construction, and/or financing of any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or buildings either located on the Airport or to be incorporated into the Airport, all or a portion of the payments to the Board under which (a) are intended to be excluded from Revenues and (b) may be pledged to the payment of Special Facility Obligations.

"Special Facility Obligations" means bonds or other debt instruments issued under an indenture or agreement to finance Special Facilities and that are not secured by nor payable from a lien on and pledge of the Net Revenues, but that are secured by Special Facilities Revenues.

"Subordinate Bond Fund" means the special and separate account designated as the Kenton County Airport Board Subordinate Bond Fund created pursuant to the General Bond Resolution. The Board may create accounts within the Subordinate Bond Fund under a Subordinate Bonds Issuing Instrument in connection with the issuance of any Subordinate Bonds and use the contents of those accounts to pay Principal and Interest Requirements on such Subordinate Bonds as specified in the Subordinate Bonds Issuing Instrument.

"Subordinate Bond Reserve Fund" means the special and separate account designated as the Kenton County Airport Board Subordinate Bond Reserve Fund created pursuant to the General Bond Resolution. The Board may create accounts within the Subordinate Bond Reserve Fund under a Subordinate Bonds Issuing Instrument in connection with the issuance of any

Subordinate Bonds and use the contents of those accounts to provide additional security for such Subordinate Bonds as specified in the Subordinate Bonds Issuing Instrument.

"Subordinate Bonds" means the indebtedness of the Board authorized by the General Bond Resolution.

"Subordinate Bonds Issuing Instrument" means, with respect to any Subordinate Bonds, the indenture, trust agreement, resolution, loan agreement, lease, installment purchase agreement, revolving credit agreement or other instrument or agreement under which such Subordinate Bonds is issued or incurred.

"Tax-Advantaged Bonds" means Bonds for which the Board receives a direct subsidy payment from the federal government or for which the Holder receives a tax credit from the federal government.

"Tax-Exempt Bonds" means Bonds the interest on which is excludable from the gross income of the Holders thereof for federal income tax purposes.

"Taxable Bonds" means Bonds the interest on which is not intended at the time of the issuance thereof to be excluded from the gross income of the Holders thereof for federal tax purposes.

"Term Bonds" means, with respect to the Series 2016 Bonds, the Series 2016 Bonds that have a single stated maturity date but are subject to mandatory redemption with sinking fund installments on one or more mandatory redemption dates prior thereto.

"Termination Payment" means, with respect to an Interest Rate Swap, the amount payable by the Board or the Counterparty as a result of the termination of such Interest Rate Swap prior to its scheduled expiration date.

"Variable Rate Bonds" means any Series of Bonds issued with a variable, adjustable, convertible, or other similar rate which is not fixed in percentage for the entire term thereof at the date of issuance.

SUMMARY OF GENERAL BOND RESOLUTION

Designation of Funds

The Funds and Accounts described under this heading are established or referred to in the General Bond Resolution and are designated as indicated, and all such Funds and Accounts will be held by the Board unless otherwise provided for in a Series Resolution. The Funds and Accounts are as follows:

(a) the Construction Fund;

(b) the Revenue Fund;

(c) the Operations and Maintenance Fund;

(d) the Bond Fund, and (1) the Principal Account, (2) the Interest Account, and (3) the Redemption Account, each therein;

(e) the Bond Reserve Fund;

(f) the Subordinate Bond Fund;

(g) the Subordinate Bond Reserve Fund;

(h) the Operations and Maintenance Reserve Account within the Operations and Maintenance Fund;

(i) the Rebate Fund;

(j) the Insurance and Condemnation Award Fund;

(k) the Repair and Replacement Fund; and

(l) the General Purposes Fund.

The Board will keep or cause to be kept and maintained an exact and continuous accounting of all moneys deposited into and withdrawn from each of the Funds and Accounts, all investments of and earnings on, each of the Funds and Accounts and such other matters as may be required to enable the Board to properly comply with Commonwealth and federal laws.

Additional Accounts or subaccounts may be established in any Fund or Account created in the General Bond Resolution pursuant to any Series Resolution. In addition to the Funds and Accounts described under this heading, any Series Resolution may authorize an Escrow Fund to be created thereunder to provide for the payment of principal, interest, Redemption Price, and Mandatory Sinking Fund Requirements on all or a portion of any Series of Bonds. An Escrow Fund may be funded from proceeds of any Series of Bonds or other legally available funds of the Board, or a combination thereof.

Revenues Received by the Board

The Board will deposit all Revenues when received in the Revenue Fund. The Board may also deposit additional money in the Revenue Fund, including Other Available Revenues, as approved by the Board pursuant to the Series Resolution.

Subject to the Subordinate Bonds' provisions of the General Bond Resolution, no Net Revenues shall be deposited in the Subordinate Bond Fund or the Subordinate Bond Reserve Fund unless the Board has approved a Subordinate Bonds Issuing Instrument authorizing the issuance of Subordinate Bonds, setting forth the amount and details thereof and approving the execution and delivery of any corresponding Subordinate Bonds Issuing Instrument.

Application of Money in Revenue Fund

So long as there are any Bonds Outstanding, all Revenues will be deposited into the Revenue Fund and will be set aside on or before the 20th day of each month for the payment of the following amounts or deposited or transferred to the following Funds and Accounts in the order listed:

(a) Into the Operations and Maintenance Fund, the amount, together with any available amounts then on deposit therein disregarding amounts held as the Operations and Maintenance Required Reserve, sufficient to meet the Board's O&M Expenses for the next month;

(b) Into the Interest Account of the Bond Fund amounts set forth in the applicable Series Resolutions with respect to each Series of Bonds sufficient to pay interest due on Outstanding Bonds and, if applicable, Net Payments related to Outstanding Bonds;

(c) Into the Principal Account of the Bond Fund amounts set forth in the applicable Series Resolutions with respect to each Series of Bonds sufficient to pay principal due on Outstanding Bonds (at maturity or otherwise) and, if applicable, Mandatory Sinking Fund Requirement related to Outstanding Bonds;

(d) Into the Accounts created in the Bond Reserve Fund amounts set forth in the applicable Series Resolutions with respect to each Series of Outstanding Bonds sufficient to eliminate the Reserve Requirement Deficiency after the twelfth deposit;

(e) Into the Subordinate Bond Fund, if any, the amount sufficient, together with any other amounts then on deposit therein, to pay any principal and interest becoming due on Subordinate Bonds at the times and in the amounts set forth in the respective Subordinate Bonds Issuing Instrument;

(f) Into the Subordinate Bond Reserve Fund, if any, as specified in the respective Subordinate Bonds Issuing Instrument to be used in the manner provided therein;

(g) Into the Operations and Maintenance Reserve Account, an amount equal to one-twelfth of the Current Year Operating Increment plus one-twelfth of the aggregate amount, if any, withdrawn from such Account in the preceding twelve months, until the amount then on deposit in such Account equals the Operations and Maintenance Required Reserve;

(h) Into the Repair and Replacement Fund, an amount equal to one-twenty fourth of the Repair and Replacement Fund Requirement, but only to the extent such deposit is required to make the amount on deposit in the Repair and Replacement Fund equal to the Repair and Replacement Fund Requirement;

(i) Into the Rebate Fund, the amounts and at the times, provided in any Series Resolution for the payment of any Rebate Amount; and

(j) Into the General Purposes Fund from time to time, at the discretion of the Board, any amount of the moneys remaining in the Revenue Fund, which the Board has reasonably determined taking into account additional Revenues projected to be received, will not be needed to make deposits described in subparagraphs (a) through (i) above.

In each month following a month in which any deposit or payment described in subparagraphs (a) through (i) under this heading has not been made, in addition to the amounts then due, there will be deposited an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, under the terms of the

General Bond Resolution, of money or Investment Obligations to such Fund or Account from other Funds and Accounts created by the General Bond Resolution.

Except as otherwise provided in the General Bond Resolution, in determining the amount of money to be deposited to each Fund and Account there will be taken into consideration the investment earnings or losses that are to be charged to such Fund or Account in accordance with the provisions described under the heading "Investment of Money" below, the amounts on deposit in any subaccounts in such Fund or Account from the deposit of Other Available Revenues and the amounts then on deposit therein resulting from the application of Bond proceeds or the transfers as provided in the General Bond Resolution.

Within the time frame specified in the applicable Series Resolution in advance of any day on which Outstanding Serial Bonds are to mature or Outstanding Term Bonds are to be redeemed pursuant to the Mandatory Sinking Fund Requirement or are to mature, the Board may satisfy all or a portion of its obligation to make the payments on those Outstanding Bonds required in the provisions described under this heading by delivering to the Paying Agent Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid to purchase any such Bond shall not exceed the Redemption Price applicable to such Bonds at the next redemption date. Upon such delivery there will be a credit against amounts otherwise required to be deposited into the Principal Account under the provisions described in this heading in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Construction Fund

Funds on deposit in the Construction Fund will only be applied to pay Costs of Improvements to be financed with the proceeds of a Series of Bonds. All moneys in the Construction Fund will be held and disbursed as provided in the Series Resolution under which those moneys were deposited into the Construction Fund. If the unexpended proceeds of a prior Series of Bonds remain in the Construction Fund upon the issuance of any subsequent Series of Additional Bonds, there will be established a separate account within the Construction Fund, for accounting purposes, for the deposit of the proceeds of the subsequent issue of Additional Bonds in accordance with the provisions described under this heading.

If any money remains in the account in the Construction Fund created for the proceeds of a Series of Bonds after the applicable Completion Date and payment, or provision for payment, in full of the costs of the Improvements to be financed with the proceeds of that Series of Bonds, then such money will be used promptly, unless otherwise provided in the applicable Series Resolution, for one or more of the following purposes at the direction of an Authorized Representative: (i) payment of costs of additional Improvements to the Airport; (ii) payment of interest as it becomes due on that Series of Bonds until all such excess amount is so used; and (iii) deposit into the Bond Fund to satisfy Principal and Interest Requirements of Bonds other than Bonds of that Series; provided that with respect to clauses (ii) and (iii), such use and the manner in which it is proposed to be made will not, in the opinion of Bond Counsel or under ruling of the Internal Revenue Service, adversely affect the exclusion of the interest on any Series of Bonds from the gross income of the Bondholders thereof for federal income tax purposes. Any money remaining in an account in the Construction Fund for particular Improvements after completion of those Improvements will be invested in such manner as not to adversely affect the exclusion of the interest on any Bonds from the gross income of the Bondholders.

Application of Money in Operations and Maintenance Fund

Moneys held in the Operations and Maintenance Fund will be used to pay O&M Expenses as they come due. Money in the Operations and Maintenance Reserve Account may be used to pay O&M Expenses when sufficient funds for that purpose are not otherwise available in the Operations and Maintenance Fund or available to transfer from the Revenue Fund. Whenever the amount on deposit in the Operations and Maintenance Fund (including any amounts in the Operations and Maintenance Reserve Account) is insufficient to pay O&M Expenses, the amount necessary to pay the same will be transferred to the Operations and Maintenance Fund, drawing upon funds available in the General Purposes Fund, and the Repair and Replacement Fund, in that order.

Application of Money in Principal Account

Not later than two Business Days preceding each Principal Payment Date, there will be transferred to the Paying Agent from the Principal Account, and from any subaccount created for a particular Series of Bonds, the amount necessary to pay the principal and Mandatory Sinking Fund Requirement of any Outstanding Bonds at their respective maturities.

If on any principal payment date money remains therein after the payment of the principal of Bonds then due, amounts will be withdrawn therefrom and applied as follows: (i) deposit in the Bond Reserve Fund and the Repair and Replacement Fund, in that order, the amounts then required to be paid pursuant to the provisions described under the heading "Application of Money in Revenue Fund" above and (ii) deposit all remaining amounts into the General Purposes Fund.

If the Board fails to make any deposit to the Principal Account, or any subaccount therein, (i) that is required by the provisions described under the heading "Application of Money in Revenue Fund" above or otherwise or (ii) if the balance in the Principal Account, or any subaccount therein, on the 20th Business Day of the month immediately preceding a principal payment date is insufficient to pay principal and Mandatory Sinking Fund Requirement becoming due on such payment date, the Board immediately will deposit an amount sufficient to cure the same, drawing upon funds available in the General Purposes Fund and the Repair and Replacement Fund, in that order. If the amount so deposited is not sufficient to cure the deficiency in the Principal Account or any subaccount therein, there will be transferred from the Bond Reserve Fund to such Account such amount as may be necessary to remedy such deficiency.

Application of Money in Interest Account

Not later than two Business Days preceding each Interest Payment Date there will be transferred to the Paying Agent from the Interest Account and from subaccounts created for a particular Series of Bonds the amounts necessary to pay interest on Outstanding Bonds and, if applicable, Net Payments related to Outstanding Bonds when due and payable.

If (i) the amount required to be deposit in the Interest Account, or any applicable subaccount therein, pursuant to the provisions described under the heading "Application of Money in Revenue Fund" above or (ii) the balance in the Interest Account, or any subaccount therein, on the 20th Business Day of the month immediately preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the

Board immediately will deposit an amount sufficient to cure the shortfall, drawing upon funds available in the General Purposes Fund and the Repair and Replacement Fund in that order. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, or any subaccount therein, there will be transferred to the Interest Account such amount as may be necessary to remedy such deficiency from the Bond Reserve Fund.

Application of Money in Redemption Account

When the Board determines to purchase or redeem certain Bonds under the redemption provisions of the General Bond Resolution and there is no Escrow Fund or Escrow Deposit Agreement, the Board (i) may deposit such funds in the Principal Account or the Interest Account, then available and to the extent not required to be maintained in said Accounts for the purposes described in subparagraphs (b) and (c) under the heading "Application of Money in Revenue Fund," and the headings "Application of Money in Principal Account," and "Application of Money in Interest Account" above, as applicable, to be applied by the Paying Agent for the purchase or redemption of Bonds, or (ii) may deposit such other funds to be used for such purposes, in the Redemption Account to be applied by the Paying Agent to the purchase or redemption of Bonds, in either case as set forth in the redemption provisions of the General Bond Resolution.

Application of Money in Bond Reserve Fund

The Bond Reserve Fund will be used solely for the payment of Principal and Interest Requirements on the Bonds. An Account within the Bond Reserve Fund may be pledged to all Series of Bonds Outstanding or solely to one or more particular Series of Bonds as set forth in the Series Resolution. If a Reserve Requirement has been designated for a Series of Bonds, the related Series Resolution will either (1) create a separate Account within the Bond Reserve Fund or (2) designate a previously created Account within the Bond Reserve Fund, if permitted, for the deposit of the Reserve Requirement. Whenever there is a deficiency in the Bond Fund for the payment of Principal and Interest Requirements for Bonds for which a Reserve Requirement has been designated, funds available in the appropriate Account of the Bond Reserve Fund will be used by the Board for the payment of Principal and Interest Requirements on such Bonds. If at any time there shall be money and investments then on deposit and available in the Bond Fund and Bond Reserve Fund in an amount sufficient to permit the payment of Principal and Interest Requirements on such Bonds or the purchase for cancellation or call for redemption under the redemption provisions of the General Bond Resolution on the next available redemption date of any Outstanding Bonds, without thereby reducing the balance thereafter remaining in the Bond Fund and Bond Reserve Fund below the amount that on such Principal Payment Date or Interest Payment Date would be required by the Series Resolution to be on hand therein, or purchase or redemption date would be required by the Series Resolution to be on hand therein with respect to Bonds not to be so purchased or redeemed, the Board may, at its discretion, cause such money in the Bond Fund and Bond Reserve Fund in the amounts required to be used, together with any other money provided by the Board, to accomplish such payment, purchase or redemption.

In addition to the foregoing the Board may at any time elect to provide a Credit Facility to fund all or any portion of the Reserve Requirement in replacement of any cash, investments or Credit Facility then used to fund the Reserve Requirement. Any Credit Facility must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held under the General Bond Resolution for a payment with respect to Bonds which cannot be cured by Funds in any other Account held under the General Bond Resolution and available for such purpose, and will name the Board as the beneficiary thereof. Any Credit Facility used to fund all or any portion of the Reserve Requirement must be rated, at the time such Credit Facility is obtained, in one of the two highest full rating categories by a Rating Agency that maintains a rating of the Bonds. If a disbursement is made from a Credit Facility, the Board will be obligated to reinstate the maximum limits of such Credit Facility immediately following such disbursement or to replace such Credit Facility by depositing into the Bond Reserve Fund from the first Net Revenues available for deposit pursuant to the provision described in subparagraph (d) under the heading "Application of Money in Revenue Fund" above, funds in the maximum amount originally payable under such Credit Facility, plus amounts necessary to reimburse the Credit Enhancer for previous disbursements made under such Credit Facility, or a combination of such alternatives and for purposes described in subparagraph (d) under the heading "Application of Money in Revenue Fund" above, amounts necessary to satisfy such reimbursement obligation and other obligations of the Board to such a Credit Enhancer shall be deemed required deposits into the Bond Reserve Fund, but will be used by the Board to satisfy its obligations to the Credit Enhancer.

The amounts in the Bond Reserve Fund, including proceeds of any Credit Facility, will be used to make transfers, in the following order: to the Interest Account and the Principal Account to remedy any deficiency in any deposit required to be made to said Accounts by the provisions described under the headings "Application of Money in Principal Account" and "Application of Money in Interest Account" above, or to pay the interest on or the principal of (whether at maturity or in satisfaction of the Mandatory Sinking Fund Requirement therefor) the Bonds when due, only whenever and to the extent that the money on deposit in any or all of said Accounts, together with transfers thereto from the General Purposes Fund and the Repair and Replacement Fund, is insufficient for such purposes. The moneys in the Bond Reserve Fund will be used to pay interest on the Interest Payment Date immediately preceding the final maturity of all Bonds Outstanding and the principal of and the interest on such Bonds on the final maturity date of the same.

So long as any Bonds are Outstanding, the Board will value the Investment Obligations in each account of the Bond Reserve Fund as described under the heading "Valuation" below. If as of any date on which the value of Investment Obligations is determined, the balance in that Account in the Bond Reserve Fund, including accrued interest to the date of valuation, is less than the Reserve Requirement, the provisions described under the heading "Valuation" below will be taken to cure the same. If as of any such date, the balance in any account in the Bond Reserve Fund, including accrued interest to the date of valuation, is more than the Reserve Requirement, there will be transferred within 120 days of such determination, the excess amount to (i) if during the construction period with respect to Improvements financed from the proceeds of the related Series of Bonds, to the subaccount relating to such Series of Bonds in the Construction Fund, and (ii) thereafter to the Bond Fund.

Application of Money in Rebate Fund

The Rebate Fund will be held as a trust fund separate and distinct from all other funds of the Board. The amounts in the Rebate Fund will be used solely to pay Rebate Amounts to the United States. Notwithstanding any other provisions in the General Bond Resolution, moneys and investments in the Rebate Fund are not pledged for the payment of Principal and Interest Requirements and shall be clear of any lien created by the General Bond Resolution.

Application of Money in Insurance and Condemnation Award Fund

The Insurance and Condemnation Award Fund will be used pursuant to the provisions described under the heading “Certain Covenants—Insurance Proceeds” below.

Application of Money in Repair and Replacement Fund

The Board will apply money in the Repair and Replacement Fund to any lawful purpose of the Board including the payment of the cost of renewals and replacements and unusual or extraordinary repairs to the Airport and of engineering and other expenses incurred in connection therewith. All disbursements of money in the Repair and Replacement Fund will be made in accordance with procedures established by the Board from time to time.

The amounts in the Repair and Replacement Fund will be used to make transfers, in the following order, to (i) the Revenue Fund to pay O&M Expenses whenever and to the extent that the amount on deposit therein, together with transfers thereto from the General Purposes Fund, is insufficient for such purpose, (ii) the Interest Account and the Principal Account, in that order, to remedy any deficiency in any deposit required to be made to said Accounts pursuant to the provisions described under the heading “Application of Money in Revenue Fund” above or to pay the interest on and the principal of (whether at maturity, by acceleration, or in satisfaction of the Mandatory Sinking Fund Requirement) the Bonds when due, whenever and to the extent that the money on deposit in any or all of such Accounts, together with transfers thereto from the General Purposes Fund, is insufficient for such purposes, and (iii) the Bond Reserve Fund, to the extent necessary to cure a deficiency therein whenever and to the extent that money transferred to the Bond Reserve Fund from the General Purposes Fund is insufficient for such purpose.

If at any time the money held in the Repair and Replacement Fund exceeds the Repair and Replacement Fund Requirement, there will be a withdrawal of such amount equal to the excess therefrom and deposit such excess amount into the General Purposes Fund.

If at any time the money held in the Repair and Replacement Fund falls below the Repair and Replacement Fund Requirement, there will be deposited into the Repair and Replacement Fund additional amounts in equal installments within twenty-four (24) months from the date when the deficit first occurred until such amount is at least equal to the Repair and Replacement Fund Requirement.

Application of Money in General Purposes Fund

Money on deposit in the General Purposes Fund will be applied to make transfers in the following order: (i) to the Revenue Fund to the extent necessary to pay O&M Expenses whenever the amount on deposit therein is insufficient for such purpose, (ii) to the Interest Account and Principal Account, in that order, to remedy any deficiency in any deposit required to be made pursuant to the provisions described under the heading “Application of Money in Revenue Fund” above and pay the principal of (whether at maturity or in satisfaction of the Mandatory Sinking Fund Requirement) and interest on the Bonds when due, whenever and to the extent that the money on deposit in any or all of said Accounts is insufficient for such purposes, (iii) to the Bond Reserve Fund, to the extent necessary to cure a deficiency therein, (iv) to the paying agent for Subordinate Bonds upon a request therefrom to pay debt service on Subordinate Bonds, whenever and to the extent that amounts previously transferred pursuant to the provisions described under the heading “Application of Money in Revenue Fund” above to the paying agent for the Subordinate Bonds are insufficient for such purpose, and (v) to any Counterparty to which the Board then owes a Termination Payment in connection with an Interest Rate Swap.

After making the aforementioned transfers, the Board may, at its option, apply any amounts remaining in the General Purposes Fund for any lawful aviation purpose.

Other Available Revenues

The Board may adopt a Series Resolution, enter into a Subordinate Bonds Issuing Instrument, or take any other action adopted by the Board that (i) specifies the amount of Designated PFC Revenues, Designated CFC Revenues, Designated Grant Revenues (and the amount of such other income or revenue source) that shall constitute Other Available Revenues during any Fiscal Year, (ii) specifies the Bonds or Subordinate Bonds that shall be secured by such Other Available Revenues during such time, and (iii) specifies the Accounts and/or subaccounts created or maintained pursuant to such Series Resolution, Subordinate Bonds Issuing Instrument, or action adopted by the Board for the purpose of holding Designated PFC Revenues, Designated CFC Revenues, Designated Grant Revenues until such funds are used for the purposes set forth in the Series Resolution, Subordinate Bonds Issuing Instrument, or action adopted by the Board.

Unless otherwise provided in the Series Resolution, Subordinate Bonds Issuing Instrument, or action adopted by the Board which specifies Other Available Revenues for one or more Series of Bonds or Subordinate Bonds, simultaneously with the withdrawal of amounts from the Revenue Fund for deposit into the Funds and Accounts as described under the heading "Application of Money in Revenue Fund" above, amounts on deposit in the Accounts and subaccounts established for the Other Available Revenues may be transferred to the subaccounts established in the Interest Account and Principal Account of the Bond Fund for the applicable Series of Bonds or Subordinate Bonds, in such amounts as are specified or provided for in the corresponding Series Resolution, Subordinate Bonds Issuing Instrument, or action adopted by the Board specifying the Series of Bonds or Subordinate Bonds secured by Other Available Revenues.

More than one Series of Bonds or Subordinate Bonds may be secured by Other Available Revenues, and no consent from any Holder of any Bond or Subordinate Bond that is secured by Other Available Revenues shall be required as a condition to the issuance or incurring of any subsequently issued Bonds or Subordinate Bonds that is secured by Other Available Revenues except as may be provided in a Series Resolution.

Unclaimed Funds

All money that the Board has withdrawn from the Bond Fund or received from any other source and set aside or deposited with the Paying Agent for the purpose of paying any of the Bonds secured by the General Bond Resolution, either at maturity or by purchase or call for redemption, or for the purpose of paying any interest appertaining to the Bonds secured by the General Bond Resolution will be held in trust for the respective Holders. All interest on money so set aside or so deposited will accrue to the benefit of the Board and will be paid to the Board annually.

Unless otherwise prescribed by applicable Commonwealth law, any money that is so set aside and that remains unclaimed by the Holders for a period of two (2) years after the date on which such Bonds or interest have become payable, will be retained by the Board. Thereafter the Holders may petition the Board for payment and then only to the extent of the amounts so received, without any interest thereon. The Board will have full discretion in its determination to make the requested payment.

Disposition of Fund Balances

After provision is made for the payment of all Outstanding Bonds secured under the General Bond Resolution, including the interest thereon and for the payment of all other obligations, expenses and charges required to be paid under or in connection with the General Bond Resolution, and there are no other resolutions, other agreements, court orders or decrees, or laws that impose a continuing lien on the balance or otherwise governing the use of such balance, all amounts in any Fund or Account then held by it under the General Bond Resolution will be disbursed as directed by the Board. If a continuing lien has been imposed on any such balance by another resolution, any other agreement, by court order or decree, or by law, the Board will pay such balance to such person as is entitled to receive the same by law or under the terms of such resolution, agreement, court order, or decree.

Interest Rate Swaps

A Series Resolution authorizing an Interest Rate Swap with respect to any Series of Bonds, including, without limitation, any Outstanding Bonds and any Bonds hereafter secured under the General Bond Resolution, may provide for deposits to the credit of the Interest Account (or a subaccount therein) in the Bond Fund under the provisions described in subparagraph (b) under the heading "Application of Money in Revenue Fund" for the payment of Net Payments (but not Termination Payments) to be made at such time and in such amounts, and to be set aside and held for the account of and for disposition by the Board, all as shall be provided in such resolution.

Termination Payments will be payable exclusively from funds in the General Purposes Fund.

Deposits

Until money deposited under the terms the General Bond Resolution has been invested in Investment Obligations, the amount of money in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured for the benefit of the Board and the Holders in such other manner as may then be required or permitted by applicable Commonwealth or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided that it shall not be necessary for the Paying Agent to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds or for any Depositary to give security for any money that is represented by Investment Obligations purchased under the provisions of the General Bond Resolution.

Investments of Money

Money in the Bond Fund and the Bond Reserve Fund will be invested and reinvested by the Board in Investment Obligations. Those investments will mature or be redeemable at the option of the Board at the times and in the amounts necessary at the best prices then reasonably available to provide money to pay Principal and Interest Requirements on Bonds as they become due or pursuant to any Mandatory Sinking Fund Requirements. Money in the Bond Reserve Fund may be invested and reinvested only in obligations that mature or are redeemable within five years from the date of purchase. From time to time the Board may sell those investments and reinvest the proceeds from those investments in Investment Obligations maturing or redeemable as required pursuant to the provisions described in this paragraph. The Board will sell or redeem investments credited to the Bond Fund and to the Bond Reserve Fund to produce sufficient money at the times required for the purpose of paying Principal and Interest Requirements when due, and shall do so without necessity for any order on behalf of the Board and without restriction by reason of any order.

The Board will invest the money in each of the Funds and Accounts it holds in Investment Obligations. Money on deposit in the Construction Fund will be invested in Investment Obligations maturing or redeemable at the option of the Board not later than the times when that money is projected to be required for the payment of costs of the applicable Improvements. Money in the Revenue Fund will be invested by the Board in Investment Obligations maturing or redeemable at the option of the Board at the times and in the amounts necessary to permit the payments required by the provisions described under the heading "Application of Money in Revenue Fund" above to be made from the Revenue Fund.

An investment made from money credited to any Fund will constitute part of that Fund and each Fund will be credited with all proceeds of sale and income from the investment of money credited to it; provided that, if such proceeds constitute Revenues, they will be transferred to the Revenue Fund. Any investments constituting Investment Obligations may be purchased from or sold to the Paying Agent, or any bank, trust company or savings and loan association affiliated with the Paying Agent.

Valuation

The amount in the Bond Reserve Fund must be valued at market annually on January 15. Whenever the market value of the cash and Investment Obligations in the Bond Reserve Fund, plus interest to the date of valuation, is less than the Reserve Requirement, there will immediately be (a) transferred from the General Purposes Fund and the Repair and Replacement Fund, in that order, funds in an amount sufficient to cure the deficiency (b) a Credit Facility provided in an amount sufficient to cure such deficiency, or (c) transferred from funds and accounts of the Board other legally available funds in an amount sufficient to cure such deficiency.

Tax Covenants

The Board has covenanted that so long as any of the Bonds remain Outstanding money on deposit in any Fund or Account maintained in connection with the Bonds, regardless of whether such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause the Bonds (other than Bonds issued as Taxable Bonds) to be "arbitrage bonds" within the meaning of Section 148 of the Code, and applicable regulations promulgated from time to time thereunder. Nothing provided in the General Bond Resolution will prohibit the Board from issuing Additional Bonds as Taxable Bonds.

The Board has further covenanted to comply with all other requirements of the Code, and applicable regulations promulgated from time to time thereunder, in order to maintain the exclusion of gross income for federal income tax purposes of interest on Bonds issued as Tax-Exempt Bonds or to maintain the entitlement to the subsidy payment or tax credit from the federal government for Tax-Advantaged Bonds.

Test for Issuance of Bonds

Except as described under the heading "Additional Bonds for Completion Purposes" or "Additional Bonds for Refunding Purposes" below, before Bonds are delivered, there must be filed with the Board the following:

(a) a certificate prepared by an Authorized Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of maximum aggregate annual Principal and Interest Requirements with respect to all Outstanding Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds were then Outstanding; or

(b) a certificate prepared by an Airport Consultant showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds, were at least equal to 125% of the sum of the aggregate annual Principal and Interest Requirements due and payable with respect to all Outstanding Bonds for such applicable period; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Bonds, or (2) the third full Fiscal Year during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Principal and Interest Requirements for each such Fiscal Year with respect to all Outstanding Bonds and calculated as if the proposed Series of Bonds were then outstanding; and

(c) a certificate of an Authorized Representative to the effect that no Event of Default has occurred and is continuing under the General Bond Resolution or, if an Event of Default then exists, that such Event of Default will be cured upon issuance of such Additional Bonds and the application of the proceeds thereof as described or provided for in the Series Resolution therefor.

For purposes of clause (b) above, in estimating Net Revenues, the Airport Consultant will take into account (i) Revenues from new Airport facilities or other new capital improvements reasonably expected to become available during the period for which the estimates are provided, (ii) any increase in fees, rates, charges, rentals or other sources of Revenues which has been approved by the Board and will be in effect during the period for which the estimates are provided or (iii) any other increases in Net Revenues, including any Other Available Revenues specified in the Series Resolution (or any other action adopted by the Board), which the Airport Consultant believes to be a reasonable assumption for such period.

With respect to O&M Expenses, the Airport Consultant will use such assumptions as the Airport Consultant believes to be reasonable, taking into account: (i) historical O&M Expenses of the Board, (ii) additions to or reductions in O&M Expenses associated with the capital improvements to be funded with the proceeds of the Additional Bonds proposed to be issued and any other new capital improvements and Airport facilities and (iii) such other factors, including inflation and changing operations or policies of the Board, as the Airport Consultant believes to be appropriate. The Airport Consultant will include in such certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and will also set forth the calculations of Principal and Interest Requirements, which calculations may be based upon information provided by the Board.

Additional Bonds for Completion Purposes

The certificates described under the heading "Test for Issuance of Bonds" above will not be required if the Additional Bonds are issued for the purpose of completing Improvements previously undertaken by the Board, for which Bonds were previously issued; and instead there will be filed with the Board a certificate of the Authorized Representative stating that (i) the principal amount of the Bonds to be issued for completion purposes does not exceed 15% of the principal amount of the Bonds, or the portion thereof allocable to those Improvements, previously issued for said Improvements, (ii) all of the proceeds of the Bonds previously issued for the Improvements, including any investment earnings in the Construction Fund funded from the proceeds of said Bonds previously issued, have been or will be used to pays Costs of the Improvements, and (iii) the estimated Costs of the Improvements exceed the amounts already paid for the Improvements plus money available in the Construction Fund.

Additional Bonds for Refunding Purposes

The certificates described under the heading "Test for Issuance of Bonds" above will not be required if the Additional Bonds are issued for the purpose of refunding previously issued Bonds; and instead there will be filed with the Board a certificate of the Authorized Representative stating that (i) the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding after the issuance of such refunding Bonds shall be less than the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding prior to the issuance of such refunding Bonds or (ii) the proposed issuance of the refunding Bonds will reduce total debt service payments on all Outstanding Bonds on a net present value basis.

Security for Bonds

All moneys pledged for the payment of the Bonds and received by the Board under the provisions of the General Bond Resolution will be held and applied only in accordance with the provisions of the General Bond Resolution and, except as otherwise permitted therein, will not be subject to lien or attachment by any creditor of the Board.

The Bonds are special, limited obligations of the Board payable from and secured solely as set forth in the General Bond Resolution. As security for the payment of the Bonds and the interest thereon, the Board pledges for the payment of principal, Redemption Price, of and interest on the Bonds in accordance with the respective terms and the provisions of the General Bond Resolution, subject only to the provisions of the General Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Bond Resolution: (a) Net Revenues to the extent used to pay Principal and Interest Requirements for the Bonds, (b) money and Investment Obligations in the Bond Fund, (c) money and Investment Obligations in the Bond Reserve Fund, and (d) money and Investment Obligations in Funds and Accounts or Other Available Revenues to the extent provided for in any Series Resolution or any other action adopted by the Board. It is the intent of the Board that this pledge will be effective and operate immediately upon the issuance of Bonds under the General Bond Resolution and that the Board will have the right to collect and receive the Net Revenues in accordance with the provisions of the General Bond Resolution at all times during the period from and after the issuance date of the Bonds secured under the General Bond Resolution until the Bonds have been fully paid and discharged.

The aforementioned pledge as described above will not inhibit the sale or disposition of the Airport in accordance with the General Bond Resolution and will not impair or restrict the ability of the Board to invest in securities and other forms of investment, subject to the provisions of the General Bond Resolution.

The Board has further covenanted to comply with all other requirements of the Code, and applicable regulations promulgated from time to time thereunder, in order to maintain the exclusion of gross income for federal income tax purposes of interest on Bonds issued as Tax-Exempt Bonds or to maintain the entitlement to the subsidy payment or tax credit from the federal government for Tax-Advantaged Bonds.

Certain Covenants

Operation of Airport. The Board will establish and enforce reasonable rules and regulations governing the operation and use of the Airport, operate the Airport in an efficient and economical manner, maintain the properties constituting the Airport in good repair and in sound operating condition for so long as the same are necessary or appropriate to the operation of the Airport, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body that are applicable to the Airport.

Rate Covenant. The Board will fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, and will revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount required to be applied or deposited by the Board under the heading "Application of Money in Revenue Fund" above during such Fiscal Year.

The Board will, while any Bonds remain Outstanding, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith and will revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that for each Fiscal Year the sum of (i) the Net Revenues plus (ii) the Carryover Amount, if any, for such Fiscal Year will be equal to at least 125% of Principal and Interest Requirements on all Outstanding Bonds for that Fiscal Year.

The Board has covenanted that if Net Revenues in any Fiscal Year are less than the amount described in the first two paragraphs of this heading, the Board will retain and direct an

Airport Consultant to make recommendations as to the revision of the Board's business operations and its schedule of rates, fees, rentals and charges for the use of the Airport and for services rendered by the Board in connection with the Airport. After receiving such recommendations, the Board will, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Board, take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the Board's business operations and schedule of rates, fees, rentals and charges as may be necessary to produce Net Revenues, in the amounts described in the first two paragraphs of this heading in the next Fiscal Year. In the event that Net Revenues for any Fiscal Year (referred to in this paragraph as "Fiscal Year One") are less than the amount described in the first two paragraphs of this heading but, prior to or during the next succeeding Fiscal Year (referred to in this paragraph as "Fiscal Year Two"), the Board has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the Board's business operations and schedule of rates, fees, rentals and charges as required by the provisions described in this paragraph such deficiency in Net Revenues for Fiscal Year One shall not constitute an Event of Default under the provisions of the General Bond Resolution. Nevertheless, even if the measures required by the provisions described in this paragraph to revise the schedule of rates, fees, rentals and charges have been taken by the Board, in the event the Net Revenues in Fiscal Year Two, are less than the amounts described in the first two paragraphs of this heading, such deficiency in Net Revenues will, with the applicable notice, constitute an Event of Default under the provisions of the General Bond Resolution.

Records, Accounts and Audits. The Board will keep the Funds, Accounts, money and investments of the Airport separate from all other Funds, Accounts, money and investments of the Board and will keep accurate records and accounts of all items of costs and of all expenditures relating to the Airport and of the Revenues collected and the application of such Revenues.

The Board has covenanted that it will keep and provide accurate books and records of account showing all Revenues received and all expenditures of the Board and that it will keep or cause to be kept accurate books and records of account showing all moneys, Revenues, accounts and funds (including all Funds and Accounts provided for in the General Bond Resolution) which are or shall be in the control or custody of the Board; and that all such books and records pertaining to the Airport shall be open upon reasonable notice during business hours to the Holders of not less than 10% of the principal amount of Bonds then Outstanding, or their representatives duly authorized in writing. So long as any of the Bonds remain Outstanding, the Board will prepare audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the Board all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the Board, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the Board and are prepared in accordance with GAAP.

Insurance. Subject to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, the Board will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance (as defined below) with respect to the facilities constituting the Airport and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Board, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports.

The Board will be entitled to provide the coverage described under this heading through Qualified Self Insurance, provided that the requirements as described herein are satisfied. "Qualified Self Insurance" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Board may have a material interest and of which the Board may have control, either singly or with others. Qualified Self Insurance does not include deductible or self-insured retention payments required under insurance policies provided by a third party. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Board determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Board a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Board will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Board.

Notice of Taking; Cooperation of Parties. If any public authority or entity attempts to take or damage all or any part of the Airport through Eminent Domain proceedings, the Board will take prompt and appropriate measures to protect and enforce its rights and interests and those of the Holders in connection with such proceedings.

Insurance Proceeds. If the Net Proceeds received as a result of any single occurrence under one of the insurance policies required by the provisions described under the heading "Certain Covenants—Insurance" above is equal to or more than $1,000,000, as adjusted annually by the Consumer Price Index, such Net Proceeds will be deposited into the Insurance and Condemnation Award Fund. These Net Proceeds in the Insurance and Condemnation Award Fund will be applied at the election of the Board:

(a) to promptly replace, repair, rebuild or restore the Airport to substantially the same condition as that which existed prior to such damage or destruction, with such alterations and additions as the Board may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Airport, provided that prior to the commencement of such replacement, repair, rebuilding or restoration, there will be filed with the Board the report of an Airport Consultant setting forth (i) an estimate of the total cost of the same, (ii) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (iii) a statement to the effect that Net Proceeds, together with other funds made available or to be made available by the Board, will be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport; or

(b) to the redemption of Bonds, provided that Bonds may be redeemed only if (i) the Airport has been restored to substantially the same condition as prior to such damage or destruction, or (ii) the Board has determined that the portion of the Airport damaged or destroyed is not necessary to the operation of the Airport and that the failure of the Board to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport; or (iii) the Airport Consultant has been unable to make the statement described in subclause (a)(iii) above.

If the Board does not apply Net Proceeds or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the Board will use such Net Proceeds to purchase or redeem Bonds in accordance with the redemption provisions of the General Bond Resolution.

If the Board elects to apply Net Proceeds, or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the Board will disburse those Net Proceeds deposited in the Insurance and Condemnation Award Fund for such purpose.

Payment of Charges and Covenant Against Encumbrances. Except as provided in the General Bond Resolution, the Board will not create or suffer to be created any lien or charge upon the Airport or any part thereof, or on the Revenues. The Board will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Airport and the operation of the Airport and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Airport or Revenues if unpaid.

Disposition of Airport. The Board will have the right to (i) sell or dispose of any machinery, equipment, fixtures, apparatus, tools, instruments, or other moveable property acquired by it in connection with the Airport, or any materials used in connection therewith, (ii) grant easements and other rights of way to any public utility or other third party as necessary to provide service to, or for the operation of, the Airport or to governmental entities as required by law, or (iii) sell, dispose of, demolish or remove any real property and structures now or hereafter existing as part of the Airport, if the Board determines (A) that such articles or real property are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Airport or the operation of the Airport, (B) that such sale, disposition or demolition will not impair the operating efficiency of the Airport or adversely affect the revenue-producing capability of the Airport, (C) that such sale, disposition or demolition will not cause the Board to violate any of its general covenant or representation provisions under the General Bond Resolution, or (D) that such sale, disposition or demolition is undertaken pursuant to the Master Plan.

The Board will deposit into the General Purposes Fund, to the extent such funds are not otherwise restricted due to the funding source as a result of the relationship of such funding source to other parts of the Airport, any proceeds resulting from any abandonment, sale or disposition of properties constituting the Airport.

Improvements to the Airport. All buildings, structures, and items of personal property that are constructed, placed or installed in or upon the properties constituting the Airport as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the Airport, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the Airport will thereupon become a part of the Airport.

Contracts, Leases and Other Agreements. Subject to the tax covenant provisions of the General Bond Resolution, the Board may lease, as lessor, all or any part of the Airport, or contract or agree for the performance by others, of operations or services on or in connection with the Airport or any part thereof, for any lawful purpose, provided, that:

(a) each such lease, contract or agreement, or any amendment or rescission thereof, is not inconsistent with the provisions of the General Bond Resolution; and

(b) the Board will remain fully obligated and responsible under the General Bond Resolution to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed.

Special Facilities and Special Facility Obligations. Nothing in the General Bond Resolution will be construed as prohibiting the Board from financing the acquisition or construction of any "Special Facilities" permitted by law so long as the following conditions are satisfied:

(a) The debt obligations issued to finance the Special Facilities are not directly or indirectly secured by or payable from Revenues but are secured by and payable from Special Facilities Revenues or such other sources as are then authorized by the Board;

(b) The Board will levy upon the user of such Special Facilities charges sufficient to pay the principal of, and the premium, if any, and interest on obligations issued to finance the same; and

(c) An Authorized Representative will have filed with the Board a certificate stating that:

(i) the estimated Special Facilities Revenues pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Board and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due;

(ii) with respect to the designation of any separately identifiable existing airport facilities or airport facility as a "Special Facility" or "Special Facilities," the estimated Net Revenues, calculated without including the new Special Facilities Revenues and without including any operation and maintenance expenses of the Special Facility as Operations and Maintenance Expenses of the Airport, will be sufficient so that the Board will be in compliance with the provisions described under the heading "Rate Covenant" above; and

(iii) no Event of Default then exists under the General Bond Resolution.

(d) To the extent Special Facilities Revenues received by the Board during any Fiscal Year will exceed the amounts to be paid pursuant to the provisions described in subparagraph (c)(i) under this heading for such Fiscal Year, such excess Special

Facilities Revenues, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

(e) Notwithstanding any other provision described under this heading, at such time as the Special Facility Obligations issued for a Special Facility (including Special Facility Obligations issued to refinance Special Facility Obligations) are fully paid or otherwise discharged, all revenues of the Board from such former Special Facility will be included as Revenues.

Subordinate Bonds. The Board may incur and issue Subordinate Bonds for any lawful airport or aviation-related purposes permitted by law, if the following conditions are met:

(a) Subordinate Bonds issued or otherwise entered into by the Board, must rank junior and subordinate to the Bonds issued and Outstanding under the General Bond Resolution and may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Bonds whether by maturity or redemption have been paid in full and the Board is current on all payments, if any, required to be made to replenish the Bond Reserve Fund and any separate Accounts therein. In all cases Subordinate Bonds will be secured on a junior and subordinate basis to the Bonds by the pledge of the Net Revenues or shall be secured by assets that are not Net Revenues or shall be unsecured. No Bond, note, other instrument of indebtedness, or Interest Rate Swap, shall be deemed to be “Subordinate Bonds” for purposes of the General Bond Resolution and payable on a subordinated basis from Net Revenues unless specifically designated by the Board as a “Subordinate Bonds” in the authorizing resolution and Subordinate Bonds Issuing Instrument; and

(b) the principal of, and the redemption premium, if any, and interest on any such Subordinate Bonds is payable as a whole or in part solely from the proceeds of other Subordinate Bonds, Additional Bonds, Net Revenues as described under the heading “Application of Money in Revenue Fund” above, any money available therefor in the General Purposes Fund, or from any other legally available source, provided that such Subordinate Bonds will be payable from Additional Bonds only to the extent such indebtedness was issued for any purpose for which Additional Bonds may be secured under the General Bond Resolution; except for payments from the proceeds of Additional Bonds, Net Revenues transferred to the paying agent for the Subordinate Bonds under the provisions described under the heading “Application of Money in Revenue Fund” above, and the General Purposes Fund, no money in any other Fund or Account created under the provisions of the General Bond Resolution will be used to pay the principal of, or the interest or redemption premium, if any, on, any Subordinate Bonds.

Further Instruments and Actions. The Board will, from time to time, execute and deliver such further instruments or take such further actions as may be required to carry out the purposes of the General Bond Resolution.

Events of Default

Each of the following events is an “Event of Default” with respect to a Series of Bonds:

(a) if payment by the Board in respect of any installment of interest on any Bond of such Series shall not be made in full when the same becomes due and payable;

(b) if payment by the Board in respect of the principal of any Bond of such Series shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(c) if payment of the purchase price of any Bond tendered for optional or mandatory tender for purchase in accordance with the provisions of the Series Resolution providing for the issuance of such Bonds shall not be made in full as and when due;

(d) if the Board shall fail to observe or perform any covenant or agreement on its part under the General Bond Resolution, other than the covenant or agreement described under the heading "Rate Covenant" above, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Board by the Holders of at least 51% in aggregate principal amount of Outstanding Bonds of the Series to which such failure applies; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it will not be an Event of Default with respect to such Series as long as the Board has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(e) if the Board fails to comply with the requirements described under the heading "Rate Covenant" above;

(f) if a party institutes or files a petition with the federal Bankruptcy Court seeking reorganization of the Board or other form of relief from the Bankruptcy Court and the Board has not contested such filing for a period of 60 days after such claim or petition is filed; and

(g) if the Board shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrate (or other similar official) of the Board or of any substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

No Acceleration; No Cross Defaults

There will be no rights of acceleration with respect to the Bonds. An Event of Default with respect to one Series of Bonds will not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the General Bond Resolution.

Remedies and Enforcement of Remedies

Upon the occurrence of any Event of Default specified in the General Bond Resolution, then and in every such case the Holders of not less than 51% of the aggregate principal amount of the Series of Bonds for which such Event of Default applies, may proceed forthwith to protect and enforce the rights of the Bondholders under the General Bond Resolution with respect to such Series of Bonds and under the Act by such suits, actions or proceedings, including but not limited to:

(a) Civil action to recover money or damages due and owing;

(b) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of such Series of Bonds; and

(c) Enforcement of any other right of such Bondholders with respect to such Series of Bonds conferred by law, including the Act, or the General Bond Resolution, including, without limitation, by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Board of actions required by the Act or the General Bond Resolution, including the fixing, changing and collection of fees or other charges.

The remedies provided for with respect to Funds or Accounts under the General Bond Resolution will be limited to the Funds or Accounts under the General Bond Resolution pledged to, or from which principal of and interest is payable on, the applicable Series of Bonds with respect to which an Event of Default exists.

Application of Revenues and Other Moneys After Default

During the continuance of an Event of Default with respect to any Series of Bonds, all moneys held by the Board with respect to such Series of Bonds (other than Other Available Revenues) pursuant to any right given or action taken under the Event of Default and remedies' provisions of the General Bond Resolution will be applied according to the accrued debt service deposits or payments with respect to each such Series as follows; provided, however, that any money drawn under a Credit Facility, if any, and amounts held in Accounts in the Bond Fund and the Bond Reserve Fund shall be applied solely to pay interest or principal, as applicable, on the related Series of Bonds:

(a) Unless the principal of all such Outstanding Bonds shall have become due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal amounts of any such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held under the provisions of the General Bond Resolution), whether at maturity or by proceedings for redemption or otherwise or upon the tender of any Bond under the terms of the Series Resolution providing for the issuance of such Bond, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds of such Series due on any date, then to the payment thereof ratably, according to the principal amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all such Outstanding Bonds will have become due and payable, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied by the Board under the provisions described under this heading, such moneys will be applied by it at such times, and from time to time, as the Board will determine in accordance with the General Bond Resolution, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Board will apply such moneys, it will fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue if so paid. The Board will give such notice as it may deem appropriate, in accordance with the General Bond Resolution, of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Paying Agent for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all installments of interest then due on the Bonds and all unpaid principal amounts of any Bonds that shall have become due have been paid under the provisions described under this heading, and each Credit Enhancer, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay principal, premium, if any, and interest on the Bonds, the Board will resume making the transfers from the Revenue Fund in the amounts and according to the priority described under the heading "Application of Money in Revenue Fund" above. If all Bonds and the interest thereon have been paid in full, together with all expenses and charges of the Paying Agent and amounts owing to any Credit Enhancer for draws under its Credit Facility, and no credit enhancement or liquidity support shall be outstanding, any balance remaining shall be paid to such Credit Enhancer to the extent any other amounts are then owing to such Credit Enhancer under the applicable Credit Facility agreement, then the balance will be paid by the Board as otherwise described under the heading "Application of Money in Revenue Fund" above, and if not so required, to the Board or as a court of competent jurisdiction may direct.

Notwithstanding the foregoing, Other Available Revenues will be applied solely as provided in the General Bond Resolution; provided, however, that if the ratable distribution provisions described under this heading are applicable, the amounts that would otherwise be distributed under such provisions to Bonds that are secured by Other Available Revenues will be reduced by the amount of Other Available Revenues that are available for distribution to such Bonds under the General Bond Resolution, and the moneys that become available as a result of such reduction shall then be distributed as described under this heading.

Effect of Discontinuance of Proceedings

If any proceeding taken by the Holders on account of any Event of Default is discontinued or abandoned for any reason, then and in every such case, the Board and the Holders will be restored to their former positions and rights under the General Bond Resolution.

Control of Proceedings by Holders

Anything in the General Bond Resolution to the contrary notwithstanding, the Holders of not less than 51% in aggregate principal amount of Bonds at any time Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Board, to direct the method and place of conducting all remedial proceedings to be taken by the Bondholders, provided that such direction shall be in accordance with the provisions of the General Bond Resolution.

Restrictions Upon Actions by Individual Holders

Except as provided in the provisions described under the heading "No Remedy Exclusive" below, no Holder will have any right to institute any suit, action or proceeding in equity or at law for any other remedy under the General Bond Resolution unless such Holder previously shall have given to the Board written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted. Notwithstanding the foregoing provisions described under this heading and without complying therewith, the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders under the General Bond Resolution. It is understood and intended that, except as otherwise above provided, no one or more Holders will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the General Bond Resolution or to enforce any right under the General Bond Resolution except in the manner provided, that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the General Bond Resolution and for the benefit of all Holders and that any individual rights of action or other right given to one or more of such Holders by law are restricted by the General Bond Resolution to the rights and remedies provided in the General Bond Resolution.

No Remedy Exclusive

No remedy in the General Bond Resolution conferred upon or reserved to the Holders is intended to be exclusive of any other remedy or remedies provided in the General Bond Resolution, and each and every such remedy will be cumulative and shall be in addition to every other remedy given under the General Bond Resolution or now or hereafter existing at law or in equity.

Delay Not a Waiver

No delay or omission by any Holder in the exercise of any right or power accruing upon any such Holder will impair any such right or power or will be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power or remedy given by the General Bond Resolution to the Holders may be exercised from time to time and as often as may be deemed expedient.

The Holders may waive any Event of Default which has been remedied by the Board before the entry of final judgment or decree in any suit, action or proceeding instituted by the Holders under the provisions of the General Bond Resolution or before the completion of the enforcement of any other remedies under the General Bond Resolution, but no such waiver will extend to or affect any other existing or subsequent Event of Default or impair any rights or remedies consequent thereon.

Modification or Amendment without Bondholder's Consent

The Board, from time to time, may enter into such Series Resolutions as are consistent with the terms and provisions of the General Bond Resolution (which Series Resolutions shall thereafter form a part of the General Bond Resolution) and do not adversely affect the interest of the Holders:

(a) to cure any ambiguity or formal defect or omission or to correct or supplement any provision in the General Bond Resolution that may be inconsistent with any other provision in the General Bond Resolution;

(b) to grant to or confer upon the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders;

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the General Bond Resolution or other conditions, limitations and restrictions thereafter to be observed, provided that such conditions, limitations, and restrictions do not impair the security for the Outstanding Bonds;

(d) to add to the covenants and agreements of the Board in the General Bond Resolution other covenants and agreements thereafter to be observed by the Board or to surrender any right or power in the General Bond Resolution reserved to or conferred upon the Board, provided that such covenants and agreements and the surrendering of any right or power do not impair the security for the Outstanding Bonds; or

(e) to comply with the provisions to authorize and issue Bonds under the General Bond Resolution.

In addition to the foregoing, the Board from time to time (i) may execute Series Resolutions (which Series Resolutions shall thereafter form a part of the General Bond Resolution) that do not materially adversely affect the interests of the Holders in order to provide for or accommodate the issuance of Additional Bonds under the General Bond Resolution in the form of bonds with a variable, adjustable, convertible, periodic auction reset, or other similar interest rate structure under which the interest rate is not fixed in percentage at the date of issue for the entire term thereof, deferred interest rate bonds, Capital Appreciation Bonds, zero coupon bonds, demand/put bonds, Taxable Bonds, Tax-Advantaged Bonds, bonds payable or denominated in a foreign currency, or similar types of indebtedness which shall permit the Board to take advantage of changes or innovations in capital markets, including, without limitations, Series Resolutions modifying the terms of the Additional Bonds' provisions of the General Bond Resolution to accommodate the issuance of Additional Bonds of such types or to accommodate the Board realizing the savings associated with the ability of bond underwriters to structure Bonds so as to facilitate the creation of derivative products, and (ii) may execute Series Resolutions (which Series Resolutions shall thereafter form a part of the General Bond Resolution) that do not materially adversely affect the interests of the Holders. No Series Resolution entered into under the provisions described in the immediately preceding sentence will become effective until the Board obtains an opinion of Bond Counsel to the effect that the execution of such the Series Resolution alone will not adversely affect the exclusion of interest from the gross income of the Holders of all Bonds (other than Taxable Bonds) then Outstanding for federal income tax purposes and confirmation from each of the Rating Agencies that the execution of such Series Resolution will not cause a reduction or withdrawal of any rating of such Rating Agency then assigned to any Bonds Outstanding under the General Bond Resolution. The delivery of such confirmation with respect to any Series Resolution will create a conclusive presumption that such Series Resolution does not materially adversely affect the interests of the Bondholders of such Outstanding Bonds.

Series Resolution with Bondholder's Consent

The Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed Series Resolution will have the right, from time to time, anything contained in the General Bond Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Series Resolution as is deemed necessary or desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the General Bond Resolution or in any Series Resolution, provided that nothing contained in the General Bond Resolution shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, (iii) the creation of a lien upon or a pledge of Revenues other than the lien and pledge created by the General Bond Resolution, (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such Series Resolution. Nothing contained in the General Bond Resolution, however, will be construed as making necessary the approval by Holders of the execution of any Series Resolution as authorized in the provisions described under the heading "Modification or Amendment without Bondholder's Consent" above.

Whenever the Board receives an instrument or instruments in writing purporting to be executed or deemed executed by the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding that are affected by a proposed Series Resolution, which instrument or instruments will refer to the proposed Series Resolution described in such notice and will specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Board may adopt or make effective such Series Resolution in substantially such form, without liability or responsibility to any Holder whether or not such Holder shall have consented thereto. The provisions described in this paragraph and the immediately succeeding paragraph will not be read or interpreted to require that the consents of Holders be received by the Board prior to the adoption of the proposed Series Resolution. The provisions described in this paragraph and the immediately succeeding paragraph shall be satisfied if the Board receives the consents of the Holders prior to the effective date of the proposed Series Resolution.

If the Holders of not less than 51% in aggregate principal amount of the Bonds Outstanding at the time the Series Resolution becomes effective and that are affected by such proposed Series Resolution have consented to the Series Resolution as provided in the General Bond Resolution, no Holder will have any right to object to the adoption or effectiveness of such Series Resolution, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof, or to enjoin or restrain the Board from executing the same or making the same effective or from taking any action under the provisions thereof.

For purposes of the General Bond Resolution, Bonds shall be deemed to be "affected" by the Series Resolution if the same adversely affects or diminishes the rights of Holders against the Board or the rights of the Holders in the security for such Bonds.

Notwithstanding anything in the foregoing to the contrary, with respect to a Series of Bonds insured or secured by a Credit Facility, the consent of the issuing Credit Enhancer to the Series Resolution will be deemed to be consent of the Holders of those Bonds, so long as such Credit Enhancer is not in Event of Default of its payment obligations under its Credit Facility.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Board, may consent to a modification or amendment permitted by the provisions described under this heading in the manner provided in the General Bond Resolution and with the same effect as a consent given by the Holders of such Bonds, except that no proof of ownership will be required; provided, that this provision as described under this heading will be disclosed prominently in the offering document, if any, for each Series of Bonds issued in accordance with the General Bond Resolution, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto will be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the Board.

Defeasance

When (i) the Bonds secured by the General Bond Resolution have become due and payable in accordance with their terms or otherwise as provided in the General Bond Resolution, (ii) the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds have been paid or if the Escrow Agent or the Escrow Agent and the Paying Agent hold money or Defeasance Obligations, or a combination of both, that are sufficient in the aggregate to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, (iii) if the Bonds are due and payable by reason of a call for redemption, irrevocable instructions to call the bonds for redemption will have been given by the Board to the Paying Agent, or, if applicable, an Escrow Agent, and (iv) sufficient funds will also have been provided or provision made for paying all other obligations payable under the General Bond Resolution by the Board, then and in that case the right, title and interest of the Bondholders in the Funds and Accounts created by the General Bond Resolution will thereupon cease, determine and become void, the covenants contained in the General Bond Resolution will cease and the Board will apply any surplus in the Funds or Accounts, other than money held for the redemption or payment of Bonds, as provided in the redemption provisions of the General Bond Resolution. Otherwise the covenants contained in the General Bond Resolution will be, continue and remain in full force an effect. Notwithstanding the foregoing, if money, Defeasance Obligations, or a combination of both, are deposited with and held by the Escrow Agent or the Escrow Agent and the Paying Agent, as provided by the General Bond Resolution, and within 30 days after such money, Defeasance Obligations, or a combination of both have been deposited with such Escrow Agent, the Board, in addition to observing the requirements of the redemption provisions of the General Bond Resolution, causes a notice signed by the Escrow Agent to be mailed, by first class mail, postage prepaid, to all registered Holders of Bonds at their addresses as they appear on the registration books maintained by the Paying Agent and may be posted on EMMA, setting forth (i) the date designated for the redemption of the Bonds, (ii) a description of the money and Defeasance Obligations so held by such Escrow Agent, and (iii) that the covenants contained in the General Bond Resolution have ceased in accordance with the provisions described under this heading, the Escrow Agent will retain such rights, powers and privileges under the General Bond Resolution as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium on which such money or Defeasance Obligations have been deposited.

All money and Defeasance Obligations held by the Escrow Agent or any Paying Agent as described under this heading will be held in trust and applied to the payment, when due, of the Bonds and obligations payable therewith.

SUMMARY OF SERIES 2016 RESOLUTION

Creation of Funds and Accounts

The Series 2016 Resolution creates and establishes in the Funds and Accounts created and established or otherwise authorized pursuant to the General Bond Resolution the following:

(a) the Series 2016 Interest Subaccount in the Interest Account of the Bond Fund;

(b) the Series 2016 Principal Subaccount in the Principal Account of the Bond Fund;

(c) the Series 2016 Reserve Account in the Bond Reserve Fund;

(d) the Designated PFC Revenue Account in the Revenue Fund;

(e) the Series 2016 PFC Interest Subaccount in the Interest Account of the Bond Fund;

(f) the Series 2016 PFC Principal Subaccount in the Principal Account of the Bond Fund;

(g) the Series 2016 Rebate Account; and

(h) the Series 2016 Costs of Issuance Fund.

The Series 2016 Reserve Account is pledged to the payment of the Series 2016 Bonds but the Series 2016 Reserve Account may also be pledged to Common Reserve Bonds on a parity basis to secure those Common Reserve Bonds as may be set forth in any subsequent Series Resolutions.

The previously established and existing PFC Project Fund will be maintained by the Board so long as any Series 2016 Bonds remain Outstanding, and will be used in the manner as described under this heading. For the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board, on or before the 20th day of each month, the Board will transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account, in approximately equal monthly deposits, the lesser of (i) 125% of the Principal and Interest Requirements for the Series 2016 Bonds (taking into account the amounts then on deposit in the Designated PFC Revenue Account) or (ii) the total amount of Passenger Facilities Charges then on deposit in the PFC Project Fund.

Irrevocable Commitment of Designated PFC Revenues

As permitted by the Other Available Revenues' provisions of the General Bond Resolution, the Board has determined that Passenger Facilities Charges deposited into the Designated PFC Revenue Account will constitute Designated PFC Revenues and be deemed Other Available Revenues beginning with the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board.

On the last day of each Fiscal Year, amounts that remain in the Designated PFC Revenue Account will be transferred to the PFC Project Fund. Upon such transfer from the Designated PFC Revenue Account, the Designated PFC Revenues will no longer constitute Other Available Revenues under the General Bond Resolution.

Investment earnings on the Series 2016 PFC Interest Subaccount and Series 2016 PFC Principal Subaccount will be transferred at the end of each month to the PFC Project Fund.

Series 2016 Rebate Account

At the times and in the manner required by the Code and the applicable laws of the Commonwealth (i) the Consultant or Bond Counsel engaged by the Board will calculate the amount to be paid to the United States of America as of each such time; (ii) the Chief Financial Officer, as an Authorized Representative, will transfer, to the extent needed, any necessary amount in any account other than the Series 2016 Reserve Account to the Series 2016 Rebate Account; and (iii) the Chief Financial Officer, as an Authorized Representative, will pay the amount to be paid to the United States of America as calculated pursuant to the provision described in clause (i) of this heading from the Series 2016 Rebate Account.

Any money in the Series 2016 Rebate Account (i) in excess of the amount to be paid to the United States of America or (ii) following the final payment to the United States of America after payment in full of the Series 2016 Bonds will be transferred to the General Purposes Fund.

At no time will any funds constituting proceeds of the Series 2016 Bonds be used or invested in any manner to cause or result in a prohibited payment under, or in any other fashion that would constitute failure of compliance with, Section 148 of the Code.

If the Chief Financial Officer, as an Authorized Representative, receives a written opinion of Bond Counsel that such action would not result in the inclusion of interest on the Series 2016 Bonds in gross income for purposes of federal income taxation, the Board may adopt a Series Resolution to the extent necessary and desirable to (i) combine the Rebate Fund and any Accounts or subaccounts therein with the Bond Reserve Fund or (ii) otherwise modify, supplement or replace the provisions described under this heading.

If at any time the Chief Financial Officer, as an Authorized Representative, receives a written opinion of Bond Counsel that failure to comply with the provisions described under this heading or any part of the provisions described under this heading will not adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for purposes of federal income taxation, the Board may discontinue compliance with the provisions described under this heading to the extent set forth in such opinion.

Tax Covenant

The Board will not take any action that would cause the interest on the Series 2016 Bonds to become included in gross income for federal income tax purposes.

In particular, the Board will covenant and certify that no person will use the money on deposit in any Account in connection with the Series 2016 Bonds, whether or not that money was derived from proceeds of the sale of the Series 2016 Bonds, in a way that would cause the Series 2016 Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code or "hedge bonds" under Section 149(g) of the Code, or that would otherwise cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes. The Board will cause to be made any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2016 Bonds under Section 148(f) of the Code.

Notwithstanding any other provision of the Series 2016 Resolution to the contrary, so long as necessary to maintain the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes, the covenants described under this heading will survive the payment of the Series 2016 Bonds and the interest thereon, including any payment or defeasance of the Series 2016 Bonds.

Bondholders Alone Have Rights Under Series 2016 Resolution

Nothing in the Series 2016 Resolution, expressed or implied, is intended or will be construed to confer upon any person, firm or corporation, other than the Bondholders of the Series 2016 Bonds secured under the Series 2016 Resolution, any right, remedy or claim, legal or equitable, under or by reason of the Series 2016 Resolution. The Series 2016 Resolution is intended to be for the sole and exclusive benefit of the Holders of the Series 2016 Bonds.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

Certain provisions of the Airport Use Agreements are summarized below. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the Airport Use Agreements. Words and terms that are capitalized, whether defined below or elsewhere in this Official Statement, have the meaning assigned to them in the Airport Use Agreements.

Definitions

Certain words and terms used in this summary are defined in the Airport Use Agreement and have the same meanings in this summary, except as defined otherwise in the Official Statement. Some, but not all, of the definitions in the Airport Use Agreement are set forth below. Certain of these definitions have been abbreviated or modified for purposes of this summary.

"Affiliate" means any Air Transportation Company that a Signatory designates to the Board in writing as an Affiliate and that, in the case of a Signatory engaged, directly or indirectly, in the commercial transportation of cargo and mail only, is (1) a parent or subsidiary of Signatory or is under the same common ownership and control as Signatory, or (2) is under contract to Signatory in respect to its operations at the Airport, or (3) operates under essentially the same trade name as Signatory at the Airport, uses essentially the same livery as Signatory and operates certain flights for the Signatory using the same code designator as Signatory, and in the case of all other Signatories, is (i) a parent or subsidiary of Signatory or is under the same common ownership or control as Signatory, or (ii) uses the same code designator as Signatory at the Airport, or (iii) otherwise operates under essentially the same trade name as Signatory at the Airport and uses essentially the same livery as Signatory; provided that no major airline, as such term is defined by the FAA, shall be classified as an Affiliate of another major airline, unless either clause (i) or (iii) above defines the relationship between such airlines at the Airport.

"Air Transportation Company" means a company, either directly or indirectly through its Affiliate(s), engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property or mail.

"Airfield Cost Center" means the Cost Center to which expenses associated with the Airfield, including the Terminal Ramp Area, are allocated.

"Airfield MII" means such group of Signatories representing greater than 50 percent in number of all Signatories and greater than fifty percent of Maximum Gross Landed Weight of all Signatories at the Airport for the prior Fiscal Year.

"Airport" means Cincinnati/Northern Kentucky International Airport as shown on Exhibit 1A to the Airport Use Agreement, together with any additions thereto, or improvements, deletions or enlargements thereof, hereafter made.

"Amortization Charges" means the recovery of capital costs and interest, in substantially equal annual installments over a fixed term, for that portion of a Capital Expenditure that is funded from the KCAB General Fund. The amortization charge for such Capital Expenditure shall commence in the first Fiscal Year following the date of Substantial Completion of the capital project for which the Capital Expenditure is made, and shall be computed using (i) the five-year United States Treasury rate as of the last Business Day of the midpoint of the Fiscal Year during which such Substantial Completion of the capital project occurs, and, and (ii) the economic life of such capital item determined in accordance with generally accepted accounting practices as the term for such amortization charges.

"Annual Budget" means the budget approved by the Board for each Fiscal Year.

"Board" or "KCAB" means the Kenton County Airport Board, a public and governmental body corporate and politic created pursuant to the provisions of Chapter 183 of the Kentucky Revised Statutes, or, if such entity shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties thereof shall be given by law.

"Bond Resolution" means the Bond Resolution adopted by the Board on March 26, 2003, pertaining to KCAB airport revenue bonds, Series 2003B, or any successor master bond resolution or series resolution adopted by the Board pertaining to KCAB airport revenue bonds, including all supplements and amendments thereto, and any subordinate bond resolutions.

"Bonds" means obligations issued pursuant to the Bond Resolution, including any subordinate obligations issued in accordance with the terms thereof. Subordinate obligations may include but not be limited to commercial paper, lines of credit, or other debt obligations.

"Capital Expenditures" means an expenditure in excess of $50,000 made to acquire, equip, purchase, construct or otherwise make ready for its intended purpose a capital project for the purpose(s) of improving, maintaining, expanding or developing the Airport, including the acquisition of equipment and interests in real estate, and shall also include related off-Airport expenditures, such as noise mitigation and wetlands mitigation.

"Concession Revenues" means the revenue actually received by the Board derived from a Concessionaire for the privilege of furnishing services, goods, or both directly to the traveling public or other person and/or advertising within Concourse A and/or the Terminal 3 Facilities, as the Terminal 3 Facilities exist as of the date hereof, specifically excluding however: rent-a-cars and providers of ground transportation, vehicle parking, catering, hotels, motels, and services primarily outside of the Terminal 3 Facilities and Concourse A. The Board shall allocate Concession Revenues between the Terminal 3 Facilities and Concourse A based upon the gross revenues generated at the respective facilities as reported by the Concessionaire payable to the Board or another reasonable method or methods established by the Board from time to time.

"Concessionaire" means any person or entity doing business within Concourse A and/or the Terminal 3 Facilities under a concession agreement with the Board.

"Concourse A" means Concourse A at the Airport.

"Concourse A Agreements" or "Concourse A Agreement" means those certain agreements for the lease of space in Concourse A that are now in effect and that were entered into by the Board with each of the Concourse A Carriers for a term through the expiration of this Agreement and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Concourse A Carriers" means those Signatories that have entered into a Concourse A Agreement.

"Concourse C" means Concourse C at the Airport.

"Concourse C Agreement" means that certain Agreement currently between the Board and Delta for the Lease of Concourse C and any and all modifications, amendments, supplements and extensions thereof and hereafter made.

"Concourse C Amendment" means the amendment to the Concourse C Agreement entered into at the same time as this Agreement.

"Cost Centers" means the Airfield Cost Center, Loading Bridge Cost Center, Terminal Cost Center and KCAB Cost Centers (which shall include Commercial Property, Parking and Ground Transportation and Rental Cars Sub-Cost Centers), as the same may hereafter be amended from time to time.

"Cost Center Requirement" means Operation and Maintenance Expenses; Expensed Capital Outlays; Amortization Charges; Debt Service; Coverage Requirement; Operation and Maintenance Reserve Account Requirement; and Repair and Replacement Reserve Fund Requirement as allocated to each Cost Center as set forth in Article 5 of the Airport Use Agreement.

"Coverage Requirement" means amount required to meet the Board's debt service coverage obligations under the Bond Resolution.

"Debt Service" means, for any Fiscal Year, the principal and interest payments on Bonds and related financing costs and required deposits, if any, to any debt service reserve funds.

"Delta O&M Agreement" means the Maintenance and Operations Services Agreement for certain portions of the Terminal 3 Facilities dated as of May 3, 2007 and entered into by and between the Board and Delta and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Expensed Capital Outlays" means expenditures of $50,000 or less made to acquire, equip, purchase, construct or otherwise make ready for its intended purpose a capital project for the purpose(s) of improving, maintaining, expanding or developing the Airport, including the acquisition of equipment and interests in real estate, and shall also include related off-Airport expenditures, such as noise mitigation and wetlands mitigation, which shall be expensed in the Fiscal Year incurred.

"Fiscal Year" means the 12-month period beginning on January 1 of any year and ending on December 31 of that year, or any other twelve month, or different transition, period adopted by Board as its fiscal year for financial affairs.

"KCAB General Purposes Fund" means the fund of the same name created by the Board.

"Landing Fees" means charges per 1000 pounds of Maximum Gross Landed Weight of Revenue Landings at the Airport which shall be due and payable by Signatory.

"Lease Modification Agreement" means that certain agreement dated July 1, 2011, and entered into by and between the Board and Delta, and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Loading Bridges" means the Concourse A loading bridges.

"Loading Bridge Cost Center" means the Cost Center to which expenses associated with the Loading Bridges are allocated.

"Majority–in-Interest" or "MII" shall mean either an Airfield MII or Terminal MII. Capital Expenditures subject to MII and impacting the Terminal Cost Center solely shall require a Terminal MII for disapproval; all other Capital Expenditures subject to MII shall require an Airfield MII.

"Maximum Gross Landed Weight" means the maximum gross landing weight as certified by the FAA for landing of an aircraft.

"Net Remaining Revenues" or "NRRs" means the amount determined in accordance with Section 5.2 of the Airport Use Agreement.

"Operation and Maintenance Expenses" or "O&M Expenses" or "Airport Expenses" means, in any Fiscal Year, all expenses of the Board, paid or accrued, for administering, operating, maintaining, and repairing the Airport.

"Operation and Maintenance Reserve Account" means the account of the same name created by the Board.

"Operation and Maintenance Reserve Account Requirement" means for each Fiscal Year the amount necessary to bring the balance in the Operation and Maintenance Reserve Account to an amount equal to twenty-five (25) percent of Operation and Maintenance Expenses in the Approved Budget for such Fiscal Year.

"Repair and Replacement Reserve Fund" means the fund of the same name created by the Board.

"Repair and Replacement Reserve Fund Requirement" shall be $10,000,000. In the event that the Repair and Replacement Reserve Fund shall be drawn down below the Requirement in any given Fiscal Year, such Fund shall be replenished over the next two Fiscal Years.

"Revenue Landings" means all aircraft landings at the Airport except government flights, military flights, and those aircraft landings which occur when the aircraft has taken off from the Airport and without making a landing at any other airport, returns to land at Airport because of meteorological conditions, mechanical or operating causes, or any other reason of emergency or precaution.

"Revenues" means all rentals, landing fees, user charges, concession and other operating revenues received by the Board from the operation of the Airport: provided, however, that Revenues shall not include Passenger Facility Charges, customer facility charges; other similar fees and charges; interest and investment income other than interest on the Operation and Maintenance Reserve Account and the Repair and Replacement Reserve Fund when such interest results in there being an amount in such funds in excess of the respective requirements of such funds; grant and other capital reimbursements; insurance proceeds; proceeds from asset disposition; and any non-operating income, or any revenues pledged to special facility, or any other similar bonds; provided, further however, that Revenues shall include any of the foregoing which KCAB shall deem to be Revenues.

"Signatory" when referred to singly means the Air Transportation Company that executes this Agreement, and when referred to in plural means all Air Transportation Companies that have executed an agreement in substantially the same form as this Agreement.

"Terminal" means the passenger terminals, including associated concourses, as shown on Exhibit A attached hereto and as presently existing or as hereafter modified, developed or relocated.

"Terminal 3 Facilities" or "T3 Facilities" means the Terminal 3 Facilities (now known as the Main Terminal), the tunnel connecting Terminal 3 to Concourse B, and Concourse B at the Airport.

"Terminal 3 Facilities Agreement" means that certain lease agreement dated May 3, 2007 and entered into by and between the Board and Delta, and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Terminal Cost Center" means the Cost Center to which expenses associated with the Terminals are allocated.

"Terminal Lease Agreement(s)" means the Terminal 3 Facilities Agreement, Delta O&M Agreement, the Concourse A Lease Agreements, the Concourse C Agreement, the Lease Modification Agreement and any other lease hereafter entered into by and between the Board and a Signatory for Terminal space at the Airport with a term through the expiration of this Agreement.

“Terminal MII” means such group of Signatories leasing space within the Terminal representing greater than fifty percent in number of all Signatories leasing space and having paid greater than fifty percent of the total Signatories’ Terminal Rentals for the prior Fiscal Year.

“Terminal Ramp Area” means those areas of the Airport that provide for the parking, loading, unloading and servicing of passenger aircraft, which areas may be leased together with Terminal space to a Signatory.

“Terminal Ramp Area Rental Rate” means the terminal ramp area rental rate calculated pursuant to Section 5.5 of the Agreement.

“Terminal Rentals” means the rentals, fees and charges paid pursuant to a Signatory’s Terminal Lease Agreement after the application of any credits provided by the Board to Signatory.

“Terminal Rental Rate” means the terminal rental rate calculated pursuant to Section 5.4 of the Agreement.

Term

Each Airport Use Agreement presently in effect became effective prior to the date hereof. Each Airport Use Agreement terminates on December 31, 2020.

Signatory Requirement

For passenger airlines, each Signatory is required to maintain with the Board a Terminal Lease Agreement until December 31, 2020, with a minimum of 2,300 square feet of leased Terminal space, plus a minimum of 135 lineal feet of Terminal Ramp Area. For cargo airlines, each Signatory is required to maintain with the Board a separate cargo agreement until December 31, 2020, which (i) provides for the lease of premises directly or indirectly having an annual total rental of no less than $150,000 or (ii) provides for guaranteed annual landed weight resulting in Landing Fees of no less than $150,000 or (iii) provides for the lease of premises directly or indirectly and guaranteed annual landed weight resulting in combined lease payments and Landing Fees of no less than $150,000.

Use of Airport Facilities

Each of the Signatories shall have the right to the use of the Airport for the conduct of its air transportation business, and the right of ingress to and egress from the Airport, subject to reasonable rules and regulations of the Board in effect from time to time.

Net Remaining Revenues

Net Remaining Revenues (“NRR”) are to be calculated for each Fiscal Year by first subtracting from Revenues as calculated prior to the application of any NRR to adjust Terminal Rental and Landing Fees: (i) Operation and Maintenance Expenses; (ii) Expensed Capital Outlays; (iii) Debt Service paid from Revenues; (iv) Amortization Charges; and (v) transfers as required to the Operations and Maintenance Reserve Account and Repair and Replacement Reserve Fund. Added back to Revenues is the Concourse C Adjustment made pursuant to the Concourse C Amendment which Concourse C Adjustment is more fully explained in this Official Statement under the heading “Airport Lease Agreements.” The percentage of Net Remaining Revenues that are to be applied to adjust Terminal Rentals and Landing Fees, is set forth below:

Net Remaining Revenues (NRRs)	Airfield	Terminal
NRRs up to $10,000,000.00	10%	15%
NRRs in excess of $10,000,000.00	10%	40%
NRRs in excess of $30,000,000.00	10%	65%

Landing Fees

Each Signatory shall pay the Board by the twentieth (20th) of each month Landing Fees for Revenue Landings for the preceding month. The Landing Fee rate shall be calculated by dividing the Airfield Cost Center Requirement, reduced by Terminal Ramp Area revenues, and further reduced by the Net Remaining Revenues allocated to reduce the Airfield Cost Center Requirement, by total landed weight, adjusted to account for the non-signatory airlines landed weight charged at a premium of 15%. Each Signatory's Landing Fees shall be determined as the product of the landing fee rate for the period and such Signatory's total landed weight for the month. Signatory's landed weight for the month shall be determined as the sum of the products obtained by multiplying the Maximum Gross Landed Weight of each type of Signatory's aircraft by the number of Revenue Landings of each said aircraft during such month. Each Signatory may designate one or more Air Transportation Companies as its Affiliate and for purposes of calculating Landing Fees such Affiliate's landed weight shall be considered as Signatory landed weight and shall be charged at the Signatory Landing Fee rate. The Signatory is responsible for the payment of its designated Affiliates' Landing Fees.

Lease of Airport Facilities

Each passenger airline that is a Signatory leases airport facilities (e.g. Terminal space, Terminal Ramp Area, Loading Bridges and Airline Shared Space) under a separate Terminal Lease Agreement. Each Terminal Lease Agreement is more fully explained in this Official Statement under the heading "Airport Lease Agreements." Of relevance here is that the Terminal Lease Agreements incorporate the applicable rentals, rates and charges that are set forth under the Airport Use Agreement for the lease of such airport facilities, which rentals, rates and charges, are summarized below.

Terminal Rentals

<u>Terminal Space</u>- the Terminal Rental Rate for space leased under the Signatory's Terminal Lease Agreement is calculated first by determining a gross terminal rental rate, which shall be the Terminal Cost Center Requirement divided by total Terminal leasable square feet, and then by applying a per square foot credit for Concession Revenues. This credit to gross terminal rental rates is calculated separately for the Terminal 3 Facilities and Concourse A and is calculated by dividing the Concession Revenues allocated to the Terminal 3 Facilities and Concourse A by the total leasable space in each of the facilities.

<u>Terminal Ramp Area</u> - The Terminal Area Rental Rate for ramp leased under a Signatory's Terminal Lease Agreement is calculated by dividing the Terminal Ramp Area Cost Center Requirement, which is equal to 20% of the costs allocated to the Airfield Cost Center, by total Terminal Ramp Area lineal footage.

<u>Airline Shared Space</u>- a Signatory's charge for the use of areas used in common by all carriers operating in Concourse A is calculated by applying the Concourse A Terminal Rental Rate to the total square feet in these shared areas and dividing by the number of gates being used in Concourse A.

Loading Bridges – a Signatory's charge for the use of loading bridges under the Concourse A Agreement is calculated by the dividing the cost allocated to the Loading Bridge Cost Centers by the number of gates being used in Concourse A.

Total Terminal Rentals paid by a Signatory under a Terminal Lease Agreements are reduced by each Signatory's share of Net Remaining Revenues allocated to the Terminal. The Terminal share of the NRR is allocated to each Signatory based on its percentage of Terminal space.

Settlement Provisions

Prior to the beginning of each Fiscal Year, the Board shall provide each Signatory the proposed Landing Fee rate, Terminal Rentals and the NRR adjustment to Terminal Rental for the ensuing Fiscal Year based upon the Board's Annual Budget. After the close of each Fiscal Year, such rental, fees and charges for the preceding Fiscal Year shall be recalculated using audited financial data. Any overpayments of rentals, fees and charges will be returned by the Board to Signatory and any underpayments will be invoiced to Signatory and due within thirty(30) days of the Signatory's receipt of the invoice.

Adjustment to Rates and Charges

The Board may make reasonable adjustment to Landing Fees and Terminal Rentals, no more than once during each Fiscal Year to account for changes in activity levels and budget changes, which result in a required adjustment of ten percent (10%) or more to the Landing Fees and Terminal Rentals. Board shall provide thirty (30) days advance written notice of such adjustment and the reason therefore to Signatory.

Extraordinary Coverage Payments

In addition to Landing Fees and Terminal Rentals and any other fees and charges as are allowable under the Airport Use Agreement, each Signatory shall be required to make extraordinary coverage protection payments in any Fiscal Year in which the amount of Revenues less Operation and Maintenance Expenses is or is forecasted to be less than one hundred twenty-five percent (125%) of the aggregate annual Debt Service requirement (as calculated under the Bond Resolution). Any amounts that must be collected for such extraordinary coverage protection payments from the Signatories shall be allocated to the Airfield Cost Center Requirement.

Other Fees and Charges

Signatory shall pay reasonable and non-discriminatory charges for other services or facilities provided by Board. Such services or facilities may include, but are not limited to, aircraft parking fees, gate charges, special maintenance of leased premises, directly metered utilities, trash removal and fees for Board provided equipment and systems. Signatory shall pay the required fees for all permits and licenses necessary for the conduct of its business at the Airport. Signatory shall also pay all applicable taxes and assessments.

Majority-in-Interest Provision

The Airport Use Agreement utilizes a negative MII process whereby Signatories are required to issue written disapproval for Capital Expenditures requiring MII consideration within 60 days or the Capital Expenditure requiring MII consideration is deemed approved. The MII process does not apply to Capital Expenditures: (i) having an individual net capital cost (total cost less any other source of funding to the Board) of less than $750,000.00, with such amount adjusted annually in accordance with changes in the U.S. Implicit Price Deflator Index; (ii) where neither debt service nor amortization charges will be included in calculating a Signatory's rentals, fees and charges; (iii) that are required to address legal or regulatory compliance; (iv) any capital expenditure necessary to repair a casualty; or to address an environmental remediation; (v) all costs to settle litigation and to comply with judicial orders; (vi) expenditures of an emergency nature.

Debt Service; Amortization Charges

Nothing in the Airport Use Agreement shall be construed to limit in any way the Board's authority to issue Bonds and/or use other funds for any Capital Expenditures; provided, however, the Board's authority to include Debt Service on such Bonds and/or Amortization Charges on such other funds used in the calculation of Signatory rates and charges shall be subject to the MII provisions of the Airport Use Agreement.

Security Deposits

The Signatory is required to maintain a deposit in the form of a surety bond or an irrevocable letter of credit in an amount equal to three (3) months of its estimated Landing Fees of the Signatory and its Affiliates.

Indemnification

Each Signatory is required to hold harmless and defend the Board, including all directors, members, officers, agents, servants and employees thereof, from any and all liabilities, losses, suits, judgments, fines, penalties, costs, damage, expense (including cost of suit and reasonable expenses of legal services), claims, demands and causes of actions whatsoever claimed by anyone by reason of injury or damage to persons or property, or other damages, as a result of acts or omissions of Signatory, its affiliates, agents, servants, employees, contractors, suppliers or invitees, or arising out of any operations of Signatory upon or about the Airport, except to the extent such liability as may result from the gross negligence or willful misconduct of the Board.

Insurance

As a means of further protecting the Board, Signatory shall at all times carry insurance coverage, including Comprehensive Airline Liability Insurance in a limit not less than Five Hundred Million Dollars ($500,000,000) per occurrence, Aircraft Liability Insurance in a limit of not less than Five Hundred Million and No/100 Dollars ($500,000,000.00) on each aircraft owned by the Signatory on the Airport, Commercial Automobile Liability Insurance with a limit of not less than Fifty Million and No/100 Dollars ($50,000,000) each accident, and Workers' Compensation and Employer's Liability Coverage.

Operation of Airport

Board agrees that it will operate and maintain the Airport facilities as a public airport in a prudent manner and consistent with the sponsor's assurances given by Board to the United States government in accordance with federal laws and consistent with the terms and conditions of the Airport Use Agreement.

Environmental Provisions

Signatory agrees that it will not use, store, maintain, discharge or conduct operations involving hazardous substances at the Airport in violation of any applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, standards, orders, licenses or permits of any governmental authorities, relating to environmental matters.

Subordination to Bond Resolution

The Airport Use Agreement and all rights granted to Signatory thereunder are subordinated and subject to the lien and provisions of the Bond Resolution. Board reserves the right to make such pledges and grant such liens and enter into covenants as it may deem necessary or desirable to secure and provide for the payment of Bonds, including the creation of reserves.

Assignment

Signatory shall not assign, sell, pledge or encumber, license the use of, or otherwise transfer any interest in the Airport Use Agreement, without the prior written approval of the Board. The Board shall approve the assignment of the Airport Use Agreement to any business entity with which Signatory may merge or consolidate or which purchases all or substantially all of Signatory's assets.

Amendment

The Airport Use Agreement may be amended only by written agreement signed by the Board and Signatory.

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APPENDIX C

AIRLINE TRAFFIC ANALYSIS AND REVIEW OF AIRPORT FORECAST

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Appendix C

AIRLINE TRAFFIC ANALYSIS AND REVIEW OF AIRPORT FORECASTS

related to the proposed issuance of

CINCINNATI / NORTHERN KENTUCKY INTERNATIONAL AIRPORT

REVENUE REFUNDING BONDS, SERIES 2016 (NON-AMT)

Prepared for

Kenton County Airport Board
Boone County, Kentucky

Prepared by
LeighFisher
Cincinnati, Ohio

June 8, 2016

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Leigh|Fisher

June 8, 2016

Ms. Candace McGraw
Chief Executive Officer
Kenton County Airport Board
77 Comair Blvd
Erlanger, KY 41018

Re: Letter Report on behalf of the Kenton County Airport Board, concerning the issuance of Airport Revenue Refunding Bonds, Series 2016 (Non-AMT)

Dear Ms. McGraw:

We are pleased to submit this Letter Report on certain aspects of the proposed issuance of Airport Revenue Refunding Bonds, Series 2016 (Non-AMT) (the 2016 Bonds) by the Kenton County Airport Board (Board).* This letter and the accompanying attachment and exhibits constitute our Letter Report. The 2016 Bonds are being issued to:

- Refund the Board's outstanding Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2003B Bonds (AMT) (the Refunded Bonds), and

- Pay the costs of issuing the 2016 Bonds.

The 2016 Bonds will be limited obligations of the Board payable from Net Revenues derived from the use and operation of Cincinnati/Northern Kentucky International Airport (the Airport). The 2016 Bonds are being issued under the authority of Chapter 183 of the Kentucky Revised Statutes (the Act), and are authorized by the 2016 Airport Revenue General Bond Resolution adopted by the Board (the General Bond Resolution), and the Series 2016 Bond Resolution adopted by the Board (the Series Resolution). ** The General Bond Resolution and the Series Resolution are collectively referred to herein as the Resolution.

Pursuant to the terms of the Resolution, the 2016 Bonds will be secured by a pledge of Net Revenues on a parity basis with Additional Bonds, as may be issued and outstanding from time to time. Additionally, the 2016 Bonds will be secured by an irrevocable commitment of Designated PFC Revenues for Fiscal Year (FY) 2016 through FY 2020. The Board may extend the commitment to use Designated PFC Revenues to pay debt service on the 2016 Bonds after FY 2020 but is under no obligation to do so. The proposed 2016 Bonds are the only Bonds the Board plans to issue during FY 2016 through FY 2021 (the Forecast Period). ***

In connection with the issuance of the 2016 Bonds, the Board prepared forecasts of air traffic and financial results, and has engaged LeighFisher to review the Board's forecasts and prepare a Letter

*Capitalized terms not otherwise defined in this Letter Report have the meanings given in the General Bond Resolution, Series Resolution, or Official Statement to which this Letter Report is attached.
**The General Bond Resolution and Series Resolution were approved by the Board on May 16, 2016.
***The Authority's Fiscal Year (FY) ends on December 31.

Report providing commentary on certain key assumptions, in addition to providing an opinion on the reasonableness of the Board's forecasts.

KEY ASSUMPTIONS UNDERLYING THE BOARD'S FORECASTS

The section of the Letter Report entitled "Basis for Airline Passenger Demand" describes the airport service region and the demographic and economic profile of the region. The section of the Letter Report entitled "Airline Traffic Analysis" describes the role of the Airport, including airline service, passenger traffic, and top markets; the key factors affecting future airline traffic; and the air traffic forecasts. The section of the Letter Report entitled "Financial Analysis" provides a summary of the legal framework governing the financial operation of the Board, the Passenger Facility Charges program, debt service, Cost of Maintenance and Operation, Airport Revenues, debt service coverage and rate covenant compliance.

Certain key assumptions relating to the Board's forecasts are summarized here, and described more fully in the accompanying text:

- **Air Traffic.** Total enplaned passengers will increase 1.6% in 2016 and forecasts average annual growth of 1.8% per year thereafter through 2021.

- **Capital Improvement Program.** The Board's capital improvement plan (the CIP) is not anticipated to require additional Bonds through the Forecast Period. The Board may issue Subordinate Bonds or Special Facility Obligations, to fund all or portions of a Consolidated Rental Car Facility (CONRAC) which is currently estimated to cost $150 million.

- **New Airport Use Agreement (the AUA).** A new AUA became effective January 1, 2016 and expires on December 31, 2020. The new AUA is significantly different from the prior residual agreement that expired on December 31, 2015. The Board has assumed the methodology in the new AUA, and revenues derived from airline rentals, will continue through the Forecast Period (i.e., starting January 1, 2016 and ending December 31, 2021). Future airline rates assume recovery of costs associated with the Board's CIP. The Board has utilized similar capital project cost assumptions as those contemplated during negotiations of its new AUA. As of the date of this Letter Report, Allegiant, Delta, DHL, Federal Express, Frontier, and United are signatories to the new AUA. American Airlines has indicated its intention to sign the AUA, but has not yet returned an executed copy.

- **Passenger Facility Charge (PFC) Program.** The Board anticipates that the collection authority for its approved PFC applications will expire in the first half of FY 2018. Prior to this expiration date, the Board plans to submit an additional PFC application to the FAA for use of PFCs on additional PFC eligible projects on a pay-as-you-go basis. Any such additional approvals would likely extend the collection authority beyond the FY 2018 projected expiration date. Future PFC applications and amendments to approved applications may result in the PFC level at the Airport decreasing from the $4.50 level to the $3.00 level, which for purposes of this Letter Report, is assumed to occur at the beginning of FY 2018. Designated PFC Revenues are assumed for the Forecast Period, including the irrevocable commitment for FY 2016 through FY 2020 and an assumption the Board will extend the commitment in FY 2021. Additionally, the Board may use PFCs on deposit in the PFC Project Fund to pay debt service. The PFC Project Fund balance as of March 31, 2016 was $47.8 million.

- **2016 Bonds.** The 2016 Bonds do not reflect final pricing and assume a principal amount of $50,795,000, final maturity in 2033, and a true interest cost of 3.25%, as prepared by the Board and its financial advisor (Frasca & Associates, LLC).

LEGAL FRAMEWORK

Deposit Requirement - Section 8.03(a)

In Section 8.03(a), Rate Covenant, of the General Bond Resolution, the Board covenants to meet a requirement defined for the purposes of this Letter Report as a "Deposit Requirement." That section states:

> The Board shall fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount required to be applied or deposited by the Board under Subsections 6.04(a)(ii) through (ix) [Application of Money in Revenue Fund] hereof during such Fiscal Year.

Coverage Requirement - Section 8.03(b)

In Section 8.03(b), Rate Covenant, of the General Bond Resolution, the Board covenants to meet a requirement defined for the purposes of this Letter Report as a "Coverage Requirement." That section states:

> The Board shall, while any Bonds remain Outstanding, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that for each Fiscal Year the sum of (i) the Net Revenues plus (ii) the Carryover Amount, if any, for such Fiscal Year will be equal to at least 125% of Principal and Interest Requirements on all Outstanding Bonds for that Fiscal Year.

Under Section 5.9 of the new AUA, the Board may charge the Signatory Airlines extraordinary coverage protection payments (ECP) in any Fiscal Year in which the amount of Revenues less O&M Expenses is, or is forecasted, to be less than one hundred twenty-five percent (125%) of the Principal and Interest Requirements on all Outstanding Bonds. Any amounts collected for such ECP from the Signatories shall be allocated to the Airfield Cost Center Requirement.

Application of Revenues – Section 6.04

In Section 6.04, Application of Money in Revenue Fund, of the General Bond Resolution, the Board covenants, so long as there are any Bonds Outstanding, all Revenues shall be deposited into the Revenue Fund and shall be set aside on or before the 20th day of each month for the payment of the following amounts or deposited or transferred to the following Funds and Accounts in the order listed:

i. Operations and Maintenance Fund;
ii. Interest Account of the Bond Fund;
iii. Principal Account of the Bond Fund;
iv. Bond Reserve Fund;
v. Subordinate Bond Fund;
vi. Subordinate Bond Reserve Fund;
vii. Operations and Maintenance Reserve Account;
viii. Repair and Replacement Fund;
ix. Rebate Fund; and
x. General Purposes Fund from time to time, at the discretion of the Board, any amount of the moneys remaining in the Revenue Fund, which the Board has reasonably determined taking into account additional Revenues projected to be received, will not be needed to make deposits required in paragraphs (i) through (ix) above.

Net Revenues means the sum of Revenues remaining after provision is made for the payment of O&M Expenses plus transfers of Other Available Revenues, if any, as specified in a Series Resolution (or any other action adopted by the Board).

In the Series Resolution, the Board determined Passenger Facilities Charges transferred from the PFC Project Fund to the Designated PFC Revenue Account shall constitute Designated PFC Revenues and be deemed Other Available Revenues beginning with the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board.

Designated PFC Revenues means certain Passenger Facility Charges that are irrevocably committed to pay Principal and Interest Requirements of the Series 2016 Bonds when such Passenger Facility Charges are deposited in the Designated PFC Revenue Account pursuant to the Series 2016 Resolution. Such Designated PFC Revenues also shall be deemed Other Available Revenues pursuant to the General Resolution.

Exhibit 5, which is summarized in the following table, presents the forecasts of debt service coverage, showing that the 125% coverage requirement of the Rate Covenant is exceeded in each year of the Forecast Period.

SUMMARY OF FINANCIAL FORECAST
Kenton County Airport Board
(Fiscal Years ending December 31; in thousands except coverage ratios and CPE)

		Forecast					
		2016	2017	2018	2019	2020	2021
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues plus Carryover Amount (1)(2)	[A]	$ 17,506	$ 17,959	$ 18,537	$ 19,215	$ 19,938	$ 20,381
Rate Covenant Coverage Requirement	[B]	6,175	5,570	5,572	5,569	5,574	5,570
Rate Covenant Compliance, 8.03(b)	[A]-[B]>=0	$ 11,330	$ 12,389	$ 12,965	$ 13,646	$ 14,364	$ 14,811
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues (1)	[C]	$ 17,506	$ 17,959	$ 18,537	$ 19,215	$ 19,938	$ 20,381
Total Deposits	[D]	4,940	5,089	4,996	5,011	5,034	5,048
Rate Covenant Compliance, 8.03(a)	[C]-[D]>=0	$ 12,565	$ 12,870	$ 13,540	$ 14,204	$ 14,903	$ 15,333
FINANCIAL METRICS							
Net Revenues	[C]	$ 17,506	$ 17,959	$ 18,537	$ 19,215	$ 19,938	$ 20,381
Principal and Interest Requirements on Outstanding Bonds	[E]	4,940	4,456	4,457	4,455	4,459	4,456
Debt Service Coverage	[C / E]	3.54	4.03	4.16	4.31	4.47	4.57
Passenger Airline Revenues		$ 28,649	$ 29,833	$ 30,159	$ 30,662	$ 31,165	$ 31,377
Enplaned Passengers		3,210	3,278	3,343	3,400	3,455	3,516
Airline Cost per Enplaned Passenger (CPE)		$ 8.93	$ 9.10	$ 9.02	$ 9.02	$ 9.02	$ 8.92

Source: Kenton County Airport Board.
Notes: (1) The Board is irrevocably committing PFCs as Designated PFC Revenues through 2020; this Letter Report assumes the commitment will be extended through 2021.
(2) For purposes of this Letter Report, no Carryover Amount has been included in any Fiscal Year.

SCOPE OF LETTER REPORT

In conducting our study, we reviewed:

- The status and estimated costs of the Board's capital improvement plan (the CIP), including the facilities expected to be provided, the estimated funding sources, and the estimated completion dates of the projects in the CIP.
- The forecast sources and uses of funds for the 2016 Bonds, and associated forecast annual debt service requirements for the 2016 Bonds, as prepared by the Board and its financial advisor (Frasca & Associates, LLC).
- The Board's forecast airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport's service region, historical trends in airline traffic, recent airline service developments and airfares, and other key factors that may affect future airline traffic.
- The Board's approved PFC applications, historical and estimated future PFC revenues and the Board's intended use of PFC revenues during the Forecast Period for funding portions of the CIP on a pay-as-you-go basis and as a source for payment for the debt service for

the 2016 Bonds. We also reviewed the Board's preliminary plans for future PFC applications during the Forecast Period.

- The Board's original Official Statement for the Refunded Bonds and information regarding the projects financed with proceeds from those bonds.
- The Board's preliminary draft official statement for the 2016 Bonds, the General Bond Resolution, and the Series Resolution.
- The Board's policies and rate-making methodologies and procedures relating to the calculation of airline terminal rents and landing fees, including the Board's financial model for calculating airline rates and charges.
- The Board's new AUA entered into with certain air transportation companies effective January 1, 2016 which governs the rates and charges paid by those air transportation companies signatory to the Agreement.
- The Delta Air Lines lease agreement for the Terminal 3 Facilities.
- The Board's procedure for allocating direct and indirect expenses as documented in the Board's financial model for calculating annual airlines rates and charges.
- The historical correlations between and among operating revenues, operating expenses, and passenger enplanements at the Airport.
- The anticipated correlations between and among future operating revenues, operating expenses, and passenger enplanements at the Airport.
- The Board's actual operating expenses for FY 2013 through FY 2015; the Board's budget for operating expenses for FY 2016, including a comparison with trends in actual data for the first three months of FY 2016; and the Board's forecast of operating expenses for FY 2017 through FY 2021.
- The Board's actual operating revenues for FY 2013 through FY 2015; the Board's budget for revenues for FY 2016, including a comparison with trends in actual data for the first three months of FY 2016; and the Board's forecast revenues for FY 2017 through FY 2021.
- The Board's audited special purpose financial statements (the Financial Statements) for FY 2014.
- The Board's financial results for FY 2015 (prior to the completion of the annual audit).

STRESS SCENARIO

To test the performance of the financial results under stress assumptions, the Board developed a stress scenario projection in addition to the base forecast. The sensitivity analysis projection is hypothetical and should not be considered a forecast of expected future results.

The stress scenario assumes that no PFCs are Designated PFC Revenues and therefore are not treated as Other Available Revenues. Further, for purposes of this scenario, it is assumed that none of the 2016 Bonds debt service is included in airline rates and charges. Under this scenario, the Board is able to meet both the Deposit Requirement and Coverage Requirement. The Board's projected financial results under this scenario are shown in the exhibit labeled "Stress Scenario" in the attachment to this Letter Report.

ASSUMPTIONS UNDERLYING THE FORECASTS

The forecasts and financial projections in this Letter Report were developed by the Board and are based on information and assumptions that were provided by, or reviewed with, and agreed to by the Board. The forecasts reflect the Board's expected course of action during the Forecast Period and, in the Board's judgment, present fairly the expected financial results of the Board. In our opinion, the assumptions underlying the Board's financial forecasts provide a reasonable basis for such forecasts and we believe that such forecasts reflect such assumptions. To the best of our knowledge, we believe that the Board has taken into account all relevant material factors. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

We have relied upon the information listed above and other information provided to us without validating the accuracy, completeness, or reliability of such information. While we have no reason to believe that the information does not provide a reasonable basis for the financial forecasts set forth in this review, we offer no assurances as to the accuracy or reliability of such information.

Any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Letter Report. We have no responsibility to update this Letter Report to reflect events and circumstances occurring after the date of the Letter Report.

* * * * *

We appreciate the opportunity to serve the Board in connection with this proposed financing.

Respectfully submitted,

LeighFisher

LeighFisher

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Attachment

BACKGROUND, ASSUMPTIONS, AND
RATIONALE FOR THE FINANCIAL FORECASTS

Kenton County Airport Board

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CONTENTS

TABLES

FIGURES

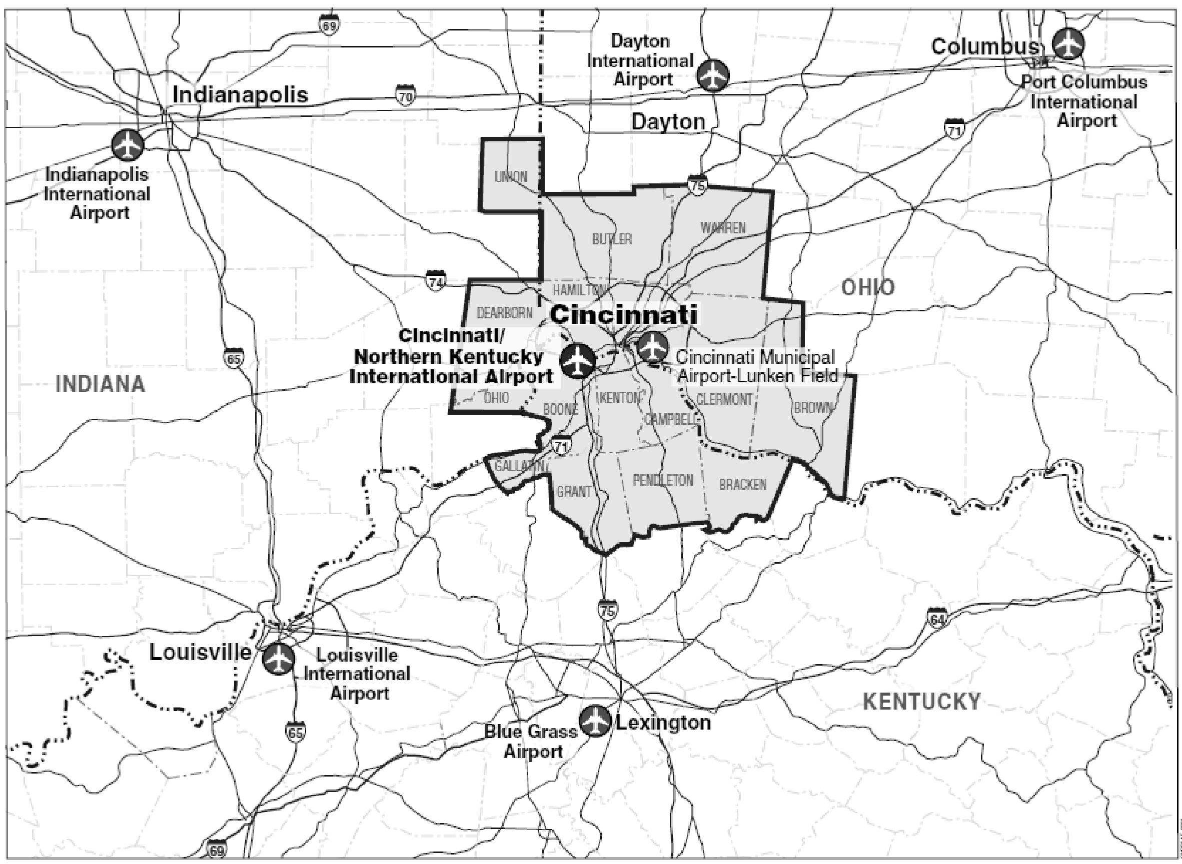
EXHIBITS

BASIS FOR AIRLINE PASSENGER DEMAND

AIRPORT SERVICE REGION

The Airport's primary service region is the 15-county Cincinnati Metropolitan Statistical Area (the MSA), shown on Figure 1. According to the U.S. Department of Commerce, Bureau of the Census, the estimated population of the MSA was 2.158 million in 2015.

Figure 1
AIRPORT SERVICE REGION
Cincinnati/Northern Kentucky International Airport
(March 2016)



LEGEND
- Airport service region
- State boundary
- County boundary
- Passenger air carrier service airport

Drivetime from Cincinnati to:	
Dayton (DAY)	1 hour 5 minutes
Columbus (CMH)	1 hours 43 minutes
Indianapolis (IND)	1 hours 48 minutes
Lexington (LEX)	1 hour 21 minutes
Louisville (SDF)	1 hour 34 minutes

Several airports offering scheduled passenger air service are located within a 2-hour drive of the Airport, namely: Blue Grass Airport (LEX), Dayton International Airport (DAY), Indianapolis International Airport (IND), Louisville International Airport (SDF), and Port Columbus International Airport (CMH). Of these, DAY is the nearest. A comparison of domestic passenger airline service, originating passengers, and average airfares at the Airport and DAY is presented in Table 4. Cincinnati Municipal Lunken Airport (LUK), owned by the City of Cincinnati, is primarily a general aviation airport with a limited amount of scheduled service provided by Ultimate Air Shuttle.

DEMOGRAPHIC AND ECONOMIC PROFILE

In general, the population and economy of an airport's service region are the primary determinants of originating passenger numbers at the airport. Connecting passenger numbers are primarily determined by airline decisions to provide connecting service at the airport.

Historical Socioeconomic Data

Table 1 shows data on historical population, per capita income, nonagricultural employment, and unemployment rates for the MSA and the nation.

Population. Between 2010 and 2015, the population of the MSA increased an average of 0.4% annually, compared with a 0.8% average annual increase for the nation as a whole.

Per Capita Income. The MSA's per capita personal income in 2014 ($45,932) was nearly equal to the national average ($46,104). Between 2010 and 2014 (the most recent data available), per capita personal income in the MSA increased an average of 1.8% annually, compared with a 1.7% average annual increase for the nation as a whole.

Nonagricultural Employment. Between 2010 and 2015, nonagricultural employment in the MSA increased an average of 1.5% annually, compared with a 1.7% average annual increase for the nation as a whole.

Unemployment Rates. Since 2012, the rate of unemployment has been lower for the MSA than for the nation. In 2015, unemployment in the MSA averaged 4.4% compared with 5.3% for the nation.

Table 1

HISTORICAL SOCIOECONOMIC DATA

	Population (thousands)		Per capita personal income (2015 dollars)		Nonagricultural employment (thousands)		Unemployment rate	
	MSA	United States	MSA	United States	MSA	United States	MSA	United States
2000	2,000	282,162	42,846	42,121	1,015	132,024	3.7%	4.0%
2005	2,055	295,517	44,243	43,519	1,031	134,051	5.4	5.1
2010	2,118	309,347	42,824	43,779	982	130,361	9.9	9.6
2011	2,123	311,722	44,153	44,732	992	131,932	8.9	8.9
2012	2,130	314,112	45,097	45,697	1,009	134,175	7.4	8.1
2013	2,138	316,498	44,909	45,212	1,025	136,381	7.2	7.4
2014	2,148	318,857	45,932	46,104	1,042	138,958	5.4	6.2
2015	2,158	321,419	n.a.	47,688	1,060	141,865	4.4	5.3
	Average annual percent increase (decrease)							
2000-2005	0.5%	0.9%	0.6%	0.7%	0.3%	0.3%		
2005-2010	0.6	0.9	(0.6)	0.1	(1.0)	(0.6)		
2010-2015	0.4	0.8	1.8 *(a)*	1.7	1.5	1.7		
2000-2015	0.5	0.9	0.5 *(a)*	0.8	0.3	0.5		

Notes: Population numbers are estimated as of July 1 each year. Calculated percentages may not match those shown because of rounding. n.a. = not available.

(a) Average annual percent increase through 2014.

Sources: U.S. Department of Commerce, Bureau of Census website, www.census.gov, accessed April 2016.
U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed March 2016.
U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed March 2016.

Largest Employers

Table 2 shows the top 20 employers in the region. Of these 20 employers, 5 are both headquartered in the MSA and on the *Fortune* 500 list of largest U.S. companies and 6 are in the field of health care. *Fortune* 500 companies headquartered in the MSA but not listed in Table 2 include: Ashland, Omnicare, AK Steel, General Cable, American Financial Group, and Western & Southern Financial Group. E.W. Scripps Company is another key employer headquartered in the MSA.

Table 2
TOP EMPLOYERS
Cincinnati Tri-State Area
July 2015

Rank	Company	Employment	Type of business
1	Kroger Co. *(a)*	21,600	Grocer/retail
2	University of Cincinnati	16,000	Education
3	Cincinnati Children's Hospital Medical Center	14,900	Health care
4	TriHealth Inc.	11,800	Health care
5	Proctor & Gamble Co. *(a)*	11,000	Consumer products
6	UC Health	10,000	Health care
7	GE Aviation *(a)*	7,800	Aerospace
8	Mercy Health - Cincinnati	7,500	Health care
9	St. Elizabeth Healthcare	7,500	Health care
10	Fifth Third Bancorp *(a)*	6,900	Financial services
11	City of Cincinnati	6,500	Local government
12	Christ Hospital Health Network	5,300	Health care
13	Archdiocese of Cincinnati	5,100	Religious organization
14	Hamilton County	4,600	Local government
15	Macy's Inc. *(a)*	4,500	Retail
16	Cincinnati Public Schools	4,500	School district
17	Internal Revenue Service	4,400	Government
18	Miami University	4,200	Education
19	Fidelity Investments	4,100	Financial services
20	Kings Island	4,000	Amusement park

Note: The Tri-state area as defined by Cincinnati Business Courier is generally analogous to the Cincinnati MSA.

(a) Fortune 500 company (based on global 2014 revenue) headquartered in Cincinnati.

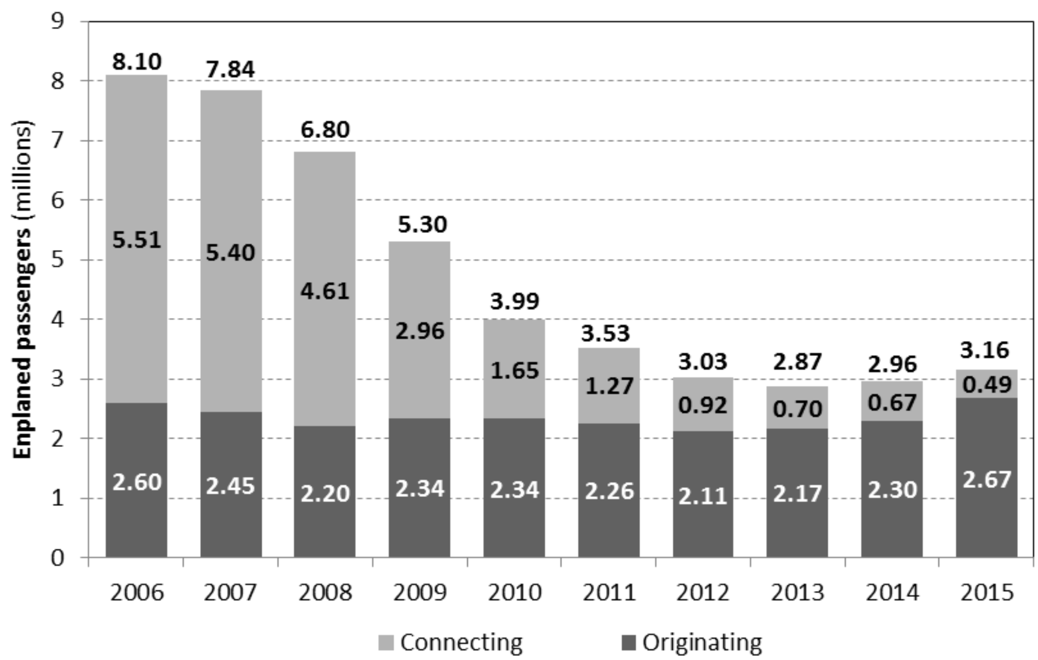
Sources: Cincinnati Business Courier, 2015-2016 Book of Lists; Fortune 500 website, www.fortune.com.

AIRLINE TRAFFIC ANALYSIS

ROLE OF THE AIRPORT

The Airport primarily serves travelers who are residents of, or visitors to, the Cincinnati region. Until 2006, Delta Air Lines operated a sizable connecting hub at the Airport. Since then, Delta has downsized its operations at the Airport as it reorganized under bankruptcy protection and merged with Northwest Airlines. This downsizing has led to a reduction in connecting traffic, but has also presented business opportunities to other airlines at the Airport, and competing legacy airlines and new entrant low-cost carriers have materially expanded service. The resulting competition has led to lower average airfares in several markets and stimulation of local originating travel demand. Between 2013 and 2015, the number of enplaned passengers increased 10% at the Airport. Figure 2 depicts the enplaned passenger trend at the Airport from 2006 to 2015.

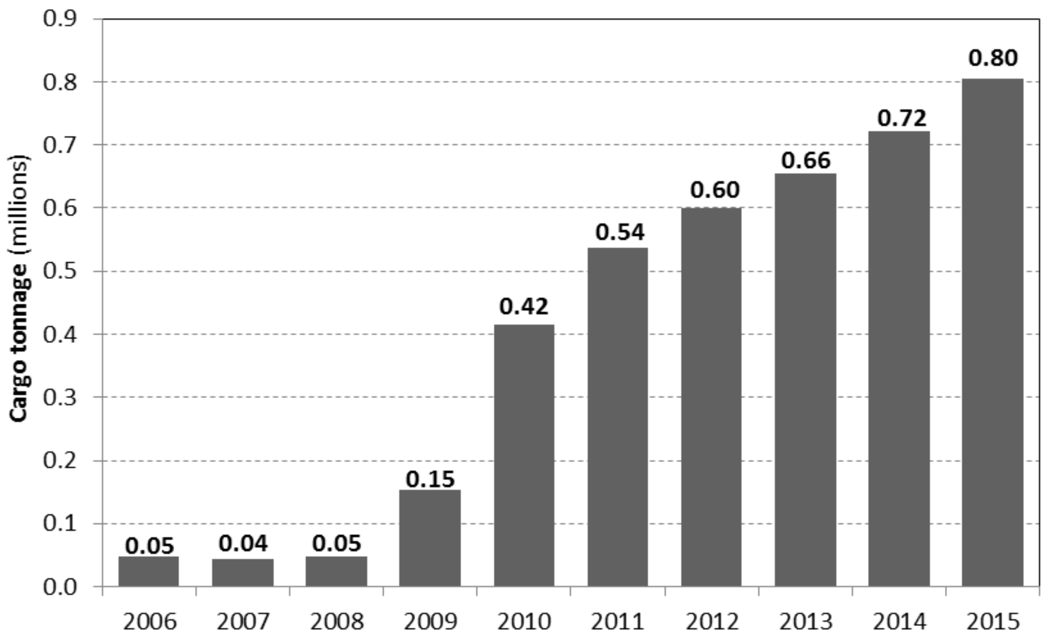
Figure 2
ENPLANED PASSENGERS, BY ORIGINATING AND CONNECTING
Cincinnati/Northern Kentucky International Airport
(calendar years)



Note: Numbers may not add to totals shown because of rounding.
Source: Kenton County Airport Board.

DHL operates one of its three global cargo "Super-Hubs" at the Airport and accounts for 95% of cargo tonnage at the Airport. According to ACI-NA, the Airport was the ninth largest in North America in 2014 in terms of air cargo tonnage. In 2009, DHL returned its hub operation to the Airport following a 4-year period based in Wilmington, Ohio. Since its return, DHL has invested heavily in its facilities at the Airport. Figure 3 depicts the substantial increases in air cargo tonnage at the Airport since DHL's return.

Figure 3
AIR CARGO TONNAGE
Cincinnati/Northern Kentucky International Airport
(calendar years)



Source: Kenton County Airport Board.

Airline Service

Table 3 lists the airlines serving the Airport as of June 2016.

Table 3
AIRLINES SERVING THE AIRPORT
Cincinnati/Northern Kentucky International Airport
(as of June 2016)

Scheduled passenger service	Charter airlines
Air Canada	Sun Country Airlines
Allegiant	SwiftAir
American	Volaris
Delta	
Frontier	**All-cargo operators**
Ultimate Air Shuttle	DHL
United	Federal Express

Source: Kenton County Airport Board.

Figure 4 shows the 35 destinations (33 domestic and 2 international) with daily nonstop passenger service and the 15 destinations (14 domestic and 1 international) with less-than-daily nonstop passenger service from the Airport as scheduled for June 2016. Of the 50 destinations, 19 are scheduled to be served by two or more airlines and 23 will have low-cost carrier service.

Figure 4

DESTINATIONS WITH SCHEDULED NONSTOP ROUNDTRIP PASSENGER SERVICE

Cincinnati/Northern Kentucky International Airport

(June 2016)

LEGEND

- ● Destinations with daily scheduled service
- ○ Destinations with less than daily scheduled service

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed March 2016.

Table 4 details recent trends in service, passengers, and airfares at the Airport and DAY. Compared to DAY, the Airport offers three times the number of departing seats to three times the number of nonstop destinations. Additionally, the Airport offers significantly more low-cost carrier service. Between 2011 and 2015, average airfares increased 15% at DAY while decreasing 8% at the Airport. Over the same period, the number of domestic originating passengers increased 19% at the Airport, while decreasing 19% at DAY.

Table 4

DOMESTIC PASSENGER AIRLINE SERVICE, ORIGINATING PASSENGERS, AND AVERAGE AIRFARES

Cincinnati/Northern Kentucky and Dayton International Airports

	Cincinnati			Dayton		
	Low-cost carriers	All other carriers	Total	Low-cost carriers	All other carriers	Total
Number of destinations served nonstop *(a)*						
June 2012	--	49	49	5	14	17
June 2016	23	36	47	3	12	15
Change	*+23*	*-13*	*-2*	*-2*	*-2*	*-2*
Number of airlines providing scheduled service						
June 2012	--	5	5	2	4	6
June 2016	2	4	6	2	3	5
Change	*+2*	*-1*	*+1*	--	*-1*	*-1*
Average daily departing seats						
June 2012	--	11,252	11,252	1,212	3,551	4,763
June 2016	2,506	9,356	11,862	498	3,339	3,837
Percent change	*n.a.*	*-16.9%*	*+5.4%*	*-58.9%*	*-6.0%*	*-19.4%*
Domestic O&D Passengers						
CY 2011	--	1,875,630	1,875,630	327,620	792,740	1,120,360
CY 2015	515,410	1,715,550	2,230,960	159,910	750,500	910,410
Percent change	*n.a.*	*-8.5%*	*+18.9%*	*-51.2%*	*-5.3%*	*-18.7%*
Average roundtrip fare *(b)*						
CY 2011	$--	$451	$451	$265	$389	$352
CY 2015	$151	$494	$415	$295	$427	$404
Percent change	*n.a.*	*+9.6%*	*-8.0%*	*+11.3%*	*+9.8%*	*+14.5%*

Note: n.a.=not applicable.

(a) Includes destinations served by an average of at least 1 flight per week.

(b) In 2015 dollars. Excludes taxes, fees, and PFCs, and ancillary fees charged by the airlines, but includes frequent flyers.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed April 2016; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Passenger Traffic by Airline

Table 5 presents the airline market shares of enplaned passengers at the Airport from 2011 through 2015. In 2015, Delta Air Lines enplaned the largest share of passengers at the Airport (56.3%), followed by American (15.2%) and United (10.0%). Delta's market share decreased from 82.0% in 2011 as it reduced the size of its connecting hub at the Airport. Over the same period, low-cost carriers Frontier and Allegiant launched service at the Airport, growing to account for 16.5% of the passenger market in 2015, and the remaining legacy and other airlines increased their market share from 18.0% to 27.2%.

Table 5
AIRLINE SHARES OF ENPLANED PASSENGERS
Cincinnati/Northern Kentucky International Airport
(calendar years)

Airline *(a)*	2011	2012	2013	2014	2015
Delta	2,891,041	2,373,949	2,137,435	2,010,409	1,778,433
American *(b)*	365,667	385,634	418,097	446,932	480,960
United *(c)*	242,707	242,010	246,900	278,712	314,655
Frontier	--	--	33,035	116,158	288,116
Allegiant	--	--	--	66,245	234,272
Air Canada	8,391	10,141	10,860	15,261	21,012
Ultimate Air	--	--	781	4,310	6,730
Charter Airlines	17,680	21,690	27,680	26,630	36,070
Total	3,525,486	3,033,424	2,874,788	2,964,657	3,160,248
Delta	82.0%	78.3%	74.4%	67.8%	56.3%
American *(b)*	10.4	12.7	14.5	15.1	15.2
United *(c)*	6.9	8.0	8.6	9.4	10.0
Frontier	--	--	1.1	3.9	9.1
Allegiant	--	--	--	2.2	7.4
Air Canada	0.2	0.3	0.4	0.5	0.7
Ultimate Air	--	--	0.0	0.1	0.2
Charter Airlines	0.5	0.7	1.0	0.9	1.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Regional code-sharing affiliates are included with their mainline airline partners.
(b) Includes US Airways.
(c) Includes Continental.

Source: Kenton County Airport Board.

Passenger Traffic by Segment

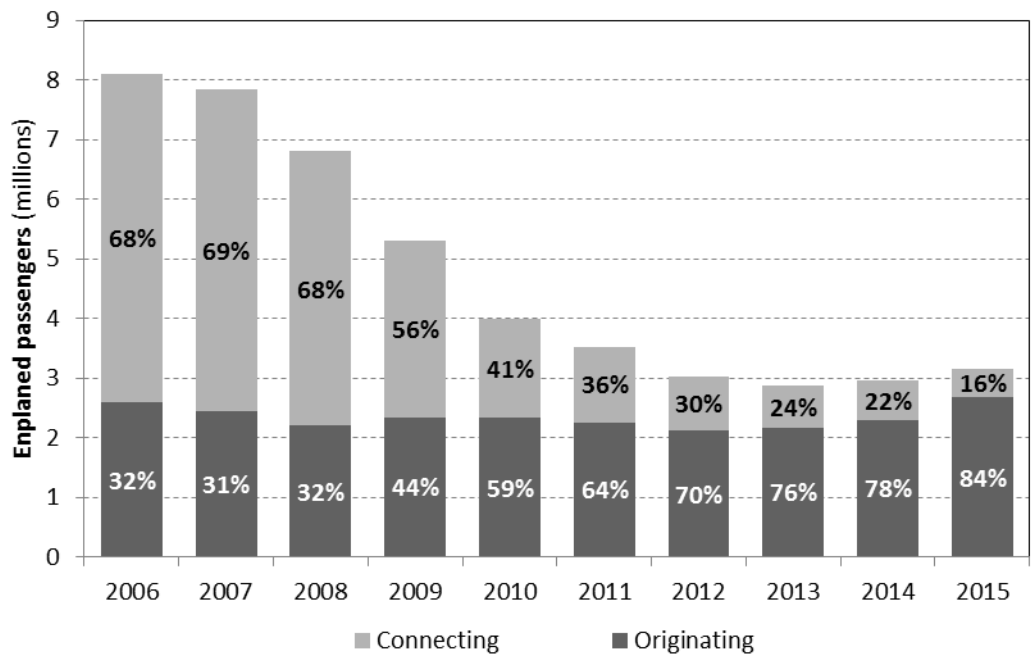
Figure 5 depicts enplaned passengers by segment (originating vs. connecting) at the Airport from 2006 to 2015. In 2015, 3.2 million passengers enplaned at the Airport—10% more than enplaned in 2013, but significantly fewer than the 8.1 million that had enplaned in 2006. The decrease in passenger traffic was due entirely to a reduction in connecting passengers (nearly all of whom were carried by Delta), which declined from 5.5 million in 2006 to 490,000 in 2015. Originating passenger volumes were relatively stable between 2006 and 2015, increasing 2.8% from 2.6 million to 2.7 million. By 2015, originating passengers accounted for 84% of passengers at the Airport, up from 32% in 2006.

Figure 5

ENPLANED PASSENGERS, BY ORIGINATING AND CONNECTING

Cincinnati/Northern Kentucky International Airport

(calendar years)



Source: Kenton County Airport Board.

Top 20 Domestic Originating Markets

Table 6 presents data on domestic originating passengers and average airfares for the top 20 domestic originating passenger markets from the Airport. In 2015, the largest 20 markets accounted for 73% of all domestic originating passengers at the Airport. Of the top 20 markets, all are scheduled to be served nonstop in June 2016, and 16 will have competing nonstop service by two or more airlines.

This table illustrates the stimulative effect of lower airfares on passenger traffic and, conversely, the dampening effect of higher airfares. For example, the markets with the most pronounced declines in passenger volumes between 2011 and 2015, New York, Boston, and San Francisco, experienced the largest increases in average airfares in the top 20 markets. By contrast, the markets recording the largest increases in passenger volumes, Orlando, Las Vegas, and Dallas/Ft. Worth, experienced some of the most substantial decreases in average airfares.

Table 6

PASSENGERS, AIRFARES, AND SERVICE IN TOP 20 DOMESTIC ORIGINATING CITY MARKETS

Cincinnati/Northern Kentucky International Airport

			Scheduled nonstop service (June 2016)		Average daily enplaned originating passengers				Average roundtrip fare *(a)*		
Rank	City market	Airports included	Airlines serving	Average daily departing flights	CY 2011	CY 2015	As percent of total 2015	Percent increase (decrease) 2011-2015	CY 2011	CY 2015	Percent increase (decrease) 2011-2015
1	Orlando	MCO,SFB	DL,F9,G4	3	232	461	7.5%	98.7%	$288.55	$202.76	(29.7%)
2	New York	EWR,JFK,LGA	AA,DL,UA	19	426	415	6.8	(2.6)	493.41	551.88	11.9
3	Miami/Fort Lauderdale/West Palm Beach	FLL,MIA,PBI	AA,DL,G4	4	263	396	6.5	50.7	327.89	251.14	(23.4)
4	Las Vegas	LAS	DL,F9,G4	3	166	331	5.4	98.8	418.23	280.24	(33.0)
5	Washington DC/Baltimore	BWI,DCA,IAD	AA,DL,G4,UA	10	238	282	4.6	18.5	426.46	301.98	(29.2)
6	Los Angeles	BUR,LAX,LGB,ONT,SNA	DL,F9	2	253	271	4.4	7.1	510.72	564.53	10.5
7	Dallas/Fort Worth	DAL,DFW	AA,DL,F9	9	154	268	4.4	73.7	524.84	330.85	(37.0)
8	Atlanta	ATL	DL,F9	7	172	226	3.7	31.1	406.35	406.01	(0.1)
9	Tampa/St. Petersburg	PIE,TPA	DL,G4	2	167	210	3.4	25.6	289.87	258.56	(10.8)
10	Chicago	MDW,ORD	AA,DL,P1,UA	18	195	207	3.4	5.9	538.96	489.20	(9.2)
11	Boston	BOS	DL	4	195	191	3.1	(2.0)	475.03	568.94	19.8
12	San Francisco	OAK,SFO,SJC	DL,F9	1	177	174	2.9	(1.7)	497.30	557.54	12.1
13	Denver	DEN	DL,F9,UA	4	113	167	2.7	47.7	435.13	368.02	(15.4)
14	Fort Myers	RSW	DL,F9	1	147	165	2.7	12.1	300.89	261.94	(12.9)
15	Phoenix	AZA,PHX	F9,G4	1	96	141	2.3	47.4	435.34	366.60	(15.8)
16	Philadelphia	PHL	AA,DL,F9	9	121	132	2.2	9.3	529.34	527.84	(0.3)
17	Punta Gorda	PGD	G4	1	--	119	2.0	n.a.	--	129.23	n.a.
18	Minneapolis-St. Paul	MSP	DL	6	103	118	1.9	14.2	586.45	608.92	3.8
19	Houston	HOU,IAH	DL,F9,UA	5	112	114	1.9	1.4	539.72	540.11	0.1
20	Seattle	SEA	DL	1	96	100	1.6	4.5	507.42	513.88	1.3
	Top 20 markets			108	3,428	4,488	73.4%	30.9%	$442.83	$383.35	(13.4%)
	All other markets			31	1,711	1,624	26.6	(5.1)	466.71	501.64	7.5
	All markets			140	5,139	6,112	100.0%	18.9%	$450.82	$414.78	(8.0%)

Notes: Columns may not add to totals shown because of rounding. Percentages shown were calculated using unrounded numbers.

Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, P1=Ultimate Air Shuttle, UA=United.

Airport legend: MCO=Orlando Int'l, SFB=Orlando-Sanford, EWR=Newark, JFK=New York-Kennedy, LGA=New York-LaGuardia, FLL=Fort Lauderdale, MIA=Miami, PBI=West Palm Beach, LAS=Las Vegas, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, BUR=Burbank, LAX=Los Angeles, LGB=Long Beach, ONT=Ontario, SNA=Orange County, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth Int'l, ATL=Atlanta, PIE=St. Petersburg-Clearwater, TPA=Tampa, MDW=Chicago-Midway, ORD=Chicago-O'Hare, BOS=Boston, OAK=Oakland, SFO=San Francisco, SJC=San Jose, DEN=Denver, RSW=Fort Myers, AZA=Phoenix-Mesa Gateway, PHX=Phoenix-Sky Harbor, PHL=Philadelphia, PGD=Punta Gorda, MSP=Minneapolis-St. Paul, HOU=Houston-Hobby, IAH=Houston-Bush, SEA=Seattle.

(a) In 2015 dollars. Excludes taxes, fees, and PFCs, and ancillary fees charged by the airlines, but includes frequent flyers.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed March 2016.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

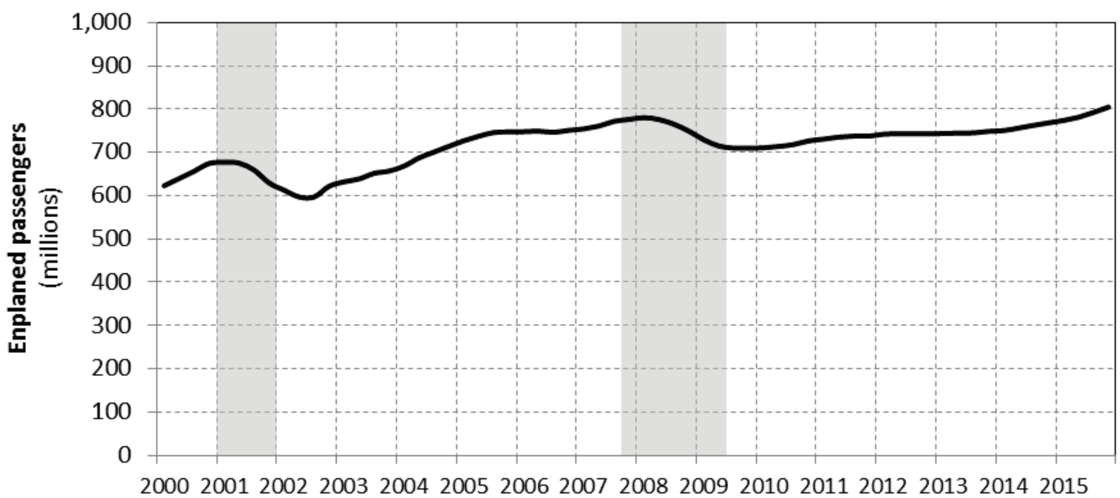
In addition to the population and economy of the MSA, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

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

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 6, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and coincided with reduced airline travel in those years.

Figure 6
HISTORICAL ENPLANED PASSENGERS ON U.S. PASSENGER AIRLINES



Notes: Data shown are 12-month moving averages of monthly enplaned passengers on scheduled and nonscheduled flights to domestic and international destinations.
Shaded quarters indicate economic recession during all or part of quarter.

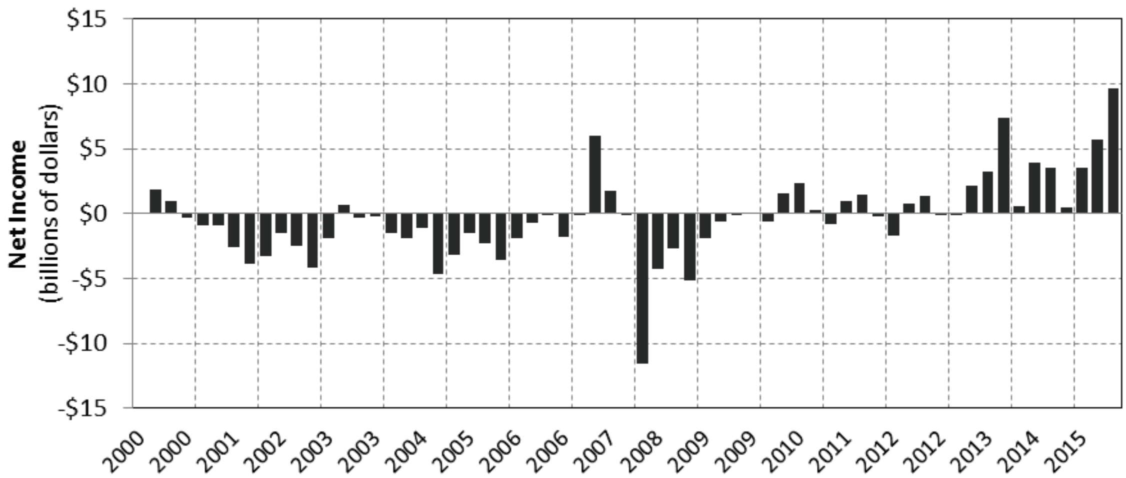
Source: Bureau of Transportation Statistics, F41 Schedule P12 data.

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

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Delta, to make the necessary investments to provide service. Figure 7 shows historical net income for U.S. airlines.

Figure 7
NET INCOME FOR U.S. AIRLINES



Notes: Includes scheduled service on U.S. carriers only.
Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for substantially less than had been originally reported.

Source: Bureau of Transportation Statistics, F41 Schedule P12 data.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately $46 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately $7 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately $26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately $18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011. In 2014, the U.S. passenger airline industry reported net income of $9 billion, assisted by reduced fuel prices in the second half of the year (as discussed in the later section, "Availability and Price of Aviation Fuel"). The industry is expected to achieve record net income in 2015. Cumulative net income for the first three quarters was $18.9 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares to remain high.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices. Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), and the merger of American and US Airways (2013).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide. In April 2016, Alaska Air Group, parent of Alaska Airlines, announced that it will acquire Virgin America Airlines. In 2015, the two airlines together accounted for 6.6% of domestic U.S. airline industry seat-mile capacity. The proposed acquisition is subject to regulatory approval.

Demand for Air Cargo

Although economic activity is the primary factor affecting world air cargo demand, there are other important factors, some of which are influenced by airline actions. Air cargo development is influenced by such airline actions as the acquisition of new aircraft, increased capacity in certain regions or on specific routes, and expansion of air cargo provider products and services. One example of this is the impact on cargo tonnage produced by the express and small-package market. Factors beyond the control of airlines and the cargo industry as a whole (freight forwarders, warehouse operators, local trucking companies) include changing inventory management techniques, globalization of trade, market liberalization, national (or airport) development programs, continuing introduction of new products which are conducive to shipment by air (e.g., lightweight but high-value electronics, computer equipment), evolving modes of product delivery (e.g., drones), and advanced techniques of product manufacturing (e.g., 3D printing).

Historically, the financial performance of the air cargo and cargo transportation industry has experienced periods of growth and decline but, generally speaking, the financial health and performance has been more stable and consistent than that of the U.S. passenger airline industry. Sustained profitability will depend on, among other factors, economic growth to support air cargo demand, continued growth in online retail sales, continued control over air package pricing, and stable fuel prices. Boeing and Airbus forecast worldwide growth in air cargo tonnage of approximately 4.5% per year over the next 20 years, driven primarily by growth in emerging markets.

Airline Service and Routes

Most large airports accommodate travel demand to and from their communities and serve as connecting hubs. The number of origin and destination passengers at an airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on the other hand, depends entirely on airline fares and service. Approximately 85% of airline passengers at the Airport are originating passengers, while the remaining 15% connect between flights.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been or is being drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2011), Memphis (Delta, 2011-2013), and Cleveland (United, 2014).

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S.-flag airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 17.7 cents per passenger-mile by 2015. Beginning in

2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 8 shows the historical fluctuation in aviation fuel prices since 2000. Beginning in 2003, aviation fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices decreased sharply in the second half of 2008 as demand for oil declined worldwide, but then increased as demand increased.

Figure 8
HISTORICAL MONTHLY JET FUEL PRICES FOR U.S. AIRLINES

Source: Bureau of Transportation Statistics, F41 Schedule P12A data.

Between early 2011 and mid-2014, aviation fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003. Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with a continued surplus in the worldwide supply (and the potential for further surpluses from Iran as trade sanctions are lifted) resulted in further reductions in fuel prices in 2015. As shown on Figure 8, the average price of aviation fuel at the end of 2015 was approximately 50% of the price at mid-2014. The reduction in fuel prices is having a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain low for some time. However, there is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

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

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators worldwide have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. In the U.S., these measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA also has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

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

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations (down approximately 20% between 2007 and 2014), but, as airline travel increases in the future, flight delays and restrictions can be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at the Airport will depend on the capacity of the Airport itself. At the Airport, it is expected that existing and planned terminal and airfield facilities will have the capacity to accommodate growth in airline traffic well beyond the Forecast Period covered in this Letter Report. With four runways, there is little need for substantial airfield investment during the Forecast Period. The Airport's Main Terminal (formerly known as Terminal 3) accommodates all airlines currently serving the Airport on two parallel concourses. Ten of the Airport's 50 gates are able to accommodate international flight operations.

AIR TRAFFIC FORECASTS

Airport management developed forecasts of airline traffic at the Airport taking into account analyses of the economic basis for airline traffic at the Airport, trends in historical airline traffic, and key factors likely to affect future airline traffic, all as discussed previously.

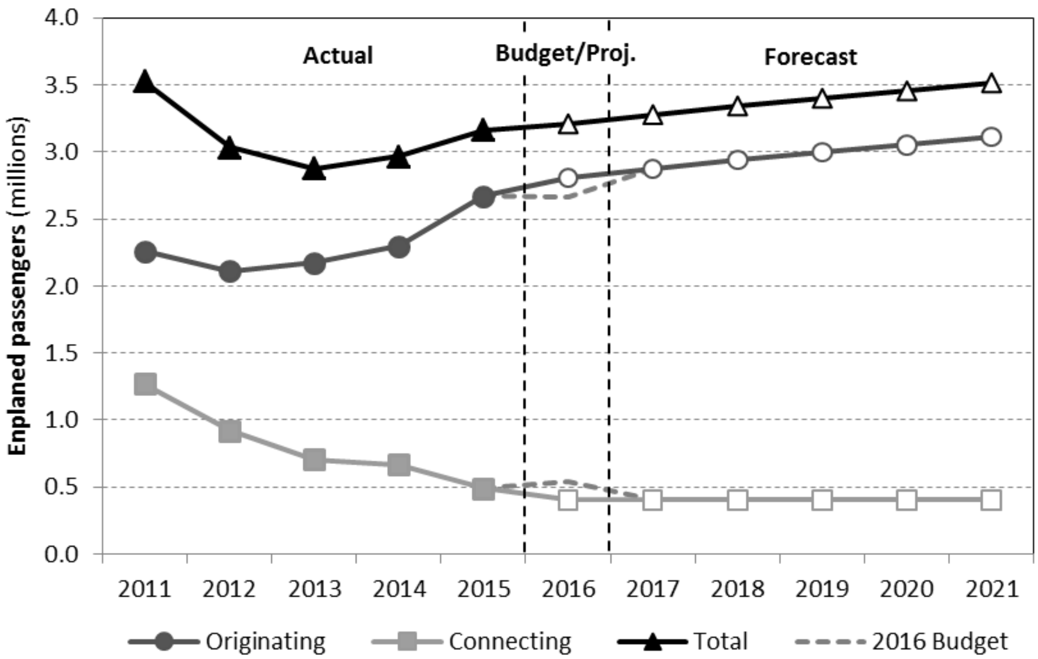
In developing the forecasts, it was assumed that airline traffic at the Airport will increase as a function of the growth in the population and economy of the MSA. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, limitations on the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that constrain Airport operations.

Specific assumptions underlying the air traffic forecasts include:

- Future growth in the U.S. and local economy will support underlying demand for air travel to and from the Cincinnati region.
- Low-cost carriers will expand service at the Airport, increasing competition among airlines and ensuring competitive airfares for flights from the Airport.
- Continued improvement in air service offerings at the Airport will allow for continued recapture of leakage from surrounding airports, particularly DAY.
- Delta will maintain its current service levels at the Airport.
- Legacy airlines will maintain their current service levels and continue to orient their services around their primary hubs and key business markets.
- Low-cost carriers will drive growth in originating traffic at the Airport during the Forecast Period.
- The number of connecting passengers at the Airport will remain unchanged through the Forecast Period.
- DHL will continue to invest in its cargo hub at the Airport, increase its operations, and handle increasing volumes of cargo tonnage during the Forecast Period.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- There will be no major disruption of airline service or airline travel behavior as a result of strikes, international hostilities, or terrorist acts or threats.

Airport management has budgeted that total enplaned passengers will increase 1.6% in 2016 and forecasts average annual growth of 1.8% per year thereafter through 2021, as shown on Figure 9 and in Table 7. This growth is driven entirely by an increase in originating enplaned passengers (3.2% growth per year, on average, between 2016 and 2021); the number of connecting passengers is forecast to decline slightly at the Airport, over the same period.

Figure 9
ENPLANED PASSENGER FORECAST
Cincinnati/Northern Kentucky International Airport
(calendar years)



Source: Kenton County Airport Board.

The 2016 Budget was prepared and later approved in the fall of 2015. The 2016 Budget included assumptions for passenger levels by segment (i.e., originating, connecting, and total). Total enplaned passengers used for the purpose of this Letter Report for the 2016 Projection are equal to the approved 2016 Budget, and are believed to be reasonable based on available year to date statistics (see Figure 10 and Figure 11 and associated text on the following pages). However, for the purpose of this Letter Report, the Board adjusted the segments in the 2016 Projection to increase originating enplaned passengers and reduce connecting enplaned passengers by a corresponding amount (see Figure 9 above and Table 7 on following page). These adjustments were made to account for more recent available statistics.

Table 7

ENPLANED PASSENGER FORECAST

Cincinnati/Northern Kentucky International Airport

(calendar years)

	Originating	Connecting	Total	Share of total: Originating	Share of total: Connecting
2011	2,257,934	1,267,552	3,525,486	64.0%	36.0%
2012	2,112,322	921,102	3,033,424	69.6	30.4
2013	2,171,371	703,417	2,874,788	75.5	24.5
2014	2,299,489	665,168	2,964,657	77.6	22.4
2015A	2,669,588	490,660	3,160,248	84.5	15.5
2016B	2,664,574	545,320	3,209,894	83.0	17.0
2016P	2,807,064	402,830	3,209,894	87.5	12.5
2017F	2,875,064	402,830	3,277,894	87.7	12.3
2018	2,940,064	402,830	3,342,894	87.9	12.1
2019	2,997,064	402,830	3,399,894	88.2	11.8
2020	3,052,064	402,830	3,454,894	88.3	11.7
2021	3,113,064	402,830	3,515,894	88.5	11.5

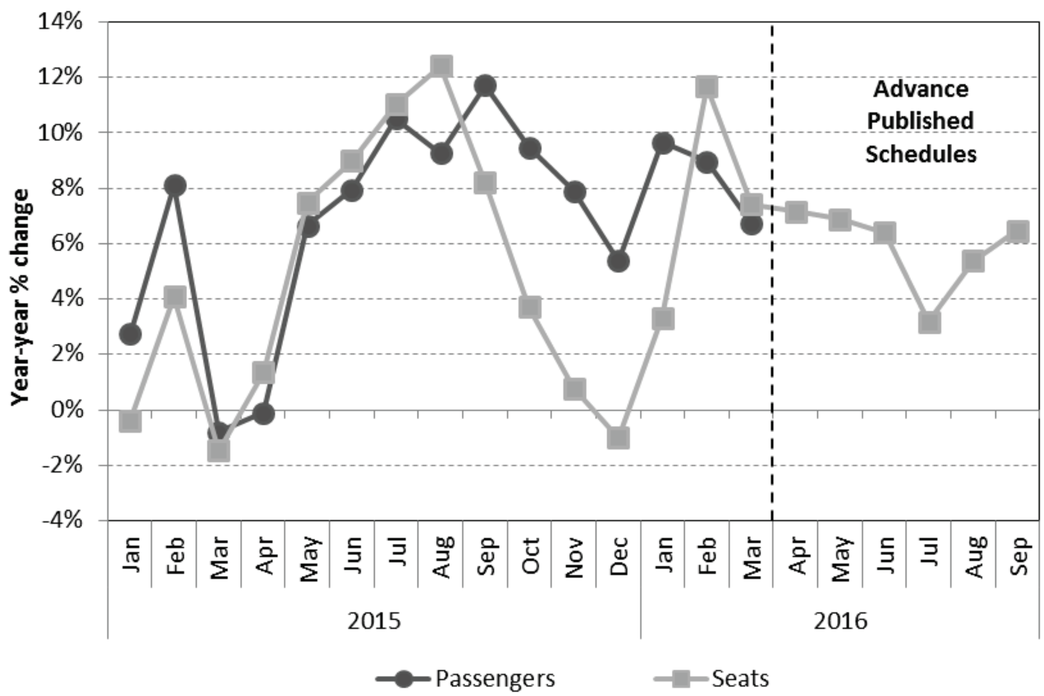
	Average annual percent increase (decrease)		
2014-2015	16.1%	(26.2%)	6.6%
2015-2016P	5.1	(17.9)	1.6
2016P-2021	2.1	--	1.8

Note: A=Actual; B=Budget; P=Projection; F=Forecast.

Source: Kenton County Airport Board.

Year-to-date actual passenger growth and advance published flight schedules (which are subject to change) support management's projection of passenger growth in 2016. Figure 10 depicts year-over-year change in monthly enplaned passengers compared with scheduled departing seats as reported by *Official Airline Guide*.

Figure 10
YEAR-OVER-YEAR PERCENT CHANGE IN ENPLANED PASSENGERS AND SCHEDULED DEPARTING SEATS
Cincinnati/Northern Kentucky International Airport

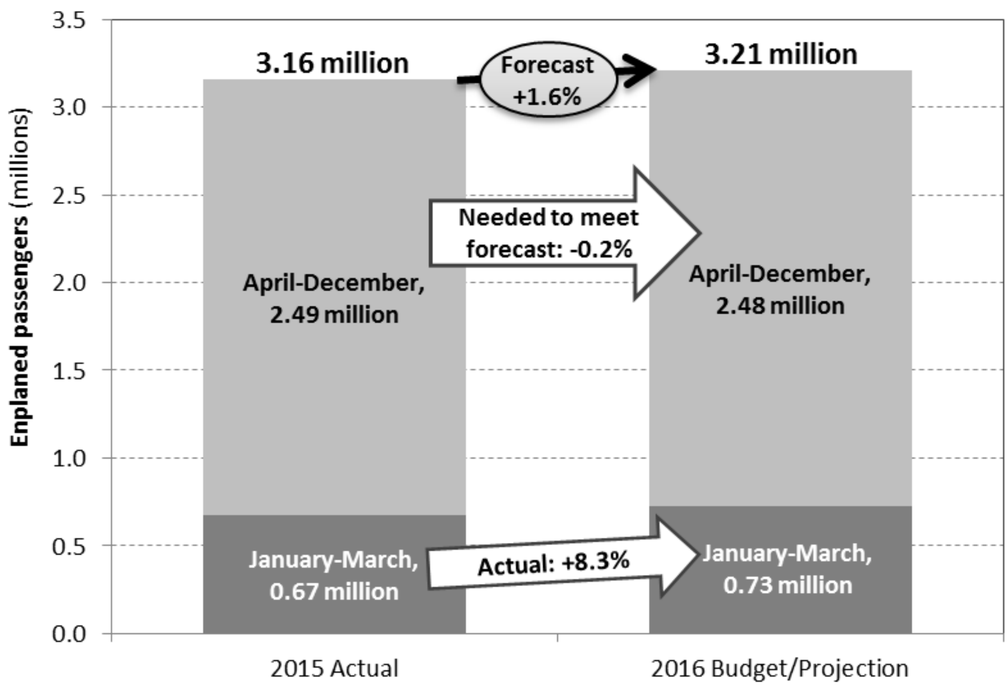


Note: Advance published schedules are subject to change.

Sources: Kenton County Airport Board; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed March 2016.

Figure 11 shows that achieving the Airport's budget / projection in 2016 is possible even with a 0.2% year-over-year decline in enplaned passengers for the remaining 9 months of the year, given strong growth in the first 3 months of the year.

Figure 11
GROWTH NEEDED IN ENPLANED PASSENGERS TO MEET 2016 BUDGET
Cincinnati/Northern Kentucky International Airport



Source: Kenton County Airport Board.

Airport management has budgeted that total aircraft landed weight will increase 3.2% in 2016 and forecasts average annual growth of 2.4% per year thereafter through 2021. This growth is anticipated to be driven by cargo airlines (up 3.3% per year, on average, between 2016 and 2021) to a greater extent than passenger airlines (up 1.4% per year, on average). The forecast growth in cargo landed weight takes into account guidance DHL has provided to management regarding its expectations of operational expansion of its cargo hub at the Airport.

LeighFisher has reviewed Airport management's air traffic forecasts and the assumptions underlying them. We believe the assumptions provide a reasonable basis for the forecasts; however, we note that any forecast is subject to risk, volatility, and uncertainty related to the aforementioned Key Factors Affecting Future Airline Traffic.

FINANCIAL ANALYSIS

SUMMARY OF LEGAL FRAMEWORK

On January 1, 2016, a new airport use agreement (the AUA) became effective between the Board and certain airlines (the Signatory Airlines). This new AUA expires on December 31, 2020. The new AUA replaces the prior airport use agreement that was originally entered into in 1972 and expired on December 31, 2015. As discussed in this Letter Report, the airline rates and charges methodology and the amount of net revenues less debt service retained by the Board under the new AUA is significantly different than under the prior residual agreement. Due to this change, historical results are not directly comparable to forecast figures.

In conjunction with the new AUA, the Board also established certain new funds and accounts that are incorporated into the new General Bond Resolution to be adopted with the proposed issuance of the Series 2016 Bonds (the 2016 Bonds). The 2016 Bonds are being issued to refund the Series 2003B Bonds (AMT) (the Refunded Bonds) which is the only series of bonds currently outstanding. The resolution under which the Refunded Bonds were issued will no longer be in effect once the Refunded Bonds are redeemed and the new General Bond Resolution will govern the 2016 Bonds and any future issuances (none are planned during the Forecast Period).

Prior to the issuance of the 2016 Bonds, the Board will adopt the General Bond Resolution:

> concerning the authorization of airport revenue bonds; establishing general provisions related to the airport revenue bonds; providing for the terms of their issuance, the manner of their execution, the method of their payment, and security therefor; providing for the collection of and pledge of certain revenues to provide for principal and interest payment for the airport revenue bonds; providing for various covenants, agreements, and other details, and making other provisions concerning airport facilities, and the airport revenue bonds; providing for the transfer of legally available funds into funds and accounts established hereunder; and providing other matters relating thereto.

Under the General Bond Resolution, before any Bonds are issued the Board is to adopt a Series Resolution authorizing the issuance of such Bonds, fixing the amount and the details thereof, and describing in brief and general terms the purposes for which the bonds are to be issued. Pursuant to Section 6.15 of the General Bond Resolution ("Other Available Revenues") a Series Resolution may specify Other Available Revenues that may be available to secure a Series of Bonds. Other Available Revenues means, for any period of time, all of Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenues that the Board irrevocably commits to pay principal and interest requirements as provided in Section 6.15, in any Series Resolution, or by any other action adopted by the Board.

The financial forecasts referenced herein incorporate the terms of the new AUA as well as the new General Bond Resolution and Series Resolution. Additionally, the historical results included in the accompanying exhibits have been reclassified to conform with the presentation of revenues and expenses under the new AUA, the new General Bond Resolution, and the Series 2016 Bond Resolution (the Series Resolution).

Series Resolution

In the Series Resolution, the Board determined Passenger Facilities Charges transferred from the PFC Project Fund to the Designated PFC Revenue Account shall constitute Designated PFC Revenues and be deemed Other Available Revenues beginning with the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board. For purposes of this Letter Report, it is assumed the Board will extend the commitment in FY 2021.

Designated PFC Revenues means certain Passenger Facility Charges that are irrevocably committed to pay Principal and Interest Requirements of the Series 2016 Bonds when such Passenger Facility Charges are deposited in the Designated PFC Revenue Account pursuant to the Series 2016 Resolution. Such Designated PFC Revenues also shall be deemed Other Available Revenues pursuant to the General Resolution.

Under the Series Resolution, the Board determined that the previously established and existing PFC Project Fund shall be maintained by the Board so long as any Series 2016 Bonds remain Outstanding, and shall be used in the manner described in Section 4.01(c) of the Series Resolution. For the Fiscal Year ending December 31, 2016 through the Fiscal Year ending December 31, 2020, and in any subsequent Fiscal Year by an action adopted by the Board, on or before the 20th day of each month, the Board shall transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account, in approximately equal monthly deposits, the lesser of (i) 125% of the Principal and Interest Requirements for the Series 2016 Bonds (taking into account the amounts then on deposit in the Designated PFC Revenue Account) or (ii) the total amount of Passenger Facilities Charges then on deposit in the PFC Project Fund.

The Board shall transfer Net Revenues (which shall include Designated PFC Revenues on deposit in the Designated PFC Revenue Account) to the Series 2016 Interest Subaccount or Series 2016 PFC Interest Subaccount and the Series 2016 Principal Subaccount or Series 2016 PFC Principal Subaccount, in order to pay the Principal and Interest Requirements on the Series 2016 Bonds (i.e., up to 100% of Principal and Interest Requirements). On the last day of each Fiscal Year, amounts that remain in the Designated PFC Revenue Account (including any investment earnings thereon) shall be transferred to the PFC Project Fund. Upon such transfer from the Designated PFC Revenue Account, the Designated PFC Revenues shall no longer constitute Other Available Revenues under the General Resolution.

PASSENGER FACILITY CHARGES

Under federal regulations, airports may apply to the Federal Aviation Administration (the FAA) for the authority to impose and use a PFC to pay the costs of PFC eligible projects. For a project to be PFC eligible the project must preserve or enhance airport capacity, security or safety; mitigate the effects of aircraft noise; or enhance airline competition. Current PFC legislation allows for the collection of a PFC at certain levels between $1.00 and $4.50. For the FAA to approve an application to collect a PFC level above $3.00 at large-hub or medium-hub airports, the projects included under that application must meet certain criteria which demonstrate a “significant contribution to improving air safety and security, increasing competition among air carriers, reducing current or anticipated congestion, or reducing the impact of aviation noise on people living near the airport.” Any future increase to the maximum PFC level would require Congressional action. FAA approval would then be required before an airport sponsor could begin charging at a higher level.

PFC revenues are collected by the ticketing airline from each eligible enplaned passenger. A PFC may be charged on only the first two segments of a passenger's one-way trip. Also, a small percentage of passengers such as airline employees and certain government officials do not pay a PFC. Of each PFC collected, airlines are allowed to retain $0.11 to cover their administrative costs and must remit the remaining amount to the airport sponsor. Airlines are required to remit net PFC collections to the Board on a monthly basis.

PFC Approvals

The Board has received FAA approval to impose and use PFCs and the Board is currently collecting a PFC of $4.50 per eligible enplaned passenger at the Airport. The application of PFCs is restricted to specific purposes and, therefore, PFCs are not considered Revenues under the General Bond Resolution; however PFCs that are irrevocably committed may be considered Designated PFC Revenues and included as Other Available Revenues.

The Board has had FAA approval to impose a PFC and use PFC revenues at the Airport nearly continuously since June 1, 1994. The PFC level at the Airport increased from $3.00 to $4.50 per eligible enplaned passenger in FY 2003 upon commencement of collection under an application that included projects eligible for a $4.50 PFC rate, then decreased to $3.00 in FY 2009, and then again increased to $4.50 in FY 2013.

The Board has submitted and received FAA approval for 14 PFC applications, as amended, authorizing the Board to collect and use $590.7 million of PFC revenue. The Board's collection authorization currently extends to the earlier of (1) collection of that amount, or (2) the expiration date of March 1, 2020. The current collection authority includes FAA approval for the projects funded from proceeds of the Refunded Bonds including payment of debt service pertaining to Bonds used for the funding of these projects. The Board has historically paid the debt service for the Refunded Bonds from PFC Revenues and as noted earlier, Designated PFC Revenues are assumed for the Forecast Period, including the irrevocable commitment for FY 2016 through FY 2020 and an assumption the Board will extend the commitment in FY 2021.

If the Board anticipates it will not collect the fully authorized amount of $590.7 million by the expiration date, they may adjust the date to correspond with the total authorized dollar amount through an administrative procedure with the FAA. However, as a result of the debt service savings expected from the 2016 Bonds as compared to the Refunded Bonds, as well as receipt of greater-than-anticipated Airport Improvement Program grant funds on certain other projects that have been approved for use of PFCs, and project cost savings; the Board anticipates that the collection authority for its approved PFC applications will expire in the first half of FY 2018. Prior to this expiration date, the Board plans to submit an additional PFC application to the FAA for use of PFCs on additional PFC eligible projects on a pay-as-you-go basis. Any such additional approvals would likely extend the collection authority beyond the FY 2018 projected expiration date.

As of March 31, 2016, the Board had collected a total of $518.0 million of PFC revenue including interest. The PFC Project Fund balance as of March 31, 2016 was $47.8 million. PFC funds may only be expended on projects which have received approval from the FAA. Therefore, in the event PFC collections were to cease in FY 2018 for example, the Board would have already collected the approved amounts for all existing PFC-approved projects. Consequently, the Board should have sufficient amounts of, and the Board may use, PFCs on deposit in the PFC Project Fund to pay PFC-eligible debt service for the 2016 Bonds.

PFC Revenue Forecast Assumptions

PFC Revenues are a direct function of the authorized PFC level (currently $4.50 at the Airport) and the number of eligible enplaned passengers. An increase in the PFC level authorized by Congress above the current $4.50 was not assumed in this Letter Report. Further, the Board is currently evaluating capital projects for its next PFC application. For a medium hub airport such as the Airport, the FAA must determine that a certain portion of the project costs in a PFC application must satisfy a "significant contribution" requirement for approval for a $4.00 or $4.50 PFC level. For purposes of this Letter Report, it is assumed that the PFC level will be reduced to $3.00 at the beginning of FY 2018 and will continue at that level through the end of the Forecast Period.

In its forecast, the Board has assumed that 85% of enplaned passengers at the Airport pay a PFC. Under the PFC regulations, certain passengers are specifically excluded from the requirement to pay a PFC on all or a portion of their flight itinerary. The Board has historically experienced an 85% rate of PFC eligibility for enplaned passengers and continues to utilize this rate for forecasting and budget purposes. All things being equal a higher collection rate (i.e., greater than 85%) would increase PFC collections annually. Recent shifts in the traffic profile (i.e., increases in originating passengers and reductions in connecting passengers), described earlier in this Letter Report, will likely increase the collection rate and annual PFC collections somewhat.

As shown in Exhibit 2, the Board's PFC Revenues (excluding associated PFC-restricted interest income) are forecast to increase from $11.8 million in FY 2015 to $12.2 million in FY 2017, and then to decline to $8.6 million by FY 2021, as a result of the assumed reduction in the PFC level from $4.50 to $3.00 per eligible enplaned passenger.

DEBT SERVICE REQUIREMENTS

Exhibit 2 also presents the estimated annual Designated PFC Revenues which the Board has irrevocably committed to the payment of debt service and to provide debt service coverage for the 2016 Bonds. The Refunded Bonds are the Board's only currently outstanding series of bonds, which are being wholly refunded by the 2016 Bonds. The estimated annual debt service for the 2016 Bonds was provided by Frasca & Associates, LLC, based on the assumptions provided in Table 8.

Table 8
ASSUMPTIONS FOR THE 2016 BONDS
Kenton County Airport Board

	2016 Bonds
Principal amount:	$50,795,000
Final maturity:	March 1, 2033
True interest cost:	3.25%

Source: Frasca & Associates, LLC., May 5, 2016

The debt service on each series of Bonds, net of amounts paid from Other Available Revenues, is to be allocated to airline and Board cost centers under the AUA on the basis of project costs to be financed by each series of Bonds. Other Available Revenues includes Designated PFC Revenues as committed by the Board, among other items. The debt service for the 2016 Bonds is assumed to be fully paid by Designated PFC Revenues through the Forecast Period, therefore no debt service for the 2016 Bonds is allocated to airline or Board cost centers in any rate-setting calculations described later in this Letter Report.

CAPITAL IMPROVEMENT PROGRAM AND PLANNED FUNDING

The Board has a capital improvement program (CIP) that defines the expected project costs and timelines for needed capital improvements to the Airport from FY 2017 through FY 2021. The Board's CIP is estimated to cost $345.9 million. The Board does not plan to issue Additional Bonds (i.e., bonds paid from Net Revenues) to finance any projects in the CIP. The Board may issue Subordinate Bonds or Special Facility Obligations, to fund all or portions of a Consolidated Rental Car Facility (CONRAC) which is currently estimated to cost $150 million.

Certain projects therein will be funded from the Board's General Purposes Fund and will subsequently impact airline rates and charges through amortization and capital expense charges. Such impacts have been incorporated into the Board's forecast of revenues.

Additionally, certain projects will be funded by PFCs on a pay-as-you-go basis. The Board must receive FAA approval of such projects before it is permitted to disburse PFC funds for such projects. Additionally, the Board intends to fund such projects either from balances in the PFC Project Fund or from PFC revenues after payment of Principal and Interest Requirements on any Bonds which are eligible to be paid from PFC revenues.

The Board's CIP and planned funding are described in greater detail in the Official Statement accompanying this Letter Report.

COST OF MAINTENANCE AND OPERATION

In the General Bond Resolution, "Operations and Maintenance Expenses" or "O&M Expenses" mean the Board's expenses for the operation, maintenance and repair of the Airport. Included within the definition of O&M Expenses under the General Bond Resolution are Expensed Capital Outlays. Under the AUA, Expensed Capital Outlays are defined as expenditures of $50,000 or less that are capital in nature and are allocated to the cost centers. Under the General Bond Resolution, certain items that would be considered O&M Expenses under generally accepted accounting principles are specifically excluded from the definition of O&M expenses (e.g., amortization and depreciation, increases in pension and post-employment benefits calculated actuarially and not actually paid).

Historical Trends

As shown in Exhibit 3, O&M Expenses, inclusive of Expensed Capital Outlays, increased from $65.6 million to $78.9 million from FY 2013 through FY 2015, representing a compound increase of 9.7% per year. The magnitude of the increase is due in large part to the Board recognizing an additional $5.1 million of pension expense in FY 2015 due to the implementation of new accounting standards issued by the Governmental Accounting Standards Board. As discussed in more detail in the Official Statement accompanying this Letter Report, the $5.1 million in additional expense is the result of the change in experience and actuarial assumptions adopted by the Kentucky Retirement

System (KRS). As defined in the Resolution, Operating Expenses on an ongoing basis will be based on the required contributions to the County Employees Retirement System (CERS) which, according to the latest actuarial projections by KRS' actuarial consultant, are projected to decrease.

The largest segment of O&M Expenses were Personnel Expenses (which includes salaries, benefits, and employee insurance), which have historically represented approximately half of operating expenses. Outside Contractors (20.4% of operating expenses in FY 2015), Supplies and Materials (8.2%), and Electricity (6.9%) comprised the next largest segments. From FY 2013 through FY 2015, the average annual rate of increase for Outside Contractors was 11.8%, due to increased expenses for pavement maintenance, conveyance repairs, and cleanup of detention ponds at the Airport.

Base Year Budget

The O&M Expense budget for FY 2016 totals $75.2 million including Expensed Capital Outlays. This represents a 4.6% decrease from the unaudited results for FY 2015 and a 0.6% decrease from the FY 2015 budget.

Forecast

For the 5-Year Forecast Period from FY 2017 through FY 2021, the Board expects total O&M Expenses to grow at a compounded annual rate of 2.9% from the FY 2016 budget baseline. The growth rates for separate line items are shown in Table 9.

Table 9
OPERATIONS AND MAINTENANCE EXPENSES FORECAST ASSUMPTIONS
Kenton County Airport Board
(For Fiscal Years 2017 through 2021)

Line Item	Annual Growth
Salaries & Benefits	3.0%
Employee Insurance	5.0%
Pension	1.0%
Salaries Other	3.0%
Outside Contractors	2.3-2.4%
Equipment & Facilities	2.3-2.4%
Supplies & Materials	2.3-2.4%
Utilities	3.1%
Other	2.3-2.4%
Expensed Capital	2.3-2.4%

Source: Kenton County Airport Board.

The primary drivers for each of the line items are as follows:

- *Salaries & Benefits*. Based upon management's guidance on anticipated future wage and salary increases.

- *Employee Insurance*. Based upon projections of future health care costs.
- *Pension*. Based upon the latest actuarial projections, dated December 15, 2014, provided by the actuarial consultant to the KRS, Cavanaugh Macdonald Consulting LLC.
- *Salaries Other*. Based upon management's guidance on anticipated future wage and salary increases.
- *Outside Contractors*. Based upon the forecast Consumer Price Index for All Urban Customers (CPI-U) from the Congressional Budget Office.
- *Equipment & Facilities*. Based upon the forecast CPI-U.
- *Supplies & Materials*. Based upon the forecast CPI-U.
- *Utilities*. Reflects an aggregate of forecasts for (1) electric, (2) gas, and (3) water and sewer costs. Electric and gas forecasts are based upon the Energy Information Administration's projections and the water and sewer forecast is based upon historical and projected rate increases.
- *Other*. Based upon the forecast CPI-U.
- *Expensed Capital Outlays*. Based upon the forecast CPI-U.

The CPI-U, which drives several of the line items in the O&M Expenses, is forecast by the Congressional Budget Office to increase 2.3% in 2017, and then 2.4% throughout the remainder of the Forecast Period.

AIRPORT REVENUES

In the General Bond Resolution, "Revenues" generally includes all income, receipts, earnings and revenues received by or accrued to the Board from the operation and use of and for the services furnished or to be furnished at the Airport. Revenues will be calculated based on GAAP, except that such calculation will include and exclude those items specifically included or excluded in the definition of Revenues, and also in certain situations where the timing of receipt is more than one year in the future. Revenues do not include any PFCs, Customer Facility Charges (CFCs) or Grant Funds, provided however that Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenue may be deemed Other Available Revenues for one or more Series of Bonds under any Series Resolution or other resolution duly adopted by the Board.

Summary of Historical, Budget, and Forecast Airport Revenues

Historical Trends, FY 2013 – FY 2015

As shown in Exhibit 4, total operating revenues increased from $86.5 million in FY 2013 to $88.4 million in FY 2015, representing an average rate of change of 1.1% per year.

As discussed, historical trends for airline revenues are not indicative of likely future results due to the implementation of the new rate-making methodology. Historical trends for non-airline revenues are anticipated to be more instructive for forecasting future non-airline revenues, as they are not directly affected by the implementation of the new AUA.

Base Year Budget, FY 2016

The budget for FY 2016 reflects a 1.3% increase in operating revenues compared to the budget for FY 2015. It represents a -2.1% change from the unaudited actual results for FY 2015. The new methodologies implemented under the new AUA will first be realized in FY 2016 and have been taken into account by the Board in establishing its budget for the year.

Forecast, FY 2017 – FY 2021

The forecast of operating revenues reflects a compound growth rate of 3.3%, increasing from the baseline of $86.5 million in FY 2016 to $101.6 million in FY 2021. The forecast assumes that the provisions of the new AUA will continue in a substantially similar manner through FY 2021, although the new AUA is scheduled to expire at the end of FY 2020.

Additional details pertaining to historical, budget, and forecast Airport Revenue trends and assumptions are described below by category or classification.

Effect of the New AUA

As noted previously, under the new AUA there was a change in the methodology for calculating airline rates and charges. Due to these changes, neither the historical total operating revenues nor airline revenues are indicative of future results. Under the agreement that expired on December 31, 2015, the landing fees paid by airline tenants were based upon an airport-residual methodology, under which the airlines who signed the AUA agreed to pay landing fees in an amount that would result in net revenues (revenues less O&M expenses) equaling 1.25 times the debt service on the long term borrowing of the Board (the coverage requirements).

The new AUA employs a hybrid rate setting methodology with an airfield residual and a terminal commercial compensatory rate setting methodology. The new AUA also establishes Cost Centers to which the Board's costs are assigned and allocated. Several airline Cost Centers are established, which include: Airfield, Terminal, and Loading Bridge. In addition, a Board Cost Center is established, which is comprised of several Sub-Cost Centers: Commercial Property, Parking and Ground Transportation, and Rental Car.

Under the new AUA, the landing fee and terminal rental rates are calculated based on the costs allocated to the applicable airline Cost Centers (the Cost Center Requirement). The following costs are included in the Cost Center Requirement:

(1) O&M Expenses,
(2) Expensed Capital,
(3) Amortization charges, to recover the cost Board-funded cash investments,
(4) Debt Service,
(5) Debt Service Coverage,
(6) O&M Reserve Account deposit requirement, and
(7) Repair and Replacement Fund deposit requirement.

Net Remaining Revenue Adjustment

Under the new AUA, Net Remaining Revenues (NRRs) as defined in the AUA are applied on an escalating-percentage basis to adjust terminal rentals and the landing fee rate. As the Board earns more NRR in any fiscal year, the percentage of NRRs it credits to airline rates increases. The NRR adjustment is a mechanism to allow Air Transportation Companies which are Signatory to the AUA to have a stake in the Airport's financial success.

The landing fee rate and terminal rentals are established annually during the budget process and therefore are based on projected airline activity, revenues, and cost. After the close of each fiscal year the landing fee rate, terminal rentals, and the NRR adjustment to terminal rentals are to be recalculated using audited financial data. The Airline Revenues as recorded are net of the applicable NRR adjustments.

Extraordinary Coverage Protection

Under Section 5.9 of the new AUA, the Board may charge the Signatory Airlines extraordinary coverage protection payments (ECP) in any Fiscal Year in which the amount of Revenues less O&M Expenses is or is forecasted to be less than one hundred twenty-five percent (125%) of the Principal and Interest Requirements on all Outstanding Bonds. Any amounts collected for such ECP from the Signatories shall be allocated to the Airfield Cost Center Requirement.

Airline Revenues

Airline revenues are those revenues paid by the airlines to the Board and are driven by the provisions agreed to in the AUA. The key categories are landing fees, terminal rentals (which include terminal apron rentals), and loading bridge rentals. Airline revenues are forecast by the Board to increase from $38.7 million in FY 2016 to $43.5 million in FY 2021, a compound growth rate of 2.4%.

Landing Fees

Landing fees at the Airport are calculated under the AUA using a cost center residual methodology and are based on the Airfield Cost Center Requirement. The landing fee rate is calculated by determining the Airfield Cost Center Requirement reduced by any revenues received for use of the Terminal Ramp Area and other ramp areas of the Airport and further reduced by the NRR allocated to reduce the Airfield Cost Center Requirement. This net requirement is then divided by total landed weight, adjusted to account for the landed weight of non-signatory airlines. Non-signatory airlines are charged at a premium of 15%.

This methodology is a significant departure from the prior methodology, which was an airport-residual calculation. As such, landing fees under the prior agreement did not reflect the actual cost of the airfield but rather were the balancing figure to make Net Revenues for the entire Airport equal the Coverage Requirement. Accordingly, historical landing fee revenues are not considered to be a reliable indicator of future landing fee revenues.

Landing fees are forecast to increase from $18.8 million in FY 2016 (the first year of the new AUA) to $21.8 million in FY 2021, a compound growth rate of 3.1%. These amounts are net of the NRR credit.

Terminal Rentals

Each passenger airline that is a Signatory under the new AUA leases airport facilities under separate Terminal Lease Agreements. The Board utilized separate terminal agreements (as opposed to consolidated use and lease agreements) to accommodate existing terminal leases which were not coterminous with the prior airport use agreement at the end of FY 2015. The new AUA establishes the methodology for calculating the various Terminal-related rates and charges used to calculate terminal rentals to be paid under the Terminal Lease Agreements. The rentals, fees and charges paid under these agreements constitute Terminal Rentals as defined in the AUA.

Terminal Space. Under the new AUA, terminal rental rates are calculated using a commercial compensatory methodology. The terminal rental rate is calculated by first determining a gross terminal rental rate which is calculated by dividing the Terminal Cost Center Requirement by the leasable square footage in the terminal building to arrive at a rate per square foot. This rate is then reduced by a concessions credit by concourse. Space leased in Concourse A is reduced by a certain percentage of concessions revenues allocable to Concourse A concessions, and space leased in Concourse B is reduced by a certain percentage of concessions revenues allocable to the Main Terminal (which is defined in the AUA to include Concourse B). The percentages of concessions revenue that is credited to Signatory airlines is based upon the ratio of airline leased space to the space available to be leased, by facility.

In Concourse A, there are a total of 22 gates. Of these, air carriers lease 10 of the 17 gates that have available passenger boarding bridges and an additional 4 are utilized frequently on a common use basis. Currently, all 28 gates in Concourse B are leased by Delta Air Lines through FY 2020.

The prior methodology for determining the terminal rental rate bears little relation to the revised method under the new AUA and as such historical terminal rental revenues are not considered to be a reliable indicator of future revenues. Previously, a terminal rental rate had been determined every three years based on historical terminal costs. Accordingly, the rate was not calculated so as to recover currently allocable terminal costs. As discussed above, the rates under the new AUA are based directly upon allocated actual costs.

Terminal Rentals (exclusive of terminal ramp rental and loading bridge rental revenues, as discussed below) are forecast to increase from $16.8 million in FY 2017 to $17.1 million in FY 2021, a compound growth rate of 1.3%. These dollar amounts are net of the NRR and concessions credits and include revenue from loading bridge fees as described below.

The Board charges separately for the use of loading bridges at leased gates. The charge for use of loading bridges in Concourse A is calculated by taking the Loading Bridge Cost Center Requirement and dividing by the number of gates effectively being used. The effective utilization takes into account both the preferentially leased gates in Concourse A and the gates utilized on a per-turn or common use basis. Loading bridges on Concourse B are not maintained by the Board and therefore incur no costs to be recovered from the airlines.

Loading bridge rentals are forecast to increase from $470,000 in FY 2016 to $507,000 in FY 2021, a compound growth rate of 1.5%.

Terminal Ramp Area. The rental rate for Terminal Ramp Area is determined by multiplying the Airfield Cost Center Requirement by 20%, which results in the Terminal Ramp Area Requirement. This amount is divided by the total available lineal footage for all Terminal Ramp Area to arrive at a rate per lineal foot. Revenues from the Terminal Ramp Area then reduce the Airfield Cost Center Requirement.

Terminal ramp rentals are forecast to increase from $3.7 million in FY 2016 to $4.4 million in FY 2021, a compound growth rate of 3.9%.

Ground Transportation Revenues

Parking. Parking operations generated $23.3 million in FY 2013, increasing to $25.3 million in FY 2015. Parking revenue is a function of parking rates and passenger traffic, specifically passengers originating their travel at the Airport. The Board has a management agreement with Standard Parking under which all parking revenues are paid to the Board and the Board pays Standard a monthly fee to provide operation, management, and maintenance of on-Airport parking facilities.

Parking revenues are forecast to increase in accordance with the CPI-U (which approximates Board-implemented parking rate increases) and originating-passenger traffic. This results in a forecast increase from FY 2016 budget of $28.0 million to $35.3 million in FY 2021, a compound annual increase of 4.7%. Parking revenues are forecast to comprise approximately 60% of non-airline revenues throughout the Forecast Period.

Rental Cars. Revenue from rental cars grew from $5.8 million in FY 2013 to $6.8 million in FY 2015. This amount includes concessions fees from rental car companies; leases for counter space in the terminal building are included in Other Revenues as non-airline terminal rentals. The Board collects a percentage of revenues from the rental car companies operating at the Airport. Customer facility charges (CFCs) are not included in rental car revenue and similarly are explicitly excluded from the definition of Revenues in the General Bond Resolution.

Rental car revenue is forecast to increase to $8.5 million in FY 2021, a compound annual increase of 4.7%. The primary drivers of rental car revenues are the CPI-U (which approximates increases in the gross revenues generated from car rentals upon which the operators pay their concession fees) and the number of rental transaction-days, which is approximated by the growth in destination-passenger traffic. Rental car revenue is forecast to comprise approximately 14% of non-airline revenue during the Forecast Period.

Other Non-airline Revenues

Terminal Concessions. Terminal concessions revenues consist of various concession fees paid by companies operating concessions within the terminal building, of which they pay a percentage to the Board. These revenues are forecast to comprise approximately 10% of non-airline revenues over the Forecast Period, resulting in approximately $5.6 million of revenue in FY 2021.

Commercial Development. The Board actively pursues opportunities to utilize its property for functions which generate additional revenue and are compatible with airport operations. The Board expects revenue from this commercial development to comprise approximately 9% of non-airline revenues over the Forecast Period, resulting in approximately $4.8 million of revenue in FY 2021.

In the Board’s financial forecasts, it assumes it will earn no revenue from new commercial leases through the Forecast Period. The Board anticipates it will enter into one or more new leases in that timeframe, but has elected not to reflect any associated revenue in its forecasts due to the uncertainty of such transactions.

Other Revenues. Other revenues include reimbursed O&M, aircraft servicing and catering, ground transportation (limo, shuttle, and transportation network company access fees), non-airline terminal rentals, and other miscellaneous revenues. These categories are forecast to comprise approximately 7% of non-airline revenues over the Forecast Period, resulting in approximately $3.9 million of revenue in FY 2021.

Exhibit 1
Air Traffic Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual			**Projected**	**Forecast**					**CAGR**
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2016-21**
Enplaned Passengers										
Total Enplaned Passengers	2,874,788	2,964,657	3,160,248	3,209,894	3,277,894	3,342,894	3,399,894	3,454,894	3,515,894	1.8%
Change yr-over-yr		*3.1%*	*6.6%*	*1.6%*	*2.1%*	*2.0%*	*1.7%*	*1.6%*	*1.8%*	
By Itinerary Type										
O&D Enplaned Passengers	2,171,371	2,299,489	2,669,588	2,807,064	2,875,064	2,940,064	2,997,064	3,052,064	3,113,064	2.1%
Change yr-over-yr		*5.9%*	*16.1%*	*5.1%*	*2.4%*	*2.3%*	*1.9%*	*1.8%*	*2.0%*	
Connecting Enplaned Passengers	703,417	665,168	490,660	402,830	402,830	402,830	402,830	402,830	402,830	0.0%
Change yr-over-yr		*-5.4%*	*-26.2%*	*-17.9%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
O&D Split % (% O&D)	75.5%	77.6%	84.5%	87.5%	87.7%	87.9%	88.2%	88.3%	88.5%	
Landed Weight										
By Airline Type										
Passenger	3,599,538	3,505,443	3,705,061	3,756,470	3,820,222	3,880,396	3,932,183	3,981,505	4,036,087	1.4%
Cargo	3,431,112	3,649,865	4,036,565	4,234,306	4,383,053	4,531,800	4,680,547	4,829,294	4,978,041	3.3%
Total Landed Weight (1,000 lbs)	7,030,650	7,155,307	7,741,626	7,990,775	8,203,274	8,412,195	8,612,730	8,810,799	9,014,128	2.4%

Source: Kenton County Airport Board.

Exhibit 2
Passenger Facility Charge (PFC) Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		**Unaudited**	**Budget**	**Forecast**				
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
PFC Eligible Enplaned Passengers									
Enplaned Passengers	2,874,788	2,964,657	3,160,248	3,209,894	3,277,894	3,342,894	3,399,894	3,454,894	3,515,894
Eligibility %	88.0%	87.2%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
PFC Eligible Enplaned Passengers	2,530,068	2,584,738	2,686,211	2,728,410	2,786,210	2,841,460	2,889,910	2,936,660	2,988,510
PFC Net Charge per Eligible Enplaned Passenger									
Gross PFC Charge	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 3.00	$ 3.00	$ 3.00	$ 3.00
Less: Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
PFC Net Charge per Eligible Enplaned Passenger	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 2.89	$ 2.89	$ 2.89	$ 2.89
Total PFC Revenues	$ 11,107,000	$ 11,347,000	$ 11,792,465	$ 11,977,719	$ 12,231,461	$ 8,211,819	$ 8,351,840	$ 8,486,947	$ 8,636,794
Designated PFC Revenues									
Principal and Interest Requirements on 2016 Bonds				$ 4,940,388	$ 4,456,050	$ 4,457,450	$ 4,455,050	$ 4,459,250	$ 4,456,000
Coverage (0.25x)				1,235,097	1,114,013	1,114,363	1,113,763	1,114,813	1,114,000
Designated PFC Revenues				$ 6,175,484	$ 5,570,063	$ 5,571,813	$ 5,568,813	$ 5,574,063	$ 5,570,000
PFCs Remaining for Other Capital Uses				$ 5,802,235	$ 6,661,399	$ 2,640,007	$ 2,783,027	$ 2,912,885	$ 3,066,794

Source: Kenton County Airport Board.

Exhibit 3
Operations and Maintenance Expenses Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		**Unaudited**	**Budget**	**Forecast**				
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
O&M Expenses (by line item)									
Salaries & Benefits				$ 26,507,600	$ 27,302,828	$ 28,121,913	$ 28,965,570	$ 29,834,537	$ 30,729,573
Employee Insurance				4,877,052	5,120,905	5,376,950	5,645,797	5,928,087	6,224,492
Pension				5,435,788	5,490,146	5,545,047	5,600,498	5,656,503	5,713,068
Salaries Other				2,036,371	2,097,462	2,160,386	2,225,198	2,291,954	2,360,712
Outside Contractors				14,640,991	14,982,126	15,338,701	15,705,296	16,085,364	16,474,630
Equipment & Facilities				915,559	936,892	959,190	982,114	1,005,881	1,030,224
Supplies & Materials				4,707,894	4,817,588	4,932,247	5,050,127	5,172,340	5,297,511
Utilities				8,225,598	8,483,782	8,750,069	9,024,714	9,307,981	9,600,138
Other				7,292,768	7,462,690	7,640,302	7,822,905	8,012,219	8,206,115
Subtotal Allocable Expenses	$ 64,419,402	$ 68,135,344	$ 75,888,795	$ 74,639,621	$ 76,694,418	$ 78,824,804	$ 81,022,220	$ 83,294,866	$ 85,636,462
Add: Expensed Capital Outlays	1,194,243	1,050,575	3,007,326	594,100	1,069,380	1,094,831	1,120,998	1,148,126	1,175,911
O&M Expenses	$ 65,613,646	$ 69,185,919	$ 78,896,121	$ 75,233,721	$ 77,763,798	$ 79,919,635	$ 82,143,217	$ 84,442,992	$ 86,812,372
Change yr-over-yr		*5.4%*	*14.0%*	*-4.6%*	*3.4%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*
O&M Expenses (by cost center)									
Airfield & Terminal Ramp Area				$ 25,920,003	$ 26,635,944	$ 27,378,293	$ 28,144,009	$ 28,935,984	$ 29,751,983
Terminal				34,922,486	35,887,086	36,887,267	37,918,930	38,985,972	40,085,382
Concourse A Loading Bridges				605,978	622,716	640,071	657,973	676,488	695,565
Commercial Property				2,009,281	2,064,780	2,122,326	2,181,683	2,243,076	2,306,331
Rental Cars				115,264	118,448	121,749	125,154	128,676	132,305
Parking & GT				9,000,985	9,249,603	9,507,391	9,773,294	10,048,315	10,331,679
Subtotal Cost Center Expenses				$ 72,573,997	$ 74,578,577	$ 76,657,098	$ 78,801,043	$ 81,018,512	$ 83,303,245
Rebilled Services				2,065,624	2,115,840	2,167,706	2,221,177	2,276,354	2,333,217
Allocable Expenses				$ 74,639,621	$ 76,694,418	$ 78,824,804	$ 81,022,219	$ 83,294,866	$ 85,636,462

Source: Kenton County Airport Board.

Exhibit 4

Operating Revenues and Cost Per Enplaned Passenger Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Actual		**Unaudited**	**Budget**	**Forecast**				
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Operating Revenues									
Airline Revenues (1)									
Landing Fees	24,034,506	$ 14,761,679	$ 18,685,896	$ 18,733,242	$ 19,642,069	$ 20,151,828	$ 20,713,788	$ 21,290,258	$ 21,791,935
Terminal and Ramp Rentals and Use Charges	19,754,066	20,080,558	20,219,337	19,798,780	20,619,360	20,795,631	21,136,146	21,475,277	21,548,979
Miscellaneous Airline Revenues	135,511	135,511	135,511	173,430	173,430	173,430	173,430	173,430	173,430
Subtotal Airline Revenues	$ 43,924,083	$ 34,977,748	$ 39,040,744	$ 38,705,452	$ 40,434,859	$ 41,120,888	$ 42,023,365	$ 42,938,965	$ 43,514,344
Non-airline Revenues									
Parking	23,299,743	24,887,625	28,751,165	$ 28,006,944	$ 29,583,303	$ 30,986,001	$ 32,353,443	$ 33,755,447	$ 35,275,216
Rental Cars	5,775,514	6,304,511	6,727,532	6,730,237	7,109,045	7,446,122	7,774,726	8,111,636	8,476,846
Terminal Concessions	4,128,479	4,051,726	4,393,011	4,567,956	4,762,806	4,962,555	5,158,648	5,359,981	5,576,515
Commercial Development	4,099,943	4,241,288	4,259,360	4,603,175	4,673,566	4,691,577	4,712,016	4,780,477	4,825,402
Reimbursed O&M Expenses	2,993,737	2,663,264	2,923,417	2,065,624	2,115,840	2,167,706	2,221,177	2,276,354	2,333,217
Other Non-airline Revenues	2,264,149	2,331,877	2,257,771	1,812,526	1,401,264	1,437,667	1,474,187	1,511,589	1,549,935
Subtotal Non-airline Revenues	$ 42,561,565	$ 44,480,290	$ 49,312,256	$ 47,786,462	$ 49,645,824	$ 51,691,628	$ 53,694,198	$ 55,795,485	$ 58,037,131
Total Operating Revenues	$ 86,485,648	$ 79,458,038	$ 88,353,000	$ 86,491,914	$ 90,080,683	$ 92,812,516	$ 95,717,562	$ 98,734,450	$ 101,551,475
Change yr-over-yr		*-8.1%*	*11.2%*	*-2.1%*	*4.1%*	*3.0%*	*3.1%*	*3.2%*	*2.9%*
Airline Cost per Enplaned Passenger (CPE)									
Airline Revenues				$ 38,705,452	$ 40,434,859	$ 41,120,888	$ 42,023,365	$ 42,938,965	$ 43,514,344
Less: Cargo Landing Fees (Net of Rate Offsets)				(9,879,913)	(10,415,955)	(10,770,034)	(11,163,913)	(11,569,803)	(11,928,041)
Less: Cargo Ramp Rentals				(221,787)	(232,325)	(239,500)	(247,210)	(255,153)	(262,216)
Add: Reimbursed O&M Expenses (Passenger Airlines)				45,237	46,657	48,122	49,632	51,190	52,797
Passenger Airline Revenues				$ 28,648,990	$ 29,833,237	$ 30,159,476	$ 30,661,873	$ 31,165,199	$ 31,376,883
Enplaned Passengers				3,209,894	3,277,894	3,342,894	3,399,894	3,454,894	3,515,894
Airline Cost per Enplaned Passenger (CPE)	$ 10.66	$ 8.77	$ 9.17	$ 8.93	$ 9.10	$ 9.02	$ 9.02	$ 9.02	$ 8.92

Source: Kenton County Airport Board.
Note: (1) Airline revenues are shown net of credits and adjustments.

Exhibit 5
Forecast Rate Covenant Compliance
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

		Forecast					
		2016	2017	2018	2019	2020	2021
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues							
Operating Revenues		$ 86,491,914	$ 90,080,683	$ 92,812,516	$ 95,717,562	$ 98,734,450	$ 101,551,475
Add: Non-operating Revenues		72,100	72,100	72,100	72,100	72,100	72,100
Add: Other Available Revenues (1)		6,175,484	5,570,063	5,571,813	5,568,813	5,574,063	5,570,000
Less: Operations and Maintenance Expenses		(75,233,721)	(77,763,798)	(79,919,635)	(82,143,217)	(84,442,992)	(86,812,372)
Net Revenues	[A1]	$ 17,505,777	$ 17,959,048	$ 18,536,794	$ 19,215,257	$ 19,937,621	$ 20,381,203
Add: Carryover Amount (<= 25% of Principal and Interest Requirements)	[A2]	-	-	-	-	-	-
Net Revenues plus Carryover Amount	[A=A1+A2]	$ 17,505,777	$ 17,959,048	$ 18,536,794	$ 19,215,257	$ 19,937,621	$ 20,381,203
Principal and Interest Requirements on Outstanding Bonds	[B]	$ 4,940,388	$ 4,456,050	$ 4,457,450	$ 4,455,050	$ 4,459,250	$ 4,456,000
Coverage (0.25x)	[C=B*25%]	1,235,097	1,114,013	1,114,363	1,113,763	1,114,813	1,114,000
Rate Covenant Coverage Requirement (1.25x)	[D=B+C]	$ 6,175,484	$ 5,570,063	$ 5,571,813	$ 5,568,813	$ 5,574,063	$ 5,570,000
Rate Covenant Compliance, 8.03(b)	[A] - [D] >= 0	$ 11,330,293	$ 12,388,986	$ 12,964,981	$ 13,646,445	$ 14,363,558	$ 14,811,203
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues	[A1]	$ 17,505,777	$ 17,959,048	$ 18,536,794	$ 19,215,257	$ 19,937,621	$ 20,381,203
Deposits to:							
Bond Fund							
Interest Account		$ 3,240,000	$ 2,120,000	$ 2,185,000	$ 2,270,000	$ 2,365,000	$ 2,480,000
Principal Account		1,700,388	2,336,050	2,272,450	2,185,050	2,094,250	1,976,000
Bond Reserve Fund		-	-	-	-	-	-
Subordinate Bond Fund		-	-	-	-	-	-
Subordinate Bond Reserve Fund		-	-	-	-	-	-
Operations and Maintenance Reserve Account		-	632,519	538,959	555,895	574,943	592,345
Repair and Replacement Fund		-	-	-	-	-	-
Rebate Fund		-	-	-	-	-	-
Total Deposits	[E]	$ 4,940,388	$ 5,088,569	$ 4,996,409	$ 5,010,945	$ 5,034,193	$ 5,048,345
Rate Covenant Compliance, 8.03(a)	[A1] - [E] >= 0	$ 12,565,390	$ 12,870,480	$ 13,540,385	$ 14,204,312	$ 14,903,427	$ 15,332,858
FINANCIAL METRICS							
Debt Service Coverage	[A1 / B]	3.54	4.03	4.16	4.31	4.47	4.57

Source: Kenton County Airport Board.
Note: (1) The Board is irrevocably committing PFCs as Designated PFC Revenues through 2020; this Letter Report assumes the commitment will be extended through 2021.

Stress Scenario

Stress Scenario Rate Covenant Compliance
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

This scenario is based upon hypothetical assumptions as described in the text of this Letter Report.

		Hypothetical Stress Scenario					
		2016	**2017**	**2018**	**2019**	**2020**	**2021**
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues							
Operating Revenues		$ 86,491,914	$ 90,080,683	$ 92,812,516	$ 95,717,562	$ 98,734,450	$ 101,551,475
Add: Non-operating Revenues		72,100	72,100	72,100	72,100	72,100	72,100
Add: Other Available Revenues		-	-	-	-	-	-
Less: Operations and Maintenance Expenses		(75,233,721)	(77,763,798)	(79,919,635)	(82,143,217)	(84,442,992)	(86,812,372)
Net Revenues	[A1]	$ 11,330,293	$ 12,388,986	$ 12,964,981	$ 13,646,445	$ 14,363,558	$ 14,811,203
Add: Carryover Amount (<= 25% of Principal and Interest Requirements)	[A2]	-	-	-	-	-	-
Net Revenues plus Carryover Amount	[A=A1+A2]	$ 11,330,293	$ 12,388,986	$ 12,964,981	$ 13,646,445	$ 14,363,558	$ 14,811,203
Principal and Interest Requirements on Outstanding Bonds	[B]	$ 4,940,388	$ 4,456,050	$ 4,457,450	$ 4,455,050	$ 4,459,250	$ 4,456,000
Coverage (0.25x)	[C=B*25%]	1,235,097	1,114,013	1,114,363	1,113,763	1,114,813	1,114,000
Rate Covenant Coverage Requirement (1.25x)	[D=B+C]	$ 6,175,484	$ 5,570,063	$ 5,571,813	$ 5,568,813	$ 5,574,063	$ 5,570,000
Rate Covenant Compliance, 8.03(b)	[A] - [D] >= 0	$ 5,154,808	$ 6,818,923	$ 7,393,169	$ 8,077,632	$ 8,789,496	$ 9,241,203
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues	[A1]	$ 11,330,293	$ 12,388,986	$ 12,964,981	$ 13,646,445	$ 14,363,558	$ 14,811,203
Deposits to:							
Bond Fund							
Interest Account		$ 3,240,000	$ 2,120,000	$ 2,185,000	$ 2,270,000	$ 2,365,000	$ 2,480,000
Principal Account		1,700,388	2,336,050	2,272,450	2,185,050	2,094,250	1,976,000
Bond Reserve Fund		-	-	-	-	-	-
Subordinate Bond Fund		-	-	-	-	-	-
Subordinate Bond Reserve Fund		-	-	-	-	-	-
Operations and Maintenance Reserve Account		-	632,519	538,959	555,895	574,943	592,345
Repair and Replacement Fund		-	-	-	-	-	-
Rebate Fund		-	-	-	-	-	-
Total Deposits	[E]	$ 4,940,388	$ 5,088,569	$ 4,996,409	$ 5,010,945	$ 5,034,193	$ 5,048,345
Rate Covenant Compliance, 8.03(a)	[A1] - [E] >= 0	$ 6,389,905	$ 7,300,417	$ 7,968,572	$ 8,635,500	$ 9,329,365	$ 9,762,858
FINANCIAL METRICS							
Debt Service Coverage	[A1 / B]	2.29	2.78	2.91	3.06	3.22	3.32

Source: Kenton County Airport Board.

APPENDIX D

2015 FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

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Cincinnati/Northern Kentucky International Airport

Special Purpose Financial Statements
December 31, 2015 and 2014

Cincinnati/Northern Kentucky International Airport
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December 31, 2015 and 2014

CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
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Report of Independent Auditors

To the members of the Kenton
County Airport Board
Hebron, Kentucky

We have audited the accompanying special purpose financial statements (hereby referred to as the financial statements) of the business-type activities and the internal service fund of the Cincinnati/Northern Kentucky International Airport (hereby referred to as the Airport), which is controlled and operated by the Kenton County Airport Board, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Airport's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as prescribed by various revenue bond resolutions and use agreements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the internal service fund of the Airport as of December 31, 2015 and 2014, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis accounting as prescribed by various revenue bond resolutions and use agreements rather than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 10 to the financial statements, the Airport adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

The basis of accounting described in Note 1 requires that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability of the Kentucky Retirement System's County Employees Retirement System, and the schedule of the employer contributions to the Kentucky Retirement System's County Employees Retirement System (the Required Supplementary Information), as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blue & Co., LLC

Lexington, KY
June 20, 2016

The following discussion and analysis of the financial performance and activity of the Cincinnati/Northern Kentucky International Airport (the "Airport") provides an introduction and understanding of the Airport's special purpose financial statements (herein referred to as the "financial statements") for the calendar year ended December 31, 2015 with selected comparative information for the years ended December 31, 2014 and December 31, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

1. Introduction

The Kenton County Airport Board (the "Board") was created pursuant to a resolution of the Fiscal Court of Kenton County, Kentucky adopted on June 3, 1943 and has jurisdiction, control, possession and supervision of the Airport. Under the provisions of Chapter 183 of the Kentucky Revised Statutes and by the terms of such resolution, the Board has been created and organized as a public body politic and corporate.

The operations of the Airport are self-supporting and generate revenues from airport users to fund all operating expenses and debt service requirements. Capital projects are funded through the issuance of bonds, the collection of Passenger Facility Charges ("PFCs"), the collection of Customer Facility Charges ("CFCs"), the receipt of federal and state grants and internally generated funds.

2. Airport Activity

The Airport serves as the primary airport for scheduled passenger service to the Cincinnati Consolidated Metropolitan Statistical Area. It additionally serves as DHL Express Inc.'s Network Operations (USA), Inc. ("DHL") main international cargo hub for North America and South America. As of December 31, 2015, scheduled passenger service at the Airport was provided by seven airline groups through a total of twenty-three mainline and regional carriers. Scheduled cargo service was provided by two cargo airlines.

Selected activity statistics for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Enplaned passengers	3,160,248	2,964,657	2,874,788
Origin passengers(1)	2,669,588	2,299,489	2,171,371
Landed Weights(lbs. 000s)			
Passenger airlines	3,705,061	3,502,443	3,599,538
Cargo airlines(2)	4,036,565	3,652,864	3,431,112
Total landed weight	7,741,626	7,155,307	7,030,650
Aircraft operations(3)	126,939	128,035	132,673

(1) as reported to the Airport by the airlines

(2) includes maintenance flights

(3) includes domestic air carriers, international air carriers and air taxi/commuter flights

The Airport's enplaned passenger activity increased 6.6% in 2015 after a 3.1% increase in 2014. These increases in enplanements were the result of the 16.1% and 5.9% increases in originating passengers in 2015 and 2014, respectively. The changes in enplanements and originating passengers reflect the continued transition of the Airport from primarily serving as a connecting hub to primarily serving the residents of, and visitors to, the Cincinnati region. Delta Air Lines, Inc. ("Delta") had operated a sizable connecting hub at the Airport and with Delta's continued restructuring of its hub over the last ten years, incumbent airlines and new low-cost entrants expanded service at the Airport. As a result, over the last several years the carrier base at the Airport has diversified, enhancing competition, lowering airfares and stimulating local passenger traffic. In 2015, origin passengers represented 84.5% of the Airport's enplaned passengers, increasing from 77.6% in 2014 and 75.5% in 2013.

Total landed weights at the Airport increased 8.2% in 2015 and 1.8% in 2014. These increases reflect 2015 and 2014 increases in cargo landed weights of 10.5% and 6.5%, respectively. Also contributing to the increase in 2015 was a 5.8% increase in passenger airline landed weights. In 2014, the cargo landed weight increase was partially offset by a 2.7% decrease in passenger airline landed weights. The positive changes in cargo airline landed weights were due to continued growth by DHL after re-establishment of its international sorting hub at the Airport in July 2009. Passenger airline landing weights grew in 2015 as the result of the previously discussed growth in incumbent and low-cost carriers at the Airport, while in 2014 the incumbent and low cost carrier landed weight growth was more than offset by a decline in Delta landed weights.

The number of aircraft operations at the Airport declined by .9% and 3.5% in 2015 and 2014, respectively. While both enplanements and landed weights at the Airport have increased, aircraft operations have decreased as the result of an increase in the average size of aircraft operating at the Airport. This increase in average aircraft size is due to the growth in larger cargo aircraft as well as an increase in average size of passenger airline aircraft with the continued phase out of the smaller regional aircraft by the legacy carriers and an increase in the number of larger mainline aircraft operations due to the increase in low cost carrier flights.

3. Airline Rates and Charges

Through December 31, 2015, the Airport Use Agreement (the "use agreements") in effect with American Airlines, Inc.("American"), Delta, and United Airlines, Inc.("United"), (collectively, the "signatory airlines") governs landing fee rates and other charges to these airlines for the use of Airport facilities. The landing fee formula under the use agreements is "residual" and provides that the signatory airlines pay landing fees in an amount that will make operating revenues (landing fees plus all other operating revenues) equal operating expenses plus 125% of the required debt service on the Airport's long-term borrowings ("requirements").

Under the use agreements, the signatory airlines pay landing fees during the course of the year at the landing fee rate calculated as part of the budget process. At year-end, signatory airline landing fees are adjusted to reflect any over/under collection of landing fees based upon the use agreement residual landing fee formula. If it is determined at year-end that there has been an over collection of signatory landing fees, the excess landing fees are removed from revenues, recorded as a liability entitled "landing fees in excess of requirements" and refunded to the signatory airlines over the course of the subsequent year. If it is determined at year-end that there has been an under collection of landing fees, the shortfall is to be paid by the signatory airlines within twenty days following receipt of notice from the Airport of such shortfall.

4. Financial Statements

Basis of Accounting and Overview of Financial Statements
As more fully described in Note 1 to the financial statements, the basis of accounting followed by the Airport through December 31, 2015 is designed to account for compliance with various bond resolutions and the use agreements governing the periods for which the statements are issued. The Airport complies with all applicable Governmental Accounting Standards Board ("GASB") statements to the extent they do not conflict with the provisions of the use agreements or the various bond resolutions.

The Airport is a business-type activity and, as such, is accounted for as an Enterprise Fund. For purposes of financial reporting, the Airport's Enterprise Fund is segregated into the following account groups: Available for Current Operations, Restricted for Debt Service and Restricted for Airport Facilities. These account groups have been established to reflect the flow of funds and restrictions under the Airport's various bond resolutions and use agreements. Additionally, the Airport's financial statements include an Internal Service Fund ("ISF") that was established by resolution of the Board to account for all activities of the self-funded group health and dental coverages provided to employees. The financial statements are prepared on the basis of accounting described in Note 1, with this basis of accounting including the recognition of revenues when earned and expenses when incurred.

The Airport's financial report includes three financial statements for both 2015 and 2014. The first is the Balance Sheet that presents the financial position of the Airport at the end of the fiscal year and includes all assets, deferred outflows, liabilities, deferred inflows and net position (assets and deferred outflows minus liabilities and deferred inflows) of the Airport. Net position is generally an indicator of the current fiscal health of the Airport. The second is the Statement of Revenues, Expenses, and Changes in Net Position. The change in net position is generally an indicator of whether the overall fiscal condition of the organization has improved or worsened during the year. The third statement is the Statement of Cash Flows. The Statement of Cash Flows provides additional information about the Airport's financial results by reporting the major sources and uses of cash.

Adoption of New Pronouncement
All full-time employees of the Airport as of December 31, 2015 are members of the Kentucky Retirement Systems' County Employee Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension system. Therefore, as required, during 2015 the Airport implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date–an amendment of GASB Statement No. 68*. These statements require cost-sharing entities providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, establishes the accounting and financial reporting standards for measuring and recognizing the subsequent liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Related to the implementation of GASB 68, the Airport recorded its assigned proportionate share of the CERS' net pension liability, with this liability being recorded through the restatement of net position at January 1, 2014 as well as through the

recording of related deferred inflows and outflows of resources and additional pension expense. While included in this Management's Discussion and Analysis for comparative purposes, the 2013 amounts have not been restated related to the implementation of GASB 68.

Balance Sheet

A summarized comparison of the Airport's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position at December 31, 2015, 2014 and 2013 is set forth below (in thousands of dollars):

	2015	2014	2013
Assets			
Current assets	$ 79,894	$ 74,030	$ 114,752
Non-current assets			
Capital assets	736,895	756,001	787,919
Other non-current assets	165,116	157,788	147,630
Total assets	981,905	987,819	1,050,301
Deferred outflow of resources	8,376	1,712	0
Total assets and deferred outflow of resources	$ 990,281	$ 989,531	$ 1,050,301
Liabilities			
Current liabilities	$ 23,907	$ 23,938	$ 65,933
Non-current liabilities	112,246	99,284	63,635
Total liabilities	136,153	123,222	129,568
Deferred inflow of resources	3,240	4,050	0
Net position			
Unrestricted	(40,566)	(40,566)	0
Invested in capital assets, net of related debt	678,305	697,412	702,268
Restricted	213,149	205,413	218,465
Total net position	850,888	862,259	920,733
Total liabilities, deferred inflow of resources and net position	$ 990,281	$ 989,531	$ 1,050,301

In 2015 and 2014, the Airport's net position decreased by $11.4 million or 1.3 % and $58.5 million or 6.4%, respectively. The 2014 decrease includes a $41.2 million reduction in net position due to the restatement of net position required for the implementation of GASB 68. The 2015 decrease in net position is the result of a $5.9 million decrease in total assets and a $12.9 million increase in total liabilities offset in part by a $6.6 million increase in deferred outflows of resources and a $.8 million decrease in deferred inflows of resources.

The 2015 decrease in total assets includes a $5.9 million increase in current assets and an $11.8 million decrease in non-current assets. The increase in current assets is primarily related to a net increase in current cash and investment balances in the Available for Current Operations Account Group, as discussed in the Statement of Cash Flows section included herein. Non-current assets decreased principally due to a decrease in capital assets, net of accumulated depreciation, resulting from capital additions in 2015 being less than the combined effect of capital retirements and the increase in accumulated depreciation, as discussed in the Capital Assets and Debt Administration section included herein. Also contributing was a decrease in grants, federal awards and other transaction agreements receivable due to the drawdown of grant amounts related to a runway and taxiway rehabilitation project completed in 2014. These decreases were offset in part by a net increase in the non-current cash and investment balances, as discussed in the Statement of Cash Flows section included herein.

The 2015 increase in total liabilities includes a $.03 million decrease in current liabilities and a $13.0 million increase in non-current liabilities. The decrease in current liabilities is primarily the result of a decrease in the liability related to landing fees collected in excess of requirements offset by an increase in accounts payable related to increased expenditure activity at year-end 2015. The decrease in landing fees collected in excess of requirements is due to the 2015 excess landing fees owed to the airlines under the use agreement residual landing fee formula being lower than the 2014 excess revenues. This decrease is offset in part by an increase in the balance of prior year excess landing fees not fully refunded to the signatory airlines as of year-end.

Non-current liabilities increased due to an increase in the net pension liability recorded pursuant to GASB 68. The 2015 increase in net pension liability is primarily the result of CERS' use of updated demographic and economic assumptions that affect the measurement of the total pension liability.

The 2015 increase in deferred outflow of resources is primarily due to changes in pension plan actuarial assumptions in 2015, while the decrease in deferred inflow of resources is related to the amortization of the pension plan actuarial adjustment for the difference between expected and actual plan experience.

Statement of Revenues, Expenses, and Changes in Net Position

The analysis below is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2015, 2014 and 2013 (in thousands of dollars):

	2015	2014	2013
Operating revenues			
Field			
Landing fees	$ 18,686	$ 14,762	$ 24,035
Ramp rentals	5,220	5,159	4,997
Other	152	149	154
Concessions	41,430	36,588	34,666
Fixed rentals	19,365	19,292	19,074
Rebilled services	2,754	2,730	2,808
Passenger facility charges transferred from airport facilities	3,628	5,967	7,443
Customer facility charges	5,744	4,365	4,305
Grants, federal awards and other transaction agreements	532	433	467
Police forfeiture revenues transferred from airport facilities	175	64	85
Investment income	168	162	255
Miscellaneous	214	343	285
Total operating revenues	98,068	90,014	98,574
Operating expenses			
Salaries, wages and benefits	41,326	34,879	34,176
Contracted services	18,312	16,710	14,721
Utilities	7,270	8,324	7,813
General administration	17,148	12,908	6,092
Supplies and capital items expensed	9,139	6,792	5,886
Insurance	1,245	1,383	1,231
Total operating expenses	94,440	80,996	69,919
Net operating revenues	3,628	9,018	28,655
Nonoperating changes in net position: increase (decrease)			
Grants and federal awards	8,150	8,106	17,547
Passenger facility charges	12,651	11,347	11,107
Passenger facility charges transferred to operations	(3,628)	(5,967)	(7,443)
Customer facility charges transferred from operations as general administrative expense	5,744	4,365	4,305
Customer facility charges returned to operations	-	-	(51)
Demolition of excess facilities funding transferred from operations as general administrative expense	9,800	7,445	-
Demolition of excess facilities funding returned to operations	-	(1)	-
Police forfeiture program revenues	774	490	571
Police forfeiture program revenues from sale of assets	-	6	-
Police forfeiture program revenues transferred to operations	(175)	(64)	(85)
Police forfeiture program revenues passed through to other local government	(2)	-	-
Investment income	199	353	217
Debt service interest funded from operations	(2,902)	(3,358)	(5,097)
Depreciation and amortization	(45,434)	(48,715)	(48,782)
Debt service and/or improvements to airport account funds transferred to operations as landing fee revenues	-	-	(1,000)
Noncapitalizable project costs	(280)	(800)	(182)
Net loss on disposal of capital assets	(394)	(426)	(2,103)
Third party funding of project costs	697	112	500
Reversion of ownership of leased faculties	-	142	-
Self funded health coverage			
Contributions from operations	4,422	4,532	4,418
Contributions from airport facilities	44	72	87
Contributions from employees	310	305	219
Claims incurred	(4,382)	(4,263)	(4,063)
Administrative fees	(229)	(201)	(151)
Premiums for stop loss and aggregate coverages	(364)	(408)	(372)
Pension adjustment due to adoption of GASB 68	-	657	-
Other	-	2	-
Total nonoperating changes in net position	(14,999)	(26,269)	(30,358)
Total changes in net position	(11,371)	(17,251)	(1,703)
Net position at the beginning of the year, previously stated	862,259	920,733	922,436
Restatement due to adoption of GASB 68	-	(41,223)	-
Net position at the beginning of the year, restated	862,259	879,510	922,436
Net position at the end of the year	$ 850,888	$ 862,259	$ 920,733

Operating Revenues and Expenses

Operating Revenues increased $8.1 million in 2015 after an $8.6 million decrease in 2014. As described in the Airline Rates and Charges section, under the residual use agreement landing fee formula, the overall increase in operating revenues from 2014 to 2015 is the result of a net increase in requirements. This net increase in requirements was comprised of a $13.4 million increase in operating expenses offset by a $5.4 million decrease in debt service related requirements.

Field revenues, which primarily consist of landing fees, increased by $3.9 million in 2015. Landing fees represent the balancing figure under the Airport's residual landing fee formula. Therefore, as discussed above, this change in landing fee revenues reflects the net variance in all other components of operating revenues, operating expenses and debt service.

Concession revenues increased $4.8 million primarily because of increased parking revenues driven by origin passenger growth.

PFCs transferred from airport facilities decreased by $2.3 million in 2015. PFCs transferred to operations from airport facilities represent PFCs transferred to meet the debt service requirements on Airport revenue bonds authorized to be paid from PFCs, as well as PFCs transferred to fund PFC eligible operating expenses. The 2015 decrease in PFCs transferred from airport facilities relates to a reduction in PFC funded debt service due to the 2014 early redemption of the Series 2003B bonds' March 1, 2015 and 2016 maturities.

CFCs are a per-rental-car-transaction day fee being collected by the Board to fund ground transportation related improvements. CFC revenues increased in 2015 primarily as the result of an increase in the per-rental-car-transaction day fee effective as of May 1, 2015. Also contributing was an increase in rental car transaction days related to the growth in origin passengers.

The primary components of the $13.4 million increase in 2015 operating expenses were a $6.4 million increase in salaries, wages and benefits, a $1.6 million increase in contracted services, a $4.2 million increase in general administration expense and a $2.3 million increase in supplies and capital items expensed. These increases were offset by a $1.1 million decrease in utilities.

The increase in salaries, wage and benefits was comprised of a $5.2 million increase in 2015 pension expense and a $1.2 million increase in other salaries, wages and benefits. The increase in pension expense was principally related to the implementation of GASB 68, which required the recording of $5.1 million of pension expense in addition to the amount recognized as expense as contributions were made during the year. Other salaries, wages and benefits increased largely as the result of wage increases, as well as an increase in the number of full time equivalent positions.

The 2015 growth in contracted services was related to repair and clean-up of various components of the Airport's storm water system, one-time moving sidewalk and escalator repairs, the relocation of the Board's administrative offices, maintenance on the Airport's aircraft fire training system, electrical system repairs and parking customer service enhancements.

Utilities costs decreased primarily due to lower electric and natural gas rates, as well as less usage in 2015 as compared to 2014.

As approved by the signatory airlines and described in Note 1 to the financial statements, included as general administration expense are the transfers of CFCs and funds being accumulated for demolition of excess facilities to the Restricted for Airport Facilities Account Group. CFCs and demolition funds returned to the Available for Current Operations Account Group to reimburse qualifying operating expenditures are recorded as reductions of general administration expense. The increase in general administration expense is related to an increase in the funds transferred in 2015 for the demolition of excess facilities pursuant to the terms of the signatory airline approval for the accumulation of these funds and an increase in CFCs transferred to the Restricted for Airport Facilities Account Group due to the previously discussed increase in CFC revenues. These increases are offset in part by a decrease in the amount of CFC reimbursed operating expenses which served to reduce general administration expense.

The $2.3 million increase in supplies and capital items expensed was primarily due to an increase in expensed small capital purchases in 2015 as compared to the amount required for 2014.

The 2015 decrease in debt service related requirements was the result of the 2014 early redemption of the Series 2002A, 2003C and 2007B bonds on March 1, 2014 as well as the early redemption of the March 1, 2015 and 2016 maturities of the Series 2003B bonds on October 15, 2014.

Nonoperating Changes In Net Position

PFCs collections increased by $1.3 million primarily as the result of the increase in enplanements. Also impacting PFC collections was an increase in the percentage of enplanements on which PFCs were collected due to the change in the mix of airlines operating at the Airport and origin passengers representing a larger percentage of total enplanements.

PFCs transferred to operations, as discussed above, decreased by $2.3 million in 2015 as compared to 2014 due to decreased PFC funded debt service requirements. The 2015 increase in CFCs transferred from operations was the result of the increase in CFC operating revenues, as discussed above.

The demolition of excess facilities funding transferred from operations represents the transfer of funds being accumulated for the demolition of excess facilities which, as previously discussed, increased in 2015 pursuant to the terms of the signatory airline approval pertaining to the accumulation of these funds.

Depreciation and amortization decreased in 2015 by $3.3 million due to a number of assets constructed as part of a large expansion project completed in 1994 becoming fully amortized in 2014.

Statement of Cash Flows

A comparative summary of the Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands of dollars):

	2015	2014	2013
Cash received from operations	$ 95,403	$ 92,156	$ 99,139
Cash paid for operations	(87,484)	(87,191)	(76,348)
Net cash provided by operating activities	7,919	4,965	22,791
Net cash provided by non-capital financing activities	2,587	5,830	6,640
Net cash provided by (used in) capital and related financing activities	10,478	(43,638)	(35,065)
Net cash (used in) provided by investing activities	(72,127)	6,816	20,985
Net cash used in non-capital, capital, financing and investing activities	(59,062)	(30,992)	(7,440)
Net (decrease) increase in cash	(51,143)	(26,027)	15,351
Cash at the beginning of the year	61,664	87,691	72,340
Cash at the end of the year	$ 10,521	$ 61,664	$ 87,691

The Airport's overall cash position decreased $51.1 million in 2015 after a $26.0 million decrease in 2014.

Net cash provided by operating activities in 2015 was $3.0 million more than the cash provided by operating activities in 2014. While net operating revenues decreased by $5.4 million in 2015, net cash provided by operating activities increased due to differences in the timing of cash receipts and payments as reflected in the 2015 and 2014 changes in asset and liability balances in the Available for Current Operations Account Group and the effect on the residual landing fee formula of the GASB 68 required recording of additional pension expense.

In 2015, $59.1 million of cash was used in non-capital, capital, financing and investing activities, representing a $28.1 million fluctuation from the $31.0 million of cash used in these activities in 2014. The $28.1 million increase in usage was the result of $3.2 million less cash being provided by non-capital financing activities and $78.9 million more cash being used in investing activities offset in part by $54.2 million less cash being used in capital and related financing activities.

The 2015 decrease in cash provided by non-capital financing activities was primarily due to a decrease in revenues in excess of operating expenses and debt service generated in 2015 as compared to 2014. Under the use agreement landing fee formula, this reduction is the result of reduced debt service requirements. The increase in cash being used in investing activities was the result of shifting funds from cash to investments over the course of the year.

The primary reasons for the $54.2 million decrease in cash used in capital and related financing activities was the 2014 use of $24.5 million to redeem bonds and the resulting 2015 decrease in cash used due to a decrease in required payments to bondholders. Also contributing to the increase in cash provided by capital and related financing activities were increases in CFC, PFC and grants and federal awards receipts as well as in the amount of funds accumulated for the demolition of excess facilities. These increases in cash provided were offset in part by an increase in capital expenditures.

5. Capital Assets and Debt Administration

Capital Assets
As of December 31, 2015, the Airport's capital assets balance, net of accumulated depreciation, was $736.9 million. As detailed in Note 4 to the financial statements, during 2015 the amount of capital assets gross of depreciation increased $21.7 million and accumulated depreciation increased $40.8 million. The increase in gross capital assets during 2015 was primarily related to the rehabilitation of an aircraft parking apron, the construction/renovation of facilities to which the Board's administrative offices and various other functions were relocated, baggage system improvements, capital improvements necessary to enable the demolition of Terminals 1 and 2, implementation of an enterprise asset management system, and the purchase of snow removal and other operational equipment.

Debt Administration
As of December 31, 2015, the Airport's only outstanding bonds were the Series 2003B fixed rate revenue bonds with an outstanding principal balance of $58.6 million. Pursuant to approvals previously received from the Federal Aviation Administration, the debt service on the Series 2003B bonds, while secured by the revenues of the Airport, is fully payable with on-hand PFC funding and currently approved future collections of PFCs.

At December 31, 2015, the Airport's underlying long-term bond ratings were "A3" from Moody's Investor Services, and "A-" from Standard and Poor's ("S&P"), both with a "stable" outlook, and "A-" from Fitch Ratings, with a "positive outlook". Other than refunding the currently outstanding 2003B bonds (see below), the Board does not currently have plans to issue new debt.

6. Subsequent Events

Airline Rates and Charges
A new use agreement with various airlines serving the Airport became effective on January 1, 2016. This agreement expires on December 31, 2020. Allegiant Air, Delta, DHL, Federal Express, Frontier Airlines and United have entered into the use agreement. On June 6, 2016, the Board received correspondence stating that American is in the process of signing the use agreement.

The new use agreement establishes the methodology for calculating the landing fees as well as the various terminal related rates and charges to be paid by any airlines which are parties to the new use agreement (hereinafter referred to as the "new agreement signatory airlines") under separate terminal lease agreements. The terms of these lease agreements expire coincident with the term of the new use agreements. The airline rates and charges methodology under the new use agreement provides that operating expenses as well as debt service, other capital costs and funding of certain reserve accounts are allocated to airline and Board cost centers. The landing fee and terminal rates and charges are calculated based on the costs allocated to the applicable airline cost centers less certain revenue offsets. The costs allocated to the airfield net of revenue offsets allocated to the airfield are fully recovered through the payment of landing fees and terminal ramp area rentals. The costs allocated to the terminal net of the revenue offsets allocated to the terminal are recovered based the percentage of terminal space leased. In addition to the revenue offsets specifically allocated to the airfield and terminal for purposes of calculating rates, a portion of the net remaining revenues as defined in the use agreement are credited to reduce the terminal rentals to be paid by the new agreement signatory airlines under the separate terminal lease agreements.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the new use agreement, each new agreement signatory airline is required to make extraordinary coverage protection payments in any fiscal year in which the amount of revenues less operations and maintenance expenses as defined in the use agreement is or is forecasted to be less than 125% of the aggregate annual debt service requirement as calculated under the bond resolution in place at that time to secure the payment of the Airport's revenue bonds.

Debt Administration
On March 24, 2016, Moody's upgraded the Airport's long-term bond rating on the outstanding 2003B bonds to "A2" with a "stable" outlook.

On May 16, 2016, the Board authorized the issuance of Series 2016 bonds to fully refund the Series 2003B bonds. The Series 2016 bonds are planned to be sold as fixed rate revenue bonds and are anticipated to result in substantial interest savings and a reduction in the Airport's outstanding debt balance.

Also on May 16, 2016, the Board approved a new bond resolution to be implemented with the issuance of the Series 2016 bonds. Under this resolution, new funds and accounts will be established to provide for the deposit and flow of net revenues (revenues less operating and maintenance expenses as defined in the resolution) to be pledged for payment of the Series 2016 bonds and future revenue bonds to be issued by the Airport.

On June 6, 2016, Moody's affirmed its "A2" rating with a "stable" outlook on the Board's 2003B bonds while outstanding and assigned this rating and outlook to the 2016 refunding bonds to be issued.

On June 7, 2016, Fitch Ratings upgraded the Board's rating to "A+" with a "stable" outlook and assigned this rating to the 2003B bonds while outstanding and to the 2016 refunding bonds to be issued.

7. Requests for Information

This financial report is designed to provide a general overview of the Airport's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, P.O. Box 752000, Cincinnati, OH 45275-2000 or emailed to info@cvgairport.com.

Cincinnati/Northern Kentucky International Airport
Balance Sheet
December 31, 2015

(in thousands of dollars)

	Enterprise Fund: Available for Current Operations	Enterprise Fund: Restricted for Debt Service	Enterprise Fund: Restricted for Airport Facilities	Enterprise Fund: Total	Internal Service Fund: Self-funded health coverage	Total
Assets						
Current assets						
Cash	$ 5,670	$ 976	$ 1,931	$ 8,577	$ 756	$ 9,333
Investments (at fair value)	11,250	-	51,889	63,139	172	63,311
Accrued investment income receivable	-	-	35	35	-	35
Interaccount group investment income receivable	71	-	-	71	-	71
Accounts receivable	3,603	-	-	3,603	-	3,603
Interaccount group receivable	891	-	-	891	-	891
Interfund receivable	501	-	-	501	-	501
Grants, federal awards and other transaction agreements receivable	128	-	-	128	-	128
Customer facility charges receivable	458	-	-	458	-	458
Prepaid expenses	1,563	-	-	1,563	-	1,563
Total current assets	24,135	976	53,855	78,966	928	79,894
Non-current assets						
Cash	126	912	-	1,038	-	1,038
Cash - police forfeiture assets	-	-	150	150	-	150
Investments (at fair value)	600	4,297	146,056	150,953	4,559	155,512
Investments (at fair value) - police forfeiture assets	-	-	1,300	1,300	-	1,300
Accrued investment income receivable	-	-	245	245	8	253
Interaccount group investment income receivable	-	-	8	8	-	8
Accounts receivable	-	-	-	-	102	102
Interaccount group receivable	-	-	2,540	2,540	-	2,540
Interfund receivable	-	-	-	-	235	235
Grants, federal awards and other transaction agreements receivable	-	-	2,265	2,265	-	2,265
Passenger facility charges receivable	-	-	1,481	1,481	-	1,481
Prepaid expenses	232	-	-	232	-	232
Capital assets, non-depreciable	-	-	208,357	208,357	-	208,357
Capital assets, net of accumulated depreciation	-	-	528,538	528,538	-	528,538
Total non-current assets	958	5,209	890,940	897,107	4,904	902,011
Total assets	$ 25,093	$ 6,185	$ 944,795	$ 976,073	$ 5,832	$ 981,905
Deferred Outflow of Resources						
Pension	$ 8,376	$ -	$ -	$ 8,376	$ -	$ 8,376
Total deferred outflow of resources	8,376	-	-	8,376	-	8,376
Total assets and deferred outflow of resources	$ 33,469	$ 6,185	$ 944,795	$ 984,449	$ 5,832	$ 990,281
Liabilities						
Current Liabilities						
Accounts payable	$ 8,465	$ -	$ 2,575	$ 11,040	$ 427	$ 11,467
Accrued expenses	974	-	-	974	-	974
Interaccount group payable	2,540	-	891	3,431	-	3,431
Interfund payable	233	-	2	235	501	736
Interaccount group investment income payable	-	8	71	79	-	79
Contract retainage payable	28	-	1,285	1,313	-	1,313
Landing fees in excess of requirements	4,899	-	-	4,899	-	4,899
Assets held in trust	-	-	40	40	-	40
Funded revenue bonds payable	-	-	-	-	-	-
Accrued interest payable	-	968	-	968	-	968
Revenue bonds payable	-	-	-	-	-	-
Total current liabilities	17,139	976	4,864	22,979	928	23,907
Non-current liabilities						
Accounts payable	50	-	-	50	-	50
Accrued expenses	2,796	-	-	2,796	-	2,796
Revenue bonds payable	-	-	58,590	58,590	-	58,590
Net pension liability	50,810	-	-	50,810	-	50,810
Total non-current liabilities	53,656	-	58,590	112,246	-	112,246
Total liabilities	70,795	976	63,454	135,225	928	136,153
Deferred Inflow of Resources						
Pension	$ 3,240	$ -	$ -	$ 3,240	$ -	$ 3,240
Total deferred inflow of resources	3,240	-	-	3,240	-	3,240
Net Position						
Unrestricted	(40,566)	-	-	(40,566)	-	(40,566)
Invested in capital assets, net of related debt	-	-	678,305	678,305	-	678,305
Restricted	-	5,209	203,036	208,245	4,904	213,149
Total net position	(40,566)	5,209	881,341	845,984	4,904	850,888
Total liabilities , deferred inflow of resources and net position	$ 33,469	$ 6,185	$ 944,795	$ 984,449	$ 5,832	$ 990,281

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Balance Sheet
December 31, 2014

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Assets						
Current assets						
Cash	$ 11,435	$ 976	$ 13,191	$ 25,602	$ 528	$ 26,130
Investments (at fair value)	-	-	40,596	40,596	144	40,740
Accrued investment income receivable	-	-	49	49	-	49
Interaccount group investment income receivable	43	-	-	43	-	43
Accounts receivable	3,241	-	-	3,241	-	3,241
Interaccount group receivable	1,093	-	610	1,703	-	1,703
Interfund receivable	358	-	-	358	-	358
Grants, federal awards and other transaction agreements receivable	90	-	-	90	-	90
Customer facility charges receivable	342	-	-	342	-	342
Prepaid expenses	1,334	-	-	1,334	-	1,334
Total current assets	17,936	976	54,446	73,358	672	74,030
Non-current assets						
Cash	1,194	846	32,414	34,454	-	34,454
Cash - police forfeiture assets	-	-	1,080	1,080	-	1,080
Investments (at fair value)	-	4,365	98,141	102,506	4,613	107,119
Accrued investment income receivable	-	-	142	142	7	149
Interaccount group investment income receivable	-	-	7	7	-	7
Accounts receivable	-	-	99	99	196	295
Interaccount group receivable	-	-	2,591	2,591	-	2,591
Interfund receivable	-	-	-	-	187	187
Grants, federal awards and other transaction agreements receivable	-	-	10,346	10,346	-	10,346
Passenger facility charges receivable	-	-	1,244	1,244	-	1,244
Prepaid expenses	232	-	-	232	84	316
Capital assets, non-depreciable	-	-	206,858	206,858	-	206,858
Capital assets, net of accumulated depreciation	-	-	549,143	549,143	-	549,143
Total non-current assets	1,426	5,211	902,065	908,702	5,087	913,789
Total assets	$ 19,362	$ 6,187	$ 956,511	$ 982,060	$ 5,759	$ 987,819
Deferred Outflow of Resources						
Pension	$ 1,712	$ -	$ -	$ 1,712	$ -	$ 1,712
Total deferred outflow of resources	1,712	-	-	1,712	-	1,712
Total assets and deferred outflow of resources	$ 21,074	$ 6,187	$ 956,511	$ 983,772	$ 5,759	$ 989,531
Liabilities						
Current Liabilities						
Accounts payable	$ 4,686	$ -	$ 3,585	$ 8,271	$ 314	$ 8,585
Accrued expenses	1,804	-	-	1,804	-	1,804
Interaccount group payable	3,201	-	1,093	4,294	-	4,294
Interfund payable	185	-	2	187	358	545
Interaccount group investment income payable	-	7	43	50	-	50
Contract retainage payable	-	-	631	631	-	631
Landing fees in excess of requirements	7,020	-	-	7,020	-	7,020
Assets held in trust	-	-	40	40	-	40
Funded revenue bonds payable	-	-	-	-	-	-
Accrued interest payable	-	969	-	969	-	969
Revenue bonds payable	-	-	-	-	-	-
Total current liabilities	16,896	976	5,394	23,266	672	23,938
Non-current liabilities						
Accounts payable	31	-	-	31	-	31
Accrued expenses	2,435	-	-	2,435	-	2,435
Revenue bonds payable	-	-	58,590	58,590	-	58,590
Net pension liability	38,228	-	-	38,228	-	38,228
Total non-current liabilities	40,694	-	58,590	99,284	-	99,284
Total liabilities	57,590	976	63,984	122,550	672	123,222
Deferred Inflow of Resources						
Pension	$ 4,050	$ -	$ -	$ 4,050	$ -	$ 4,050
Total deferred inflow of resources	4,050	-	-	4,050	-	4,050
Net Position						
Unrestricted	(40,566)	-	-	(40,566)	-	(40,566)
Invested in capital assets, net of related debt	-	-	697,412	697,412	-	697,412
Restricted	-	5,211	195,115	200,326	5,087	205,413
Total net position	(40,566)	5,211	892,527	857,172	5,087	862,259
Total liabilities, deferred inflow of resources and net position -restated	$ 21,074	$ 6,187	$ 956,511	$ 983,772	$ 5,759	$ 989,531

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2015

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Operating revenues						
Field						
Landing fees	$ 18,686	$ -	$ -	$ 18,686	$ -	$ 18,686
Ramp rentals	5,220	-	-	5,220	-	5,220
Other	152	-	-	152	-	152
Concessions	41,430	-	-	41,430	-	41,430
Fixed rentals	19,365	-	-	19,365	-	19,365
Rebilled services	2,754	-	-	2,754	-	2,754
Passenger facility charges transferred from airport facilities	3,628	-	-	3,628	-	3,628
Customer facility charges	5,744	-	-	5,744	-	5,744
Grants, federal awards and other transaction agreements	532	-	-	532	-	532
Police forfeiture revenues transferred from airport facilities	175	-	-	175	-	175
Investment income	168	-	-	168	-	168
Miscellaneous	214	-	-	214	-	214
Total operating revenues	98,068	-	-	98,068	-	98,068
Operating expenses						
Salaries, wages and benefits	41,326	-	-	41,326	-	41,326
Contracted services	18,312	-	-	18,312	-	18,312
Utilities	7,270	-	-	7,270	-	7,270
General administration	17,148	-	-	17,148	-	17,148
Supplies and capital items expensed	9,139	-	-	9,139	-	9,139
Insurance	1,245	-	-	1,245	-	1,245
Total operating expenses	94,440	-	-	94,440	-	94,440
Net operating revenues	3,628	-	-	3,628	-	3,628
Nonoperating changes in net position: increase (decrease)						
Disposition of net operating revenues						
Debt service						
Revenue bond principal	-	-	-	-	-	-
Revenue bond interest, excluding capitalized interest	(2,902)	2,902	-	-	-	-
Total debt service	(2,902)	2,902	-	-	-	-
Excess revenues over debt service						
Depreciation account	-	-	-	-	-	-
Restricted for debt service and/or improvements to airport accounts	-	-	-	-	-	-
Passenger facility charge project account	(726)	-	726	-	-	-
Total excess revenues over debt service	(726)	-	726	-	-	-
Total disposition of net operating revenues	$ (3,628)	$ 2,902	$ 726	$ -	$ -	$ -

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Revenues, Expenses, and Changes in Net Position, continued
Year Ended December 31, 2015

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Other nonoperating changes in net position						
Grants and federal awards	$ -	$ -	$ 8,150	$ 8,150	$ -	$ 8,150
Passenger facility charges	-	-	12,651	12,651	-	12,651
Passenger facility charges transferred to operations	-	-	(3,628)	(3,628)	-	(3,628)
Customer facility charges transferred from operations as general administration expense	-	-	5,744	5,744	-	5,744
Demolition of excess facilities funding transferred from operations as general administration expense	-	-	9,800	9,800	-	9,800
Police forfeiture program revenues	-	-	774	774	-	774
Police forfeiture program revenues transferred to operations	-	-	(175)	(175)	-	(175)
Police forfeiture program revenues passed through to other local government	-	-	(2)	(2)	-	(2)
Investment income	-	(2)	185	183	16	199
Debt service interest funded from operations	-	(2,902)	-	(2,902)	-	(2,902)
Depreciation and amortization	-	-	(45,434)	(45,434)	-	(45,434)
Noncapitalizable project costs	-	-	(280)	(280)	-	(280)
Net loss on disposal of capital assets	-	-	(394)	(394)	-	(394)
Third party funding of project costs	-	-	697	697	-	697
Self funded health coverage						
Contributions from operations	-	-	-	-	4,422	4,422
Contributions from airport facilities	-	-	-	-	44	44
Contributions from employees	-	-	-	-	310	310
Claims incurred	-	-	-	-	(4,382)	(4,382)
Administrative fees	-	-	-	-	(229)	(229)
Premiums for stop loss and aggregate coverages	-	-	-	-	(364)	(364)
Total other nonoperating changes in net position	-	(2,904)	(11,912)	(14,816)	(183)	(14,999)
Total changes in net position	-	(2)	(11,186)	(11,188)	(183)	(11,371)
Net position at the beginning of year	(40,566)	5,211	892,527	857,172	5,087	862,259
Net position at the end of year	$ (40,566)	$ 5,209	$ 881,341	$ 845,984	$ 4,904	$ 850,888

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2014

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Operating revenues						
Field						
Landing fees	$ 14,762	$ -	$ -	$ 14,762	$ -	$ 14,762
Ramp rentals	5,159	-	-	5,159	-	5,159
Other	149	-	-	149	-	149
Concessions	36,588	-	-	36,588	-	36,588
Fixed rentals	19,292	-	-	19,292	-	19,292
Rebilled services	2,730	-	-	2,730	-	2,730
Passenger facility charges transferred from airport facilities	5,967	-	-	5,967	-	5,967
Customer facility charges	4,365	-	-	4,365	-	4,365
Grants, federal awards and other transaction agreements	433	-	-	433	-	433
Police forfeiture revenues transferred from airport facilities	64	-	-	64	-	64
Investment income	162	-	-	162	-	162
Miscellaneous	343	-	-	343	-	343
Total operating revenues	90,014	-	-	90,014	-	90,014
Operating expenses						
Salaries, wages and benefits	34,879	-	-	34,879	-	34,879
Contracted services	16,710	-	-	16,710	-	16,710
Utilities	8,324	-	-	8,324	-	8,324
General administration	12,908	-	-	12,908	-	12,908
Supplies and capital items expensed	6,792	-	-	6,792	-	6,792
Insurance	1,383	-	-	1,383	-	1,383
Total operating expenses	80,996	-	-	80,996	-	80,996
Net operating revenues	9,018	-	-	9,018	-	9,018
Nonoperating changes in net position: increase (decrease)						
Disposition of net operating revenues						
Debt service						
Revenue bond principal	(3,856)	3,856	-	-	-	-
Revenue bond interest, excluding capitalized interest	(3,358)	3,358	-	-	-	-
Total debt service	(7,214)	7,214	-	-	-	-
Excess revenues over debt service						
Depreciation account	-	-	-	-	-	-
Restricted for debt service and/or improvements to airport accounts	(610)	-	610	-	-	-
Passenger facility charge project account	(1,194)	-	1,194	-	-	-
Total excess revenues over debt service	(1,804)	-	1,804	-	-	-
Total disposition of net operating revenues	$ (9,018)	$ 7,214	$ 1,804	$ -	$ -	$ -

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Revenues, Expenses, and Changes in Net Position, continued
Year Ended December 31, 2014

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Other nonoperating changes in net position						
Grants and federal awards	$ -	$ -	$ 8,106	$ 8,106	$ -	$ 8,106
Passenger facility charges	-	-	11,347	11,347	-	11,347
Passenger facility charges transferred to operations	-	-	(5,967)	(5,967)	-	(5,967)
Customer facility charges transferred from operations as general administration expense	-	-	4,365	4,365	-	4,365
Demolition of excess facilities funding transferred from operations as general administration expense	-	-	7,445	7,445	-	7,445
Demolition of excess facilities funding returned to operations as a reduction of general administration expense	-	-	(1)	(1)	-	(1)
Police forfeiture program revenues	-	-	490	490	-	490
Police forfeiture program revenues from sale of assets	-	-	6	6	-	6
Police forfeiture program revenues transferred to operations	-	-	(64)	(64)	-	(64)
Investment income	-	5	325	330	23	353
Debt service principal funded from operations	-	(3,856)	3,856	-	-	-
Debt service interest funded from operations	-	(3,358)	-	(3,358)	-	(3,358)
Transfer of passenger facility charges for redemption of a portion of 2003B revenue bonds	-	2,848	(2,848)	-	-	-
Redemption of portion of 2003B revenue bonds	-	(2,848)	2,848	-	-	-
Release of bond reserve for redemption of the outstanding 2002A, 2003C and 2007B revenue bonds	-	(19,880)	19,880	-	-	-
Release of excess Interest and Redemption account funds for redemption of 2002A, 2003C and 2007B revenue bonds	-	(477)	477	-	-	-
Depreciation and amortization	-	-	(48,715)	(48,715)	-	(48,715)
Noncapitalizable project costs	-	-	(800)	(800)	-	(800)
Net loss on disposal of capital assets	-	-	(426)	(426)	-	(426)
Third party funding of project costs	-	-	112	112	-	112
Reversion of ownership of leased facilities	-	-	142	142	-	142
Self funded health coverage						
Contributions from operations	-	-	-	-	4,532	4,532
Contributions from airport facilities	-	-	-	-	72	72
Contributions from employees	-	-	-	-	305	305
Claims incurred	-	-	-	-	(4,263)	(4,263)
Administrative fees	-	-	-	-	(201)	(201)
Premiums for stop loss and aggregate coverages	-	-	-	-	(408)	(408)
Pension adjustment due to adoption of GASB 68	657	-	-	657	-	657
Other	-	-	2	2	-	2
Total other nonoperating changes in net position	657	(27,566)	580	(26,329)	60	(26,269)
Total changes in net position	657	(20,352)	2,384	(17,311)	60	(17,251)
Net position at the beginning of year, previously stated	-	25,563	890,143	915,706	5,027	920,733
Deferred outflow of resources	1,790	-	-	1,790	-	1,790
Net pension liability	(43,013)	-	-	(43,013)	-	(43,013)
Restatement due to adoption of GASB 68	(41,223)	-	-	(41,223)	-	(41,223)
Net position at the beginning of year, restated	(41,223)	25,563	890,143	874,483	5,027	879,510
Net position at the end of year, restated	$ (40,566)	$ 5,211	$ 892,527	$ 857,172	$ 5,087	$ 862,259

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Cash Flows
Year Ended December 31, 2015

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Cash flows from operating activities						
Cash received from customers	$ 90,803	$ -	$ -	$ 90,803	$ -	$ 90,803
Cash received from restricted account groups	4,600	-	-	4,600	-	4,600
Cash paid to suppliers	(31,774)	-	-	(31,774)	-	(31,774)
Cash paid for the direct benefit of employees	(33,943)	-	-	(33,943)	-	(33,943)
Cash paid to restricted account groups	(16,891)	-	-	(16,891)	-	(16,891)
Cash paid to internal service fund	(4,876)	-	-	(4,876)	-	(4,876)
Net cash provided by operating activities	7,919	-	-	7,919	-	7,919
Cash flows from non-capital financing activities						
Transfers of cash to or from current operations account group						
Prior year revenues in excess of operating expenses and debt service	-	-	1,804	1,804	-	1,804
Contributions for employee health coverage	-	-	-	-	4,566	4,566
Police forfeiture program transfers	-	-	(176)	(176)	-	(176)
Health coverage contributions from employees	-	-	-	-	310	310
Police forfeiture program receipts	-	-	774	774	-	774
Police forfeiture program revenues paid to other local government	-	-	(2)	(2)	-	(2)
Claims paid	-	-	-	-	(4,150)	(4,150)
Administrative fees	-	-	-	-	(175)	(175)
Premiums for stop loss and aggregate coverages	-	-	-	-	(364)	(364)
Net cash provided by non-capital financing activities	-	-	2,400	2,400	187	2,587
Cash flows from capital and related financing activities						
Transfers of cash to or from current operations account group						
Debt service	(2,902)	2,902	-	-	-	-
Customer facility charges	-	-	5,482	5,482	-	5,482
Passenger facility charges	-	-	(3,628)	(3,628)	-	(3,628)
Funds for demolition of excess facilities	-	-	9,604	9,604	-	9,604
Demolition of excess facilities	-	-	(125)	(125)	-	(125)
Acquisition and construction of airport facilities - reimbursement of capitalized labor	-	-	(538)	(538)	-	(538)
Non-capitalizable project costs	-	-	(143)	(143)	-	(143)
Grants, federal awards and other transaction agreements	-	-	16,232	16,232	-	16,232
Passenger facility charge receipts	-	-	12,414	12,414	-	12,414
Acquisition and construction of airport facilities	-	-	(26,914)	(26,914)	-	(26,914)
Proceeds from sale of fixed assets	-	-	200	200	-	200
Debt service interest paid on revenue bonds	-	(2,902)	-	(2,902)	-	(2,902)
Third party funding of project costs	-	-	796	796	-	796
Net cash (used in) provided by capital and related financing activities	(2,902)	-	13,380	10,478	-	10,478
Cash flows from investing activities						
Proceeds from sales and maturities of investments	6,600	5,838	389,871	402,309	9,015	411,324
Purchase of investments	(18,450)	(5,838)	(450,985)	(475,273)	(9,007)	(484,280)
Investment income	1	81	847	929	33	962
Transfers of investment income						
From current operations account group	-	-	1	1	-	1
To current operations account group	-	-	(133)	(133)	-	(133)
To restricted for airport facilities account group	(1)	(15)	15	(1)	-	(1)
Net cash (used in) provided by investing activities	(11,850)	66	(60,384)	(72,168)	41	(72,127)
Net (decrease) increase in cash	(6,833)	66	(44,604)	(51,371)	228	(51,143)
Cash at the beginning of the year	12,629	1,822	46,685	61,136	528	61,664
Cash at the end of the year	$ 5,796	$ 1,888	$ 2,081	$ 9,765	$ 756	$ 10,521

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Cash Flows, continued
Year Ended December 31, 2015

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Reconciliation of net operating revenues to net cash provided by operating activities						
Net operating revenues	$ 3,628	$ -	$ -	$ 3,628	$ -	$ 3,628
Adjustments to reconcile net operating revenues to net cash provided by operating activities						
Current year excess revenues over debt service						
Restricted for debt service and/or improvements to airport accounts	-	-	-	-	-	-
Passenger facility charge project account	(726)	-	-	(726)	-	(726)
Change in assets and liabilities						-
Increase in interaccount group investment income receivables	(28)	-	-	(28)	-	(28)
Increase in accounts receivables	(362)	-	-	(362)	-	(362)
Decrease in interaccount group receivables	202	-	-	202	-	202
Increase in interfund receivables	(143)	-	-	(143)	-	(143)
Increase in grants, federal awards and other transaction agreements receivables	(38)	-	-	(38)	-	(38)
Increase in customer facility charges receivables	(116)	-	-	(116)	-	(116)
Increase in prepaid expenses	(229)	-	-	(229)	-	(229)
Increase in accounts payables	3,798	-	-	3,798	-	3,798
Decrease in accrued expenses	(469)	-	-	(469)	-	(469)
Increase in contract retainage payables	28	-	-	28	-	28
Decrease in interaccount group payables	(661)	-	-	(661)	-	(661)
Increase in interfund payables	48	-	-	48	-	48
Decrease in landing fees in excess of requirement	(2,121)	-	-	(2,121)	-	(2,121)
Increase in net pension liability and related deferred inflow/outflow of resources	5,108	-	-	5,108	-	5,108
Total adjustments	4,291	-	-	4,291	-	4,291
Net cash provided by operating activities	$ 7,919	$ -	$ -	$ 7,919	$ -	$ 7,919

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Cash Flows
Year Ended December 31, 2014

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Cash flows from operating activities						
Cash received from customers	$ 85,312	$ -	$ -	$ 85,312	$ -	$ 85,312
Cash received from restricted account groups	6,844	-	-	6,844	-	6,844
Cash paid to suppliers	(33,081)	-	-	(33,081)	-	(33,081)
Cash paid for the direct benefit of employees	(32,318)	-	-	(32,318)	-	(32,318)
Cash paid to restricted account groups	(16,862)	-	-	(16,862)	-	(16,862)
Cash paid to internal service fund	(4,930)	-	-	(4,930)	-	(4,930)
Net cash provided by operating activities	4,965	-	-	4,965	-	4,965
Cash flows from non-capital financing activities						
Transfers of cash to or from current operations account group						
Prior year revenues in excess of operating expenses and debt service	-	-	5,731	5,731	-	5,731
Passenger facility charges	-	-	(376)	(376)	-	(376)
Contributions for employee health coverage	-	-	-	-	4,625	4,625
Police forfeiture program transfers	-	-	(60)	(60)	-	(60)
Health coverage contributions from employees	-	-	-	-	305	305
Police forfeiture program receipts	-	-	490	490	-	490
Claims paid	-	-	-	-	(4,276)	(4,276)
Administrative fees	-	-	-	-	(201)	(201)
Premiums for stop loss and aggregate coverages	-	-	-	-	(408)	(408)
Net cash provided by non-capital financing activities	-	-	5,785	5,785	45	5,830
Cash flows from capital and related financing activities						
Transfers of cash to or from current operations account group						
Debt service	(7,214)	7,214	-	-	-	-
Customer facility charges	-	-	4,305	4,305	-	4,305
Passenger facility charges	-	-	(5,968)	(5,968)	-	(5,968)
Funds for demolition of excess facilities	-	-	6,825	6,825	-	6,825
Acquisition and construction of airport facilities - reimbursement of capitalized labor	-	-	(277)	(277)	-	(277)
Transfer of passenger facility charges for redemption of a portion of 2003B revenue bonds	-	2,848	(2,848)	-	-	-
Redemption of a portion of 2003B revenue bonds with passenger facility charges	-	(2,848)	-	(2,848)	-	(2,848)
Redemption of a portion of 2003B revenue bonds with Interest and Redemption account funds	-	(1,377)	-	(1,377)	-	(1,377)
Redemption of outstanding 2003A, 2003C and 2007B revenue bonds with bond reserve funds	-	(19,880)	-	(19,880)	-	(19,880)
Redemption of outstanding 2003A, 2003C and 2007B bonds with excess Interest and Redemption account funds	-	(477)	-	(477)	-	(477)
Non-capitalizable project costs	-	-	(789)	(789)	-	(789)
Grants, federal awards and other transaction agreements	-	-	3,032	3,032	-	3,032
Passenger facility charge receipts	-	-	11,275	11,275	-	11,275
Acquisition and construction of airport facilities	-	-	(16,414)	(16,414)	-	(16,414)
Third party funding of project costs	-	-	212	212	-	212
Proceeds from sale of fixed assets	-	-	46	46	-	46
Debt service principal paid on revenue bonds	-	(17,735)	-	(17,735)	-	(17,735)
Debt service interest paid on revenue bonds	-	(3,555)	-	(3,555)	-	(3,555)
Other	-	-	(13)	(13)	-	(13)
Net cash used in capital and related financing activities	(7,214)	(35,810)	(614)	(43,638)	-	(43,638)
Cash flows from investing activities						
Proceeds from sales and maturities of investments	-	1,540	404,919	406,459	4,527	410,986
Purchase of investments	-	(2,080)	(398,098)	(400,178)	(5,040)	(405,218)
Investment income	-	84	1,085	1,169	41	1,210
Transfers of investment income						
From current operations account group	-	-	1	1	-	1
To current operations account group	-	(3)	(160)	(163)	-	(163)
To restricted for airport facilities account group	-	(13)	13	-	-	-
Net cash (used in) provided by investing activities	-	(472)	7,760	7,288	(472)	6,816
Net (decrease) increase in cash	(2,249)	(36,282)	12,931	(25,600)	(427)	(26,027)
Cash at the beginning of the year	14,878	38,104	33,754	86,736	955	87,691
Cash at the end of the year	$ 12,629	$ 1,822	$ 46,685	$ 61,136	$ 528	$ 61,664

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statement of Cash Flows, continued
Year Ended December 31, 2014

(in thousands of dollars)

	Enterprise Fund				Internal Service Fund	
	Available for Current Operations	Restricted for Debt Service	Restricted for Airport Facilities	Total	Self-funded health coverage	Total
Reconciliation of net operating revenues to net cash provided by operating activities						
Net operating revenues	$ 9,018	$ -	$ -	$ 9,018	$ -	$ 9,018
Adjustments to reconcile net operating revenues to net cash provided by operating activities						
Current year excess revenues over debt service						
Restricted for debt service and/or improvements to airport accounts	(610)	-	-	(610)	-	(610)
Passenger facility charge project account	(1,194)	-	-	(1,194)	-	(1,194)
Change in assets and liabilities						-
Decrease in interaccount group investment income receivables	9	-	-	9	-	9
Decrease in accounts receivables	365	-	-	365	-	365
Decrease in interaccount group receivables	177	-	-	177	-	177
Increase in interfund receivables	(110)	-	-	(110)	-	(110)
Decrease in grants, federal awards and other transaction agreements receivables	67	-	-	67	-	67
Increase in customer facility charges receivables	(22)	-	-	(22)	-	(22)
Increase in prepaid expenses	(336)	-	-	(336)	-	(336)
Decrease in accounts payables	(1,286)	-	-	(1,286)	-	(1,286)
Increase in accrued expenses	179	-	-	179	-	179
Decrease in interaccount group payables	(3,199)	-	-	(3,199)	-	(3,199)
Increase in interfund payables	184	-	-	184	-	184
Increase in landing fees in excess of requirements	1,723	-	-	1,723	-	1,723
Total adjustments	(4,053)	-	-	(4,053)	-	(4,053)
Net cash provided by operating activities	$ 4,965	$ -	$ -	$ 4,965	$ -	$ 4,965

See report of independent auditors and accompanying notes to financial statements.

(in thousands of dollars)

1. Basis of Accounting

The Kenton County Airport Board (the "Board") was created by the Fiscal Court of Kenton County, Kentucky on June 3, 1943. The Board is a public body politic and corporate, and has jurisdiction, control, possession and supervision of the Cincinnati/Northern Kentucky International Airport (the "Airport").

The basis of accounting followed by the Airport in 2015 and prior is designed to comply with various revenue bond resolutions and "use agreements" in effect during those time periods (more fully described below). The major variances of this basis from accounting principles generally accepted in the United States of America relate to fund/account group structure and to the accounting for depreciation, debt service payments, debt defeasance including expensing gains or losses, bond issuance costs, capitalized interest, investment income, interest expense incurred on borrowings, supplies inventory, and the presentation of interaccount group and interfund receivables and payables. These items, except for the interaccount group and interfund receivables and payables, are charged/credited to the net position of the applicable account group rather than being reflected in the Balance Sheet or as revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Position. In addition, due to the requirement that they be available to finance operating expenses and/or to satisfy debt service requirements, certain sources of funds, which are typically considered to be non-operating sources, are classified as operating revenues.

Authoritative Pronouncements
The Airport complies with all applicable Governmental Accounting Standards Board ("GASB") statements to the extent they do not conflict with the provisions of the use agreements or the various bond resolutions.

The Airport is a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services and are accounted for in Enterprise Funds on the accrual basis of accounting. As such, the account groups utilized to account for the Airport's operating, capital and debt service activities collectively represent the Airport's Enterprise Fund.

Internal Service Funds, in accordance with GASB Statement No. 34, may be used to report activities which provide goods or services on a cost reimbursement basis to other funds. Effective January 1, 2009, the Airport, by resolution of the Board, established an Internal Service Fund ("ISF") to account for all activities of the self-funded health coverages maintained for employees (more fully explained in Note 9).

Due to the Airport's reporting as an Enterprise Fund, as required by GASB Statement No. 34, the Balance Sheets are presented with assets and liabilities classified as current and non-current. Assets are classified as current if they will be converted to cash within one year of the Balance Sheet date and are not subject to restrictions which prohibit them from being used in the current operations of the Airport. Restricted assets are also classified as current if they will be converted to cash within one year of the Balance Sheet date and are needed to cover current liabilities which exist at the Balance Sheet date. Liabilities are classified as current if they are likely to be paid within one year of the Balance Sheet date.

(in thousands of dollars)

Significant Upcoming Implementations
GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for periods beginning after June 15, 2015. This Statement will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Airport has not yet determined the effects that the implementation of this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and* No. *68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust not covered by Statements No. 67 and No. 68. This statement is effective for the Airport's fiscal year ended December 31, 2016. The Airport has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses the financial reports of defined benefit other post-employment benefit ("OPEB") plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This statement also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the Airport's fiscal year ended December 31, 2017. The Airport has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities, including a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government, new RSI including a schedule showing the causes of increases and decreases in the OPEB liability, and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This statement is effective for the Airport's fiscal year ended December 31, 2018. The Airport has not yet determined what impact this statement will have on its financial statements.

(in thousands of dollars)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement replaces the requirements of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies the hierarchy of generally accepted accounting principles ("GAAP"), reducing the GAAP hierarchy to two categories of authoritative GAAP and addressing the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for the Airport's fiscal year ended December 31, 2016. The Airport has not determined what impact, if any, this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the Airport's fiscal year ended December 31, 2017. The Airport has not determined what impact, if any, this statement will have on its financial statements.

Operating Revenue Requirements

The provisions of the bond resolutions in effect during 2015 and 2014 require, among other things, that rates and fees charged for the use of Airport facilities must be sufficient to provide net revenues (revenues less operations and maintenance expenses) equal to at least 120% of the current principal and interest requirements of the bonds outstanding plus the required payments into the Depreciation Account (a restricted account more fully described in Note 3).

The Board has previously entered into "use agreements" with certain airlines ("signatory airlines") serving the Airport, which provide the basis for determining landing fee rates and other charges to those airlines, for the use of Airport facilities for as long as any of the revenue bonds are outstanding. The use agreements in effect during 2015 and 2014 provide that in no event shall Airport revenues be less than that required by the various bond resolutions. Under provisions of the use agreements, the signatory airlines have agreed to pay sufficient rates and charges which will, together with other revenues of the Airport and other funds lawfully available, produce Airport revenues sufficient to pay all operating, maintenance, repair and administrative expenses of the Airport (exclusive of depreciation), plus the greater of a) 125% of the amount required to be paid each year into the Bond Interest and Redemption Account ("debt service requirements"); b) the aggregate amount required to be paid each year into the Bond Interest and Redemption, the Bond Reserve and the Depreciation Accounts; or c) the amount required by the various bond resolutions as previously described (these restricted accounts are more fully described in Note 3).

In accordance with the basis of accounting described above, the primary components of operating revenues are revenues from landing fees, terminal and ramp rentals, commercial building and ground rentals, concession revenues, rebilled utilities, certain grants and facilities charges and certain portions of investment income. Sources of funding which result from capital or financing activities, as well as the portions of investment income not considered under the bond resolutions and use agreements to be operating revenues, are recorded as non-operating sources.

(in thousands of dollars)

In 2015 and 2014, operating revenues aggregating $98,068 and $90,014, respectively, were sufficient to satisfy all of the above requirements. Included in these revenues are current amounts receivable from tenants at December 31, 2015 and 2014 of $3,603 and $3,241, respectively. These amounts, which are classified as accounts receivable on the Balance Sheets, are presented net of the allowance for doubtful accounts at December 31, 2015 and 2014 of $53 and $23, respectively.

Subsequent Event
A new use agreement with various airlines serving the Airport became effective on January 1, 2016 and expires on December 31, 2020. The new use agreement establishes the methodology for calculating the landing fees as well as the various terminal related rates and charges to be paid by any airlines which are parties to the new use agreement (hereinafter referred to as the “new agreement signatory airlines”) under separate terminal lease agreements. The terms of these lease agreements expire coincident with the term of the new use agreements. The airline rates and charges methodology under the new use agreement provides that operating expenses as well as debt service, other capital costs and funding of certain reserve accounts are allocated to airline and Board cost centers. The landing fee and terminal rates and charges are calculated based on the costs allocated to the applicable airline cost centers less certain revenue offsets. The costs allocated to the airfield net of revenue offsets allocated to the airfield are fully recovered through the payment of landing fees and terminal ramp area rentals. The costs allocated to the terminal net of the revenue offsets allocated to the terminal are recovered based the percentage of terminal space leased. In addition to the revenue offsets specifically allocated to the airfield and terminal for purposes of calculating rates, a portion of the net remaining revenues as defined in the use agreement are credited to reduce the terminal rentals to be paid by the new agreement signatory airlines under the separate terminal lease agreements.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the new use agreement, each new agreement signatory airline is required to make extraordinary coverage protection payments in any fiscal year in which the amount of revenues less operation and maintenance expenses as defined in the use agreement is or is forecasted to be less than 125% of the aggregate annual debt service requirement as calculated under the bond resolution in place at that time to secure the payment of the Airport's revenue bonds.

Restricted Accounts
The Airport maintains restricted accounts (see Note 3) which are grouped under the following financial statement headings:

Enterprise Fund
Available for Current Operations Account Group:
Passenger Facility Charge Revenue Accounts (“PFC Revenue Accounts”)

Restricted for Debt Service Account Group:
Bond Reserve Account
Bond Interest and Redemption Account

Restricted for Airport Facilities Account Group:
Construction and Land Accounts
Depreciation Account

(in thousands of dollars)

Passenger Facility Charge Project Account ("PFC Project Account")
Customer Facility Charge Account ("CFC Account")
Police Forfeiture Account
Debt Service and/or Improvements to Airport Accounts
Demolition of Excess Facilities Account ("DEF Account")

Internal Service Fund
Self-funded Health Coverage Account

As more fully described in Note 3, some of the resources listed above are restricted by outside parties such as the Federal Aviation Administration ("FAA") and the signatory airlines. Accordingly, approval of these parties, as applicable, is required in order for the restricted resources to be available for use. It is the Airport's policy to apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

Airport Facilities

Additions to Airport facilities with costs greater than $10 are carried as assets in the Restricted for Airport Facilities Account Group. Those with costs less than $10 are recorded as operating expenses. For assets with costs in excess of $50, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from three to forty years, and is recognized as a direct reduction of the Restricted for Airport Facilities Account Group net position. Assets with costs of less than $50 are typically replaced every three to five years and the effect on the financial statements of not depreciating these assets is insignificant to the financial position of the Airport. Replacements of $50 and under are expensed and the cost of the asset replaced remains as an asset included in Airport facilities. The cost of other assets retired, as well as any related accumulated depreciation, is removed from the related account, and the net of these amounts, less any proceeds received from disposition, is transferred to the Restricted for Airport Facilities Account Group net position. In 2015 and 2014, the costs of additions and replacements which were less than the capitalization thresholds and which therefore were expensed totaled $3,007 and $1,050, respectively. These amounts are included in supplies and capital items expensed in the Statement of Revenues, Expenses and Changes in Net Position.

Repairs and maintenance which do not substantially increase the capacity, improve the operational efficiency or extend the useful lives of Airport assets are expensed. Easements, when the fully-executed documentation has been obtained, are recorded at the amount incurred by the Airport to obtain such easements.

Pursuant to certain agreements between the Board and tenants of the Airport, facilities constructed by or on behalf of the tenant on property leased from the Airport are not reflected as assets of the Airport until such time as the Board assumes the risks and rights of ownership. Upon transfer of the risks and rights of ownership to the Board, the fair market value of such reverted property is recorded as a capital asset in the Restricted for Airport Facilities Account Group.

For those revenue bonds which have been issued for the funding of construction projects, the interest which accrues during the expected construction period is funded from bond proceeds and is capitalized as a cost of the construction project in the Restricted for Airport Facilities Account

(in thousands of dollars)

Group. This serves to reduce the amount of interest which would otherwise be funded from operations.

Passenger Facility Charges
In 1994, the FAA first granted approval to the Airport to impose a Passenger Facility Charge ("PFC") and to use the PFCs to fund specific approved projects. PFCs, which are charged at rates per qualifying enplaned passenger, are considered earned upon collection by the airline, are credited to the net position of the Restricted for Airport Facilities Account Group and are deposited into the PFC Project Account. Amounts collected by the airlines but not yet remitted to the Airport are classified as PFCs receivable. As of December 31, 2015, the Airport has received approval on a total of fourteen PFC applications. The approvals authorize the Airport to collect PFCs for approved projects up to the amount of allowable project costs, but not to exceed $590,732.

The FAA's approvals of three of the Airport's PFC applications authorized the use of PFCs for the debt service requirements and related costs of revenue bonds ("PFC Bonds") issued to finance the projects included in those applications. The revenue bond resolutions which authorized the issuance of the PFC Bonds ("PFC Bond Resolutions") created PFC Revenue Accounts (within the Available for Current Operations Account Group), PFC Interest and Redemption Accounts (within the general Bond Interest and Redemption Account in the Restricted for Debt Service Account Group) and PFC Bond Reserve Accounts (within the general Bond Reserve Account in the Restricted for Debt Service Account Group).

The PFC Bond Resolutions provide that the Board may, from the PFC Project Account, transfer to the PFC Revenue Accounts PFCs up to the amount of the debt service requirements on the PFC Bonds. Upon transfer, these amounts constitute revenues as defined by the various bond resolutions and use agreements and are available for the payment of the principal and interest requirements of the PFC Bonds. During 2015 and 2014, amounts totaling $3,628 and $5,967, respectively, were transferred from the PFC Project Account for the payment of the debt service requirements of the PFC Bonds.

Throughout the remainder of these Notes to Financial Statements, the PFC Project Account and the accounts created by the PFC Bond Resolutions, collectively, represent the "PFC Accounts."

Customer Facility Charges
Pursuant to an ordinance of the Board, the collection of Customer Facility Charges ("CFCs") began on April 1, 2006. The CFCs, which are charged at a rate per rental car transaction day, are being collected to provide for the planning, construction, operation, and maintenance of facilities to accommodate the ground transportation needs at the Airport. The CFCs are considered earned upon collection by the rental car companies and are recognized as operating revenues in the Available for Current Operations Account Group. As approved by the Signatory Airlines, the amount of CFCs collected is also recognized as general administration operating expense and transferred to the CFC Account in the Restricted for Airport Facilities Account Group. The amounts of CFCs included in general administration expense in 2015 and 2014 were $5,744 and $4,365, respectively.

Qualifying capital expenditures are paid from the CFC Account and are carried as assets in the Restricted for Airport Facilities Account Group. To reimburse expenditures for qualifying operations and maintenance activities, CFCs are returned to the Available for Current Operations

(in thousands of dollars)

Account Group where they are recorded as reductions to general administration operating expense. Amounts reported as reductions of general administration expense in 2015 and 2014 were $120 and $760, respectively.

Funds for Demolition of Excess Facilities
The Airport's Master Plan calls for a consolidation of all airline operations into Terminal 3, Concourse A and Concourse B, thereby allowing the demolition of excess, less cost efficient structures at the Airport. Pursuant to a December 2013 approval of the signatory airlines, in 2015 and 2014, utilizing operating revenues, funds were accumulated by the Airport for the eventual demolition of Terminals 1 and 2, as well as certain other ancillary structures at the Airport. The amount of operating revenues collected for this purpose is also recognized as general administration operating expense and transferred to the Demolition of Excess Facilities Account ("DEF Account") in the Restricted for Airport Facilities Account Group, with all funds held in the DEF Account being restricted for use on demolition of excess facilities. The amount of demolition funds included in general administration expense in 2015 and 2014 were $9,800 and $7,445, respectively.

The costs of actual demolition of excess facilities are considered operating costs. Upon incurrence of actual demolition costs, amounts previously transferred to the DEF Account are returned to the Available for Current Operations Account Group as reductions of general administration expense. The amount of DEF funds returned as reductions of general administration expense and non capitalizable project costs in 2015 and 2014 were $161 and $18, respectively.

Debt Service
Mandatory transfers of cash to the Bond Interest and Redemption Account for the payment of the principal and interest on bonds outstanding (excluding the transfers funded by capitalized interest) and the funding of the Bond Reserve (excluding amounts funded with bond proceeds) and Depreciation Accounts are charged against operating revenues. Original issue discount and other bond defeasance and issuance costs are charged directly against the net position of the Restricted for Airport Facilities Account Group as incurred.

Investments
Investments are stated at fair value as based on market values quoted at December 31, 2015 and December 31, 2014.

The following items, to the extent that they are experienced during the reporting period, are included as components of investment income: 1) interest earnings, 2) amortization of premiums and accretion of discounts, 3) unrealized gains and losses due to recording investments at fair value and 4) realized gains and losses due to sale or impairment of investments.

As required by the provisions of the use agreements and bond resolutions, the investment income on certain accounts is transferred out of the accounts in which the investment is held to other specified accounts (as more fully described below). As the Airport's general practice is to hold investments to maturity, unrealized gains and losses due to recording investments at fair value are not expected to be realized. Accordingly, this component of investment income is considered temporary and, rather than being transferred, is included in investment income in the account group in which the investment is held.

(in thousands of dollars)

Investment income of the Land, Construction, Depreciation, PFC, Demolition of Excess Facilities, CFC and Police Forfeiture Accounts is credited to the net position of the Restricted for Airport Facilities Account Group and excluded from operating revenues.

The non-temporary components of investment income of the Debt Service and/or Improvements to Airport and Bond Interest and Redemption Accounts, except those which constitute PFC accounts, as well as the investment income on funds available for current operations, are credited to operating revenues.

The non-temporary components of investment income of the Bond Reserve Accounts, except those which constitute PFC Accounts, are credited to the net position of the Restricted for Debt Service Account Group until certain funding requirements of the bond resolutions are met. Thereafter, they are transferred to the Available for Current Operations Account Group and credited to operating revenues.

Investment income of the Group Health Coverage Account is credited to the net position of the Internal Service Fund and excluded from operating revenues.

Interaccount group receivables and liabilities are recognized pending actual transfer of cash funds.

Assets Held in Trust
Amounts received from and restricted by tenants and other outside parties for the accomplishment of certain projects are considered to be earned upon completion of the projects or the satisfaction of the parameters set forth in the authoritative documents. Until earned, the amounts received are considered to be liabilities, which are reflected on the Balance Sheets as assets held in trust.

Grants, Federal Awards and Other Transaction Agreements
Grant, federal awards and other transaction agreement revenues include amounts received from governmental agencies through various types of agreements. Certain of the amounts included from federal agencies are subject to the reporting requirements of the U.S. Office of Management and Budget Uniform Guidance.

Grant, federal awards and other transaction agreements reimbursements are earned and recorded when approved grants and agreements are available, the amounts are known and the related eligible expenditures are incurred. Grant and award amounts earned relating to capital expenditures are credited to the net position of the Restricted for Airport Facilities Account Group. Amounts earned relating to operating expenses are recorded as grant and federal award revenues in the Available for Current Operations Account Group.

Net Pension Liability
All full-time employees of the Airport as of December 31, 2015 are members of the Kentucky Retirement Systems' County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension system. As discussed in Note 13, in 2015 the Airport implemented the provisions of GASB Statement No. 68 and No. 71. Therefore, for purposes of measuring the net pension liabilities, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CERS and additions to/deductions from the CERS' fiduciary net position have been determined on the same basis as

(in thousands of dollars)

they are reported by the CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the CERS when due and payable in accordance with the benefit terms and investments are reported at fair value (see Note 10 for further details). Related to this change in accounting principle, the restatement of the Airport's beginning net position as of January 1, 2014 is shown in the 2014 Statement of Revenues, Expenses and Changes in Net Position.

Distribution of Net Revenues

In accordance with the various bond resolutions and use agreements, all non-PFC operating revenues in excess of total operations and maintenance expenses and in excess of the debt service, Bond Reserve and Depreciation Accounts' requirements which are charged against operating revenues (except those debt service and Bond Reserve Accounts' requirements which have been funded with PFCs) are transferred to the Debt Service and/or Improvements to Airport Accounts. All PFC operating revenues in excess of debt service and Bond Reserve requirements which have been funded with PFCs are transferred to the PFC Project Account. Interaccount group receivables and liabilities are recognized pending actual transfer of cash funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in these notes requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain balances in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

2. Cash and Investments

The investing of Airport funds is done in compliance with the Airport's investment policy (the "policy"), such policy being in accordance with the Kentucky Revised Statutes ("KRS") and the applicable provisions of the various bond resolutions in effect. The policy expressly establishes the preservation of capital through the minimization of credit risk and the maintaining of sufficient liquidity to be the primary and secondary objectives, respectively, of the Airport's investment program. The policy was designed specifically to address those risks inherent in an investment program. Those risks, as outlined in GASB Statement No. 40, consist of: 1) credit risk including custodial credit risk and concentration of credit risk and 2) interest rate risk.

GASB Statement No. 40

GASB Statement No. 40 defines the following types of risk which apply to the Airport's investment portfolio:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

(in thousands of dollars)

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Provisions of the Policy
To substantially reduce the likelihood of significant loss related to these items of risk, the policy sets forth parameters related to the types of investments which may be purchased, the credit quality of issuers, portfolio diversification as it relates to both type of investment and issuer, the maximum investment term/maturity, proper safekeeping and custody procedures, and the amounts and types of required collateralization. As outlined below, the parameters regarding collateralization differ and are more restrictive as they relate to the Bond Reserve and Bond Interest and Redemption Accounts.

Types of investments and credit quality of issuers: In addition to collateralized/insured deposits in interest-bearing accounts and certificates of deposit, the policy permits investment in U.S. Treasury obligations and other obligations backed by the full faith and credit of the United States (collectively, "U.S. Treasury securities"). Investments in securities issued by certain associations and corporations established by the government of the United States ("U.S. government sponsored enterprises") are also allowed. Such investments are permitted provided that at the time of purchase, the corporation is rated by at least one Nationally Recognized Statistical Rating Organization ("NRSRO") at the greater of "AA" or the highest current NRSRO rating on U.S. Treasury obligations. Subject to restrictions on maturities and requirements for minimum ratings by the NRSROs of "AA" or "AAA" on long-term instruments and "A-1" on short-term instruments, the policy also permits investment in certain repurchase agreements, uncollateralized certificates of deposit, banker acceptances, commercial paper, state and municipal obligations, money market mutual funds and supranational bonds.

Portfolio diversification: To eliminate the risk of a significant loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer, the policy establishes maximum percentages of the Airport's portfolio which may be invested in each type of permitted investment and in securities by any individual issuer, counterparty or depository. Those limits are shown in the following table:

(in thousands of dollars)

	Maximum Allowable % of Portfolio	
	Investment Type	**Individual issuer, counterparty or depository**
Investment Types		
U.S. Treasury securities	100%	100%
U.S. government sponsored enterprises	100%	35%
Repurchase agreements	50%	25%
Supranational bonds	10%	5%
Commercial Paper	20%	5%
Bankers acceptances	20%	5%
Collateralized/insured certificates of deposit	25%	5%
Collateralized/insured deposit accounts	100%	40%
Uncollateralized certificates of deposit	20%	5%
State and municipal obligations	20%	5%
Money market mutual funds	100%	50%

Maximum investment term/maturity: The policy provides that, unless matched to a specific cash flow need, the Airport's funds should not, in general, be invested in securities maturing more than three years from the date of purchase. However, provided that the average aggregate weighted term to maturity for the Bond Reserve Accounts does not exceed five years, funds in the Bond Reserve Accounts may be invested in securities for periods exceeding three years if the maturity of the investments is made to coincide as nearly as practicable with the expected use of the funds.

Safekeeping and custody procedures: To ensure proper safekeeping and control over investment assets, investment securities are required to be secured through third-party custody and safekeeping procedures. To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all security transactions are required to be conducted on a delivery-versus-payment basis.

Collateralization: For the purpose of protecting balances deposited in financial institutions, as outlined in the table above, the policy establishes a limit for the amount which may be deposited in any single institution. In addition, the policy requires all cash and other deposits maintained in any financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to be collateralized. The instruments permitted to be used as collateral for deposits maintained in the accounts other than the Bond Reserve and Bond Interest and Redemption Accounts consist of U.S. Treasury securities, securities issued by U.S. government sponsored enterprises and direct obligations of the Commonwealth of Kentucky, as well as those of certain of its agencies and instrumentalities. Instruments permitted to be used as collateral for deposits maintained in the Bond Reserve and Bond Interest and Redemption Accounts consist only of those defined as U.S. Treasury securities. Except for deposits collateralized with a Federal Home Loan Bank Letter of Credit, deposits must be collateralized at a minimum of 102% of the market value of principal plus accrued interest. As provided by KRS Section 41.240(4), amounts collateralized with a Federal Home Loan Bank Letter of Credit may be collateralized at 100%. All securities pledged as collateral are required to be held by an independent third-party custodian.

The policy also requires that the Board's portfolio remain sufficiently liquid to enable the Airport to meet all cash flow requirements. As set forth in the policy, this is accomplished by the proper

(in thousands of dollars)

structuring of investment maturities and by investing in securities permitted by the policy, such securities having active secondary or resale markets.

Cash and Investments Held

At December 31, 2015 and 2014, the Airport's cash and investments were comprised of the following:

	2015		2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash	$ 10,521	$ 10,521	$ 61,664	$ 61,664
Investments				
Investment in money market mutual funds				
First American Government Obligation Fund	$ 57,235	$ 57,235	$ 8,886	$ 8,886
Securities				
U.S. Treasury	53,312	52,741	31,985	31,698
U.S. government sponsored enterprises	64,815	64,488	72,339	72,191
Commercial paper	45,561	45,659	35,077	35,084
Total investments	$ 220,923	$ 220,123	$ 148,287	$ 147,859

In the above table, the cost of securities includes the face value of the investments combined with any premiums and discounts at purchase.

Cash deposits are maintained at the Airport's depository bank in demand deposit accounts. Accounts other than the Bond Reserve and Bond Interest and Redemption Accounts are non-interest bearing and are fully collateralized by a letter of credit issued and held in the Airport's name by the Federal Home Loan Bank of Cincinnati. The Bond Reserve and Bond Interest and Redemption Accounts are interest bearing. Collateral for amounts deposited in these accounts in excess of amounts insured by the FDIC is pledged by the depository bank and held in safe-keeping by the Federal Reserve Bank in the Airport's name. At December 31, 2015 and 2014, such collateral was comprised of U.S. Treasury securities and securities issued by certain U.S. government sponsored enterprises. At December 31, 2015 and 2014, the collateral instruments had combined market values of $13,487 and $71,054, respectively.

The First American Government Obligation Fund is a money market fund which invests primarily in direct obligations of the U.S. Treasury and U.S. government sponsored enterprises and in other securities collateralized by such obligations. The Airport's investments in this fund are maintained by the Trust Department of the Airport's custodial bank in the name of the Kenton County Airport Board.

The U.S. Treasury securities in which the Airport invests are direct obligations of the U.S. Treasury and are unconditionally backed by the full faith and credit of the United States government. The Airport's investment in U.S. government sponsored enterprise securities at December 31, 2015

(in thousands of dollars)

and/or December 31, 2014, as permitted by the policy, consisted of instruments issued by the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. All securities in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank.

The commercial paper instruments in which the Airport was invested at December 31, 2015 and December 31, 2014 were unsecured short-term financing obligations issued by corporations or banks. In accordance with the requirements of the policy, these instruments had maturities of no greater than 270 days, the amount invested in any single issuing corporation did not exceed five percent (5%) of the total amount of funds invested by the Board (based on book value on the date of acquisition), and the instruments were issued by corporations with individual net worths of at least $50,000 and short-term debt ratings of no less than "A-1" (or its equivalent) by at least two NRSROs. The commercial paper held at December 31, 2015 and/or December 31, 2014 consisted of instruments issued by Bank of Tokyo-Mitsubishi, BNP Paribas Financial Inc., Credit Agricole Corporate and Investment Bank, General Electric Capital Services, JP Morgan Securities LLC., Toyota Motor Credit Co. and US Bankcorp. All obligations in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank.

The maturities of investments held at December 31, 2015 and 2014 were as follows:

	2015 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government						
Obligation Fund	$ 57,235	$ -	$ -	$ -	$ -	$ 57,235
Securities						
U.S. Treasury	-	-	3,958	9,064	39,719	52,741
U.S. government sponsored						
enterprises	11,995	8,982	2,909	4,921	35,681	64,488
Commercial paper	30,691	14,968	-	-	-	45,659
Total	$ 99,921	$ 23,950	$ 6,867	$ 13,985	$ 75,400	$ 220,123

	2014 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government						
Obligation Fund	$ 8,886	$ -	$ -	$ -	$ -	$ 8,886
Securities						
U.S. Treasury	-	-	-	24,642	7,056	31,698
U.S. government sponsored						
enterprises	6,152	-	50,164	6,071	9,804	72,191
Commercial paper	27,090	7,994	-	-	-	35,084
Total	$ 42,128	$ 7,994	$ 50,164	$ 30,713	$ 16,860	$ 147,859

All securities held by the Airport at December 31, 2015 and 2014 carried ratings of AAA/Aaa or their equivalents, the highest quality rating strata issued by the NRSROs.

(in thousands of dollars)

3. Restricted Assets

The following assets at December 31, 2015 and 2014 are subject to restrictions which limit the purposes for which they may be used:

	2015	2014
Available for Current Operations Account Group		
PFC Revenue Accounts	$ 126	$ 1,194
Restricted for Debt Service Account Group		
Bond Reserve Account	$ 5,217	$ 5,219
Bond Interest and Redemption Account	968	968
	$ 6,185	$ 6,187
Restricted for Airport Facilities Account Group		
Construction and Land Accounts	$ 53,233	$ 66,775
Depreciation Account	1,064	1,016
PFC Project Account	49,755	42,263
CFC Account	38,471	32,714
Police Forfeiture Accounts	1,450	1,080
Debt Service and/or Improvements to Airport Accounts	49,061	49,230
Demolition of Excess Facilities Account	14,866	7,432
	207,900	200,510
Capital assets, non-depreciable	208,357	206,858
Capital assets, net of accumulated depreciation	528,538	549,143
	$ 944,795	$ 956,511
Internal Service Fund		
Self-funded Health Coverage Account	$ 5,832	$ 5,759

Assets included in the PFC Revenue Accounts are restricted for the payment of PFC bond principal and interest and, if not needed for debt service, for transfer to the PFC Project Account at year-end. Assets included in the Bond Reserve and the Bond Interest and Redemption Accounts are restricted for the payment of bond principal and interest. Assets included in the Construction and Land Accounts are restricted for capital projects and land acquisitions. Assets in the Depreciation Account may be used for special or unforeseen emergencies, repairs and replacements and for additions to Airport facilities. Assets included in the PFC Project Account are restricted for use on specific FAA approved projects. Assets in the CFC Account may be used on specific Board approved projects. Assets in the Police Forfeiture Accounts are restricted for expenditures allowable under the Equitable Sharing Programs of the U.S. Department of Justice, U.S. Department of Treasury, and the Commonwealth of Kentucky. Assets included in the Demolition of Excess Facilities Account are to be used to fund the demolition of excess facilities at the airport.

Assets in the Debt Service and/or Improvements to Airport Accounts are held for improvements and expansions to the Airport or early retirement of debt in accordance with the use agreement. In the event of cash flow needs, assets in these accounts may be temporarily used to finance operating

(in thousands of dollars)

expenditures; and with the approval of the signatory airlines, they may be transferred and used as a source of operating revenues.

4. Capital Assets

Capital assets are comprised of the following:

	Balance 1/1/2014	Additions/ transfers	Retirements/ transfers	Balance 12/31/2014	Additions/ transfers	Retirements/ transfers	Balance 12/31/2015
Land (non-depreciable)	$ 166,076	$ 53	$ -	$ 166,129	$ 1,499	$ -	$ 167,628
Runways, taxiways							
and other land improvements	648,719	9,725	(7,088)	651,356	8,044	(1,790)	657,610
Buildings and building renovations	354,762	2,901	(439)	357,224	12,922	(347)	369,799
Utility systems	85,128	-	-	85,128	-	-	85,128
Equipment	127,522	1,434	(1,268)	127,688	5,430	(3,049)	130,069
Easements (non-depreciable)	40,729	-	-	40,729	-	-	40,729
Construction-in-progress	3,719	15,946	(12,730)	6,935	22,063	(23,036)	5,962
Total capital assets	1,426,655	30,059	(21,525)	1,435,189	49,958	(28,222)	1,456,925
Less accumulated depreciation							
Runways, taxiways							
and other land improvements	403,656	24,765	(7,034)	421,387	22,384	(1,790)	441,981
Buildings and building renovations	117,282	13,729	(201)	130,810	13,681	(96)	144,395
Utility systems	55,479	3,599	-	59,078	3,245	-	62,323
Equipment	62,319	6,622	(1,028)	67,913	6,125	(2,707)	71,331
Total accumulated depreciation	638,736	48,715	(8,263)	679,188	45,435	(4,593)	720,030
Total capital assets, net of							
accumulated depreciation	$ 787,919	$ (18,656)	$ (13,262)	$ 756,001	$ 4,523	$ (23,629)	$ 736,895
Total non-depreciable capital assets	$ 206,805	$ 53	$ -	$ 206,858	$ 1,499	$ -	$ 208,357
Total depreciable capital assets, net of							
accumulated depreciation	581,114	(18,709)	(13,262)	549,143	3,024	(23,629)	528,538
Total capital assets, net of							
accumulated depreciation	$ 787,919	$ (18,656)	$ (13,262)	$ 756,001	$ 4,523	$ (23,629)	$ 736,895

Capital assets purchased are reported at cost. Easements are acquired and attached in perpetuity to the deeds of certain parcels purchased and/or sound insulated in the Airport's land and noise mitigation programs. Accordingly, the costs of obtaining these easements are recorded as land until such time as the easement documents are executed. Thereafter, the costs are transferred and recorded as easements. Those assets acquired through donation or contractual reversion of ownership are reported at the fair value determined at the time of ownership transfer. The costs of construction projects are recorded as construction-in-process until such time as the projects are substantially complete. Upon substantial completion, the costs are transferred to the appropriate fixed asset classification as shown in the above table. Related to construction-in-process and capital assets, the Airport had contract retainage, accounts payable, and interaccount group payables of $4,660 and $5,193 at December 31, 2015 and 2014, respectively.

Idle Facilities

Office Facility

In 2011, the Board purchased from Delta Airlines, Inc. ("Delta") the former headquarters building of Comair, Inc. ("Comair"), a 184 thousand square foot office facility which is located on the

(in thousands of dollars)

Airport. This acquisition, for which the Board paid the negotiated price of $4,000, was made for the purpose of generating and diversifying future rental revenues.

During 2014, the Board began construction and renovation in various facilities at the Airport for the purpose of re-locating all tenants and Board functions from Terminals 1 and 2, thereby facilitating the demolition of those facilities (See Note 1). Construction and renovation efforts for a portion of the office facility were completed in 2015. Upon completion, the Board's administrative offices and personnel were re-located and at December 31, 2015 occupied a significant portion of the office facility. The Board continues to actively seek tenants for the remaining portion of the facility.

Concourse C

In 2009, Comair, which was the sole airline tenant in the Airport's Concourse C, moved all of its operations from Concourse C to other facilities at the Airport. Upon completion of Comair's transfer of operations in 2009, Concourse C ceased to be utilized. Due to this change in the expected duration of use of Concourse C, which was first occupied in 1994, and the fact that there was no evidence to suggest that the reduction in utilization was temporary, Concourse C was determined to be an impaired asset under GASB Statement No. 42. Accordingly, building and equipment assets, as well as their accumulated depreciation, were written down.

Although Comair ceased all operations in Concourse C, pursuant to a 1993 lease agreement and subsequent 2001 amendment ("Amended Lease"), Comair continued to be committed to pay certain charges, which are discussed below, related to Concourse C. In December 2012, Comair, which had been a wholly owned subsidiary of Delta, was merged with Delta. As of the merger date, all real estate leases and other obligations of Comair, including those related to Concourse C, were assigned to Delta by operation of law.

After the write-downs discussed above and the depreciation incurred, the remaining amount of net book value related to Concourse C at December 31, 2015 and December 31, 2014 is $ 0 and $2,909, respectively, which represents the remaining amount of fixed rentals Delta was committed to pay pursuant to the Amended Lease. Through 2015, Delta was also committed to reimburse certain operations and maintenance costs, the charges for which were determined by a triennial calculation which is outlined in the Amended Lease.

Facilities Identified for Demolition

As discussed in Note 1, the Airport's Master Plan calls for a consolidation of all airline operations into Terminal 3, Concourse A and Concourse B, thereby allowing the demolition of excess, less cost efficient structures at the Airport. In preparation for the demolition of these facilities, which is scheduled to occur during 2016 and 2017, by the end of 2015 all Airport and tenant operations were relocated from Terminals 1 and 2, as well as from some smaller facilities located in the west service area of the Airport that were previously either utilized for Airport operations or leased to Airport tenants. One of the facilities identified for demolition was Concourse C from which, as discussed above, operations ceased in 2009. All facilities slated for demolition were fully depreciated by December 31, 2015. The costs of these facilities and related equipment reflected on the financial statements at December 31, 2015 are as follows:

(in thousands of dollars)

Terminal 1	$ 7,580
Terminal 2	7,312
West service area buildings	1,378
Concourse C	26,174
Concourse C equipment	1,623
	$ 44,067

The costs and accumulated depreciation as listed above will be removed from the Airport's balances upon demolition of the facilities.

Useful Lives
The Airport's capital assets are depreciated over useful lives as follows:

	Years
Runways, taxiways and other land improvements	15 - 31.5
Buildings	25 - 40
Building improvements and renovations	10 - 20
Utility systems	20 - 40
Equipment	3 - 30

Substantially all capital assets of the Airport are held for direct or indirect utilization in the Airport's principal activities of leasing land, buildings and airfield facilities to third party lessees.

5. Lease of Airport Facilities

Airport facilities are leased to third parties to serve the public through the operation of airline terminal and airfield facilities, as well as through concession and warehousing operations.

The concession agreements generally provide for the Airport's receipt of fixed rentals plus certain contingent rentals which are based on the tenants' gross revenues. Contingent rentals amounted to $9,532 and $8,391 for the years ended December 31, 2015 and 2014, respectively.

For the years 2016, 2017, 2018, 2019 and 2020, minimum future rentals for noncancelable leases (other than noncancelable rentals charged to the signatory airlines under the use agreements and other long-term terminal facility leases) are $7,081, $4,772, $4,122, $4,036 and $3,700, respectively.

For the years 2016, 2017, 2018, 2019 and 2020, noncancelable rentals under the use agreements (exclusive of landing fees) and other long-term terminal facility leases pertaining to the signatory airlines are $17,382, $17,447, $17,447, $17,447 and $17,447, respectively.

(in thousands of dollars)

6. Long-Term Liabilities

During 2015 and 2014, the Airport's long-term liabilities and related activity consisted of the following:

Revenue Bonds
A summary of revenue bonds payable at December 31, 2015 and 2014 is presented below. The respective maturities occur on March 1.

	2015	2014
Series 2003B, 4.875% to 5.500%, due 2017-2033	$ 58,590	$ 58,590

The bonds listed above were issued under the terms of bond resolutions adopted by the Board and bear interest rates fixed through the date on which they are required to be redeemed. In accordance with the applicable bond resolution, the 2003B bonds outstanding at December 31, 2015 became redeemable in 2013 without premium.

Under the terms of the bond resolution, all revenue bonds outstanding at December 31, 2015 and 2014 are secured by the operating revenues of the Airport, except those operating revenues which have, in accordance with the resolutions, been returned to the PFC Project Account in the Restricted for Airport Facilities Account Group. The Series 2003B bonds were issued to fund the costs of specific PFC eligible, FAA approved projects. As such, the debt service requirements of the Series 2003B bonds are authorized by the FAA to be paid with PFCs (see Note 1).

The required funding of bond principal and interest subsequent to December 31, 2015 is as follows:

	Principal	Interest	Total Debt Service
2016	$ 1,879	$ 2,903	$ 4,782
2017	2,359	2,799	5,158
2018	2,488	2,669	5,157
2019	2,614	2,543	5,157
2020	2,748	2,412	5,160
2021-2025	15,924	9,870	25,794
2026-2030	20,222	5,576	25,798
2031-2033	10,356	823	11,179
	$ 58,590	$ 29,595	$ 88,185

Bond Redemption
Pursuant to a November 18, 2013 resolution of the Board, on March 1, 2014, $9,490 of the Series 2002A, $2,550 of the Series 2003C and $7,840 of the Series 2007B bonds, maturing on March 1, 2015, were redeemed. The redemptions were funded utilizing the $19,880 of applicable balances in the Bond Reserve Accounts and $477 of excess interest funding in the Interest and Redemption Account of the Restricted for Debt Service Account Group. The redemption amounts are included

(in thousands of dollars)

in the December 31, 2014 Statement of Revenues, Expenses, and Changes in Net Position and in the December 31, 2014 Statement of Cash Flows.

Pursuant to an August 29, 2014 resolution of the Board, on October 15, 2014, $2,065 and $2,160 of the Series 2003B bonds maturing March 1, 2015 and 2016, respectively, were redeemed. The redemptions were funded utilizing $2,848 from the PFC Project Account of the Restricted for Airport Facilities Account Group and an early release of $1,377 from the Interest and Redemption Account of the Restricted for Debt Service Account Group, with such amount of principal funding having already been transferred to the account through previous debt service contributions. The redemption amounts are included in the December 31, 2014 Statement of Revenues, Expenses, and Changes in Net Position and in the December 31, 2014 Statement of Cash Flows.

Subsequent Event
On May 16, 2016 the Board authorized the issuance of Series 2016 bonds to fully refund the Series 2003B bonds. The Series 2016 bonds are planned to be issued as fixed rate revenue bonds and are anticipated to result in interest savings and a reduction in the Airport's outstanding debt balance.

Also on May 16, 2016, the Board approved a new bond resolution to be implemented with the issuance of the Series 2016 bonds. Under this resolution, new funds and accounts will be established to provide for deposit and flow of net revenues (revenues less operating and maintenance expenses as defined in the resolution) to be pledged for payment of the Series 2016 bonds and future revenue bonds to be issued by the Airport.

Compensated Absences
Employees accrue vacation leave based on amounts of regularly scheduled work hours and length of service. Employees can accumulate up to 30 days of vacation time and are paid for all accumulated vacation time upon separation of employment for any reason. All accumulated vacation time is accrued and included in the accrued expenses liability on the balance sheets.

Sick leave is earned by employees at the rate of one day per month of service, with the maximum accumulation for each employee being 60 days of sick leave. Employees are paid for all accumulated sick time upon retirement from the Airport, death or other employment separation when eligible for retirement. Accumulated sick leave is accrued when an employee's age and/or years of service are within five years of the minimum age or years of service required for retirement under the provisions of the pension plans in which the Airport's employees participate (see Note 10). Amounts related to accrued compensated absences are shown below.

Other Long-Term Liabilities
At December 31, 2015 and 2014, the Airport's other liabilities which have portions due after one year consisted of rental and identification badge deposits, estimated amounts potentially due for incidents not covered by commercial insurance, estimated amounts due under a frequent parking rewards program, and the Airport's assigned proportionate share of net pension liability from its participation in the pension plans discussed in Note 10. Amounts related to these liabilities are shown below.

(in thousands of dollars)

Long-Term Liability Activity
For the years ended December 31, 2015 and 2014, components of the Airport's liabilities which had non-current activity or balances were as follows:

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Amounts Due within One Year	Amounts Due after One Year
Accounts Payable						
Deposits	$ 197	$ 83	$ (190)	$ 90	$ 40	$ 50
Accrued Expenses						
Compensated Absences	2,589	1,070	(724)	2,935	365	2,570
Uninsured losses	47	331	(347)	31	-	31
Parking rewards	448	65	(26)	487	292	195
Revenue bonds payable	58,590	-	-	58,590	-	58,590
Net pension liability	38,228	12,582	-	50,810	-	50,810
	$ 100,099	$ 14,131	$ (1,287)	$ 112,943	$ 697	$ 112,246

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Amounts Due within One Year	Amounts Due after One Year
Accounts Payable						
Deposits	$ 305	$ 70	$ (178)	$ 197	$ 166	$ 31
Accrued Expenses						
Compensated Absences	2,491	792	(694)	2,589	400	2,189
Uninsured losses	60	209	(222)	47	27	20
Parking rewards	375	74	(1)	448	222	226
Revenue bonds payable	100,430	-	(41,840)	58,590	-	58,590
Net pension liability	43,013	-	(4,785)	38,228	-	38,228
	$ 146,674	$ 1,145	$ (47,720)	$ 100,099	$ 815	$ 99,284

7. Special Facility Revenue Bonds

Special Facility Revenue Bonds ("SFRBs"), Series 2001A totaling $22,500, were issued in July 2001 to finance the construction of a pilot training facility for FlightSafety International, Inc. ("FlightSafety"). Although taking the legal form of a financing lease between the Board and FlightSafety, the substance of the arrangement is that the SFRBs constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Board or the Airport or a pledge of Airport revenues. As such, no liability relating to the SFRBs is included in the accompanying financial statements. Information related to the amounts outstanding on the SFRBs is not readily available to management of the Airport. For additional information regarding the SRFBs, readers should contact FlightSafety.

(in thousands of dollars)

8. Major Lessees

In 2015, the operating revenues received from Delta and from DHL Worldwide Express, Inc. ("DHL"), a major cargo carrier at the Airport, represented approximately 23.33% and 11.46%, respectively, of total operating revenues. The comparable amounts for 2014 for Delta and DHL were 23.57% and 11.40%, respectively.

Landing fees received from Delta and DHL in 2015 represented 27.24% and 49.52%, respectively, of total billed landing fees. The comparable amounts for 2014 for Delta and DHL were 33.12% and 47.57% of total landing fees, respectively.

9. Internal Service Fund

The Airport provides health, dental, group life, individual life, accidental death and dismemberment, and long-term disability insurance coverages to employees. Effective January 1, 2009, the Airport assumed the risk financing of the health and dental coverages through self-funding of claims, subject to certain individual stop loss and group aggregate limits. Commercially procured coverages assume any liabilities for claims which exceed the established limits. Third party administrators are utilized to manage the claims handling activities of the plans.

Pursuant to a December 2008 resolution of the Board and as provided for under GASB Statement No. 34, an ISF was established effective January 1, 2009 to be used and restricted for the purpose of funding and managing all financial activities of the self-funded health coverages. Such activities include contributions to the ISF, the payment of claims, the payment of fees and expenses, and the establishment and maintenance of reserves.

The ISF's primary funding source is contributions from the Available for Current Operations Account Group. These contributions are included in salaries, wages and benefits expense on the Statement of Revenues, Expenses, and Changes in Net Position. Contributions are also made by employees through payroll deductions and by the Restricted for Airport Facilities Account Group for the insurance portion of labor costs incurred on capital projects.

As permitted by GASB Statement No. 34, the Airport has established reserves in the ISF for future catastrophe losses and the smoothing of cash flows. The Airport maintains these reserves up to an amount equaling one year of expected claims plus estimated fees and expenses. The reserves at December 31, 2015 and December 31, 2014 represent one year of claims, fees and expenses as expected at those dates.

Any assets of the ISF which are determined by the Airport's Chief Financial Officer to no longer be necessary for the self-funded health coverage programs cease to be restricted and are refunded to the Available for Current Operations Account Group in the period in which the determination is made.

(in thousands of dollars)

The changes in the balances of the claims liability and reserves consisted of the following:

	Claims Liability
Liability at January 1, 2014	$ 184
Claims and changes in estimates for 2014	4,263
Claims paid in 2014	(4,276)
Changes in receivables and prepaids related to claims	143
Liability at December 31, 2014	$ 314
Claims and changes in estimates for 2015	4,382
Claims paid in 2015	(4,150)
Changes in receivables and prepaids related to claims	(119)
Liability at December 31, 2015	$ 427

	Reserve
Reserves at January 1, 2014	$ 5,027
Contributions from all sources	4,909
Investment Income	23
Claims, premiums, and fees incurred	(4,872)
Reserves at December 31, 2014	$ 5,087
Contributions from all sources	4,776
Investment Income	16
Claims, premiums, and fees incurred	(4,975)
Reserves at December 31, 2015	$ 4,904

The Airport purchases both aggregate and specific stop loss coverage for the health insurance coverage of the ISF. The specific stop loss insurance assumes the risk for claims on any individual covered by the plan. During 2015 and 2014 the individual stop loss coverage to which the Airport's claims liability was limited were $150 and $140, respectively. The aggregate insurance during 2015 and 2014 provided full coverage for aggregate claims in excess of 125% and 120%, respectively, of expected claims amounts actuarially calculated by a third party. These amounts, given enrollment levels, limited total health coverage risk financing by the Airport during 2015 and 2014 to approximately $4,211 and $4,352 each year, respectively.

(in thousands of dollars)

10. Retirement Plans and Post Retirement Benefits

Defined Benefit Pension Plans

All full-time employees of the Airport as of December 31, 2015 are members of the Kentucky Retirement Systems' County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension system consisting of two employee plans, Nonhazardous and Hazardous. The plan in which employees participate is determined by the type of position held by the employee.

General Information about the Pension Plan

Plan description

Created by the Kentucky General Assembly pursuant to the provisions of KRS Section 78.520, the assets of CERS, in addition to the assets of the Kentucky Employers Retirement System ("KERS") and the State Police Retirement System ("SPRS"), collectively referred to as the System ("System"), are administered by the Kentucky Retirement System Board of Trustees ("KRS Board"). In accordance with the provisions of KRS Sections 16.555, 61.570, and 78.630, the assets of the System are invested as a whole, while each system's assets are used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs.

Under the provisions of KRS Section 61.701, the KRS Board also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by the KRS Board: (1) KERS; (2) CERS; and (3) SPRS. The assets of the insurance fund are invested as a whole.

(in thousands of dollars)

Benefits provided: Nonhazardous

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 01/01/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service.
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

(in thousands of dollars)

Benefits provided: Hazardous

	Tier 1 Hazardous Participation beginning prior to 9/1/2008	Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Hazardous Participation beginning on or after 01/01/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 1 months of service.	Any age with 25 years of service. Age 60 with 5 years of service.	Any age with 25 years of service. Age 60 with 5 years of service.
Reduced Retirement Benefit:	Age 50 with 15 years of service but less than 20 years of service.	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

Contributions

Employer contribution rates are governed by KRS Section 61.565 and require the Airport to contribute at an actuarially determined rate. The KRS Board sets the employer contribution rates on the basis of this annual actuarial valuation last preceding the July 1 of a new biennium. If it is determined on the new basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted, then the KRS Board may amend contribution rates as of the first day of July of the second year of a biennium.

Employee contributions are deducted from an active employee's salary and remitted to the CERS by the Airport along with the employer's portion of the contribution.

(in thousands of dollars)

The Airport has met 100% of its contribution funding requirements for the plan fiscal years ended June 30, 2015 and June 30, 2014.

The contribution rates in effect and contributions remitted relating to the CERS and the CERS portion of the Insurance Fund for the fiscal year ended December 31, 2015 was as follows:

	CERS		CERS Portion of Insurance Fund	
	Non Hazardous	Hazardous	Non Hazardous	Hazardous
Employee Contribution rates:				
Tier 1 : Participation prior to 9/1/2008	5.00%	8.00%		
Tier 2 : Participation 9/1/2008 through 12/31/2013	6.00%	9.00%		
Tier 3 : Participation after 1/1/2014	6.00%	9.00%		
Airport Contribution rates:				
July 1, 2015 - December 31, 2015	12.42%	20.26%	4.64%	12.69%
July 1, 2014 - June 30, 2015	12.75%	20.73%	4.92%	13.58%
July 1, 2013 - June 30, 2014	13.74%	21.77%	5.15%	13.93%
July 1, 2012 - June 30, 2013	12.62%	20.10%	6.93%	17.50%
Employee Contributions				
2015	$ 901	$ 605		
2014	$ 831	$ 571		
2013	$ 802	$ 557		
Airport Contributions				
2015	$ 2,140	$ 1,518	$ 813	$ 972
2014	$ 2,069	$ 1,492	$ 787	$ 965
2013	$ 2,009	$ 1,446	$ 920	$ 1,089
Amount of payroll on which employee and employer contributions were based				
2015	$ 17,014	$ 7,409	$ 17,014	$ 7,409
2014	$ 15,622	$ 7,019	$ 15,622	$ 7,019
2013	$ 15,236	$ 6,912	$ 15,236	$ 6,912
Contributions made by Airport and employees as a percentage of contributions required of of Airport and employees 2015, 2014 and 2013	100%	100%	100%	100%

(in thousands of dollars)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2015 and December 31, 2014, the Airport reported a liability of $50,810 and $38,228, respectively, for its assigned proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2015, and June 30, 2014, the Airport's proportionate share of the CERS Nonhazardous plan was 0.68681% and 0.67411%, respectively. At June 30, 2015, and June 30, 2014, the Airport's proportionate share of the CERS Hazardous plan was 1.38626% and 1.36099%, respectively.

Subsequent to the June 30, 2014 measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability were updated based on an actuarial experience study for the five-year period ending June 30, 2013, submitted April 30, 2014, and adopted by the KRS Board on December 4, 2014. These changes of assumptions, net of other pension actuarial activities between June 30, 2014 and June 30, 2015 contributed to the year over year increase in the Airport's net pension liability. A summary of the adopted changes are as follows:

Description of assumption	2015	2014
Assumed investment rate of return	7.50%	7.75%
Assumed rate of inflation	3.25%	3.50%
Assumed rate of wage inflation	0.75%	1.00%
Payroll growth assumption	4.00%	4.50%
Mortality tables –active members	RP-2000 Combined –Scale BB to 2013 (times 50% for males and 30% for females)	1994 Group Annuity
Mortality tables –retired members	RP-2000 Combined –Scale BB to 2013 (set back 1 year for females)	1983 Group Annuity
Mortality tables –disabled members	RP-2000 Combined Disabled – Scale BB to 2013 (set back 4 year for males)	1994 Group Annuity (set forward 5 years)
Assumed rates of retirement, withdrawal and disability	Updated to more accurately reflect experience	-

For CERS plan years ending June 30, 2015 and June 30, 2014, the Airport's proportionate share of plan pension expense was $3,322 and $1,751, respectively, for Nonhazardous and $2,045 and $1,268, respectively, for Hazardous.

(in thousands of dollars)

At December 31, 2015 and December 31, 2014 the Airport reported deferred inflows and outflows directly related to the net pension liability recorded as a component of its proportionate share of net pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Deferred Outflows and Inflows at December 31, 2013	$ -	$ -	$ -
Difference between expected and actual experience	-	(4,050)	(4,050)
Contributions subsequent to measurement date	1,712	-	1,712
Deferred Outflows and Inflows at December 31, 2014	$ 1,712	$ (4,050)	$ (2,338)
Prior year contributions subsequent to measurement date	$ (1,712)	$ -	$ (1,712)
Difference between expected and actual experience	707	810	1,517
Changes in assumptions	4,817	-	4,817
Net differences between projected and actual earnings on pension plan investments	399	-	399
Changes in proportion and differences between contributions and proportionate share of contributions	592	-	592
Contributions subsequent to measurement date	1,861	-	1,861
Deferred Outflows and Inflows at December 31, 2015	$ 8,376	$ (3,240)	$ 5,136

The $1,861 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	$ 671
2017	$ 671
2018	$ 671
2019	$ 671
2020	$ 591

Actuarial Assumptions
The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

(in thousands of dollars)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again by the KRS Board's actuary when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

(a) Discount rate: The discount rate used to measure the total pension liability was 7.50%

(b) Projected cash flows: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) Long term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(d) Municipal bond rate: the discount rate determination does not use a municipal bond rate.

(e) Periods of projected benefit payments: projected future benefit payments for all current plan members were projected through 2117.

(f) Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(in thousands of dollars)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Eqvivalent	2%	(0.25)%
Total	100%	

(g) Sensitivity Analysis: The following presents the net pension liability of the Airport, calculated using the discount rate of percent, as well as what the Airport's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate for hazardous:

Asset Class	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Airport's net pension liability - Nonhazardous	$ 37,697	$ 29,529	$ 22,533
Airport's net pension liability - Hazardous	$ 27,240	$ 21,281	$ 16,344
Total	$ 64,937	$ 50,810	$ 38,877

(in thousands of dollars)

Pension Plan Fiduciary Net Position

The following table contains certain actuarial information related to the CERS and the CERS portion of the Insurance Fund:

	CERS		CERS Portion of Insurance Fund	
	Non Hazardous	Hazardous	Non Hazardous	Hazardous
Actuarial Information from the Kentucky Retirement Systems' June 30, 2015 audited financial statements				
Actuarial value of assets ("AVA")	$ 6,474,849	$ 2,096,783	$ 1,997,457	$ 1,087,707
Actuarial accrued liability ("AAL")	10,740,325	3,613,308	2,907,827	1,504,015
	$ (4,265,476)	$ (1,516,525)	$ (910,370)	$ (416,308)
AVA as a percentage of AAL	60.29%	58.03%	68.69%	72.32%
Unfunded AAL as a percentage of total covered payroll	185.70%	313.60%	39.60%	86.10%
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percent Closed	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining amortization period	28 years	28 years	28 years	28 years
Asset valuation method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market

Detailed information about CERS's fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Comprehensive Annual Financial Report (which is a matter of public record). The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or can be obtained in an electronic format by visiting the website at www.kyret.ky.gov.

Deferred Compensation Plans

The Airport's employees are also eligible to participate in two deferred compensation plans which are authorized under KRS Sections 18A.230 – 18A.275 and administered by the Kentucky Public Employees' Deferred Compensation Authority ("KDCA"). These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their compensation until future years. Deferred compensation is not available to employees until termination, retirement or death, or in certain circumstances of financial hardship. There were no employer contributions to the 457 or 401(k) plans for the years

(in thousands of dollars)

ended December 31, 2015 and 2014. Employee contributions in total were approximately $886 and $835, respectively, for the years ended December 31, 2015 and 2014.

Additional information about the deferred compensation plans may be obtained from the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky 40601-8862.

11. Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport manages these risks through the purchase of commercial insurance.

12. Commitments and Contingencies

At December 31, 2015, the Airport is committed, either through contracts or Board proceedings, to the eventual expenditure of approximately $13,061, which consists primarily of demolition of excess facilities, procurement and implementation of systems and rehabilitation of existing facilities. Of the total estimated costs, approximately $809 will be funded by federal grants, state grants, PFCs, CFCs and/or tenant funds, with the remainder to be funded by available capital funds.

13. Change in Accounting Principle

During 2015, the Airport adopted GASB Statement. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements require cost-sharing entities providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, establishes the accounting and financial reporting standards for measuring and recognizing the subsequent liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures (see Note 10). The purpose is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance their value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The cumulative effect of the adoption of this new guidance resulted in increases in net pension liability of $43,013 and deferred outflows of resources of $1,790, respectively, and reduction in net position as of January 1, 2014 of $41,223. The effects of this adoption are reflected on the 2014 Statement of Revenues, Expenses, and Changes in Net Position.

(in thousands of dollars)

Schedule of the Proportionate Share of the Net Pension Liability of the
Kentucky Retirement System's County Employees Retirement System
Last 10 years *
As of December 31, 2015

	2015	2014
Plan's net pension liability	$ 5,834,631	$ 4,446,200
Airport's proportion of the net pension liability	0.8708%	0.8598%
Airport's proportionate share of the net pension liability	$ 50,810	$ 38,228
Covered-Airport employee payroll	$ 24,423	$ 22,641
Proportionate share of the net pension liability (asset) as a percentage of its covered -Airport employee payroll	208.04%	168.84%
Plan's total pension liability	$ 14,353,633	$ 13,061,348
Plan's fiduciary net position	$ 8,519,002	$ 8,615,149
Plan's fiduciary net position as a percentage of the total pension liability	59.35%	65.96%

* Fiscal year 2014 was the 1st year of implementation. Therefore only two years are shown.

(in thousands of dollars)

Schedule of the Employer Contributions of the
Kentucky Retirement System's County Employees Retirement System
Last 10 years
As of December 31, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution for pension	$ 3,658	$ 3,561	$ 3,455	$ 3,086	$ 2,700	$ 2,535	$ 2,157	$ 2,079	$ 1,849	$ 1,526
Airport's contributions in relation to the statutorily required contribution	(3,658)	(3,561)	(3,455)	(3,086)	(2,700)	(2,535)	(2,157)	(2,079)	(1,849)	(1,526)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Airport's covered employee payroll	$ 24,423	$ 22,641	$ 22,148	$ 21,500	$ 20,782	$ 21,441	$ 20,237	$ 21,023	$ 20,742	$ 20,307
Contributions as a percentage of its covered employee payroll	14.98%	15.73%	15.60%	14.35%	12.99%	11.82%	10.66%	9.89%	8.91%	7.51%

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

Kenton County Airport Board
77 Comair Boulevard
Erlanger, Kentucky 41018

We have served as bond counsel to the Kenton County Airport Board (the "Board") in connection with the issuance by the Board of its $47,785,000 Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016 (Non-AMT) (the "Series 2016 Bonds"), dated the date of this letter.

The Series 2016 Bonds are authorized pursuant to Chapter 183 and Chapter 58 of the Kentucky Revised Statutes, as supplemented and amended, and are issued by the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016, and the Series 2016 Bond Resolution also adopted by the Board on May 16, 2016, (collectively, the "Bond Resolution"). *All capitalized terms used in this letter which are not defined herein shall have the meanings specified in the Bond Resolution.*

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2016 Bonds, conformed copies of the signed and authenticated Series 2016 Bonds and such other documents, reports, and letters as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Board is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth of Kentucky, with the power to adopt the Bond Resolution, to perform its obligations thereunder and to issue the Series 2016 Bonds.

2. The Series 2016 Bonds and the Bond Resolution are valid and binding obligations of the Board, enforceable in accordance with their respective terms.

3. The Series 2016 Bonds have been duly authorized and issued by the Board in accordance with the Constitution and laws of the Commonwealth of Kentucky, including the Act and the Bond Resolution.

4. The Series 2016 Bonds constitute special, limited obligations of the Board, and the principal of and interest on (collectively, "debt service") the Series 2016 Bonds are payable from and secured solely by the Net Revenues, the Board's right to receive Net Revenues and moneys on deposit in the Funds and Accounts established under the Bond Resolution. The payment of debt service on the Series 2016 Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Series 2016 Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Board, the Commonwealth of Kentucky or any of its political subdivisions.

5. Interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Series

2016 Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Series 2016 Bonds is exempt from income taxation and the Series 2016 Bonds are exempt from *ad valorem* taxation by the Commonwealth of Kentucky, and all political subdivisions thereof. We express no opinion as to any other tax consequences regarding the Series 2016 Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Board.

In rendering those opinions with respect to treatment of the interest on the Series 2016 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Board. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series 2016 Bonds and the enforceability of the Series 2016 Bonds and the Bond Resolution are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2016 Bonds has concluded on this date.

Respectfully submitted,

APPENDIX F

BOOK ENTRY ONLY SYSTEM

General. The following information has been furnished by DTC for use in this Official Statement and neither the Board nor any Underwriter takes any responsibility for its accuracy or completeness. The DTC Omnibus Proxy record date, as such term is used under this subcaption, is not, and has no relation to, the "Record Date" as defined in the Resolution and used in this Official Statement.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of each Series of the Series 2016 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, 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 & 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 www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 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 Series 2016 Bonds, except in the event that use of the book entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 the Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of the Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 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 Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Series 2016 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 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 Board 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2016 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 Board 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 Participant and not of DTC, the Board, or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2016 Bonds are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2016 Bonds will be printed and delivered to DTC.

For every transfer and exchange of the Series 2016 Bonds, the Paying Agent and DTC and the Participants may charge the beneficial owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

The Board and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 2016 Bonds, (ii) the delivery to any Participant or any other person, other than an owner, of any notice with respect to the Series 2016 Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an owner, of any amount with respect to principal of or interest on the Series 2016 Bonds.

Effect on Series 2016 Bonds of Discontinuance of Book-Entry System. The following two paragraphs apply to the Series 2016 Bonds only when they are not in the book-entry system:

The Series 2016 Bonds will be issuable as fully registered bonds in denominations that are integral multiples of $5,000. Exchanges and transfers will be made without charge to the Registered Owners, except that in each case the Paying Agent may require the payment by the Registered Owner requesting exchange or transfer of any tax or governmental charge required to be paid with respect thereto.

Principal of and interest on the Series 2016 Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the Paying Agent. Interest on the Series 2016 Bonds will be payable by check mailed to the persons in whose names they are registered at the close of business on the Record Date next preceding each Interest Payment Date. The Record Date for the Series 2016 Bonds will be the December 15 and June 15 prior to each January 1 and July 1, respectively. At the request of any Registered Owner of not less than $1,000,000 principal amount of the Series 2016 Bonds of a Series, all payments to such Registered Owner with respect to such Series of Series 2016 Bonds shall be made by wire transfer to any address in the continental United States on the applicable Payment Date, if such Registered Owner provides the Paying Agent with written notice of such wire transfer address prior to the applicable Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice).

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APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Kenton County Airport Board (the "Board") in connection with its issuance of its $47,785,000 Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016 (Non-AMT) (the "Series 2016 Bonds"), which have been duly authorized by the General Bond Resolution adopted by the Board on May 16, 2016 (the "General Bond Resolution"), and the Series 2016 Resolution adopted by the Board May 16, 2016 (the "Series 2016 Resolution," and collectively referred to herein with the General Bond Resolution as the "Resolution").

In consideration of the issuance of the Series 2016 Bonds by the Board and the purchase of such Series 2016 Bonds by the beneficial owners thereof, the Board covenants and agrees as follows:

1. PURPOSE OF THIS UNDERTAKING. This Undertaking is executed and delivered by the Board as of the date set forth below, for the benefit of the beneficial owners of the Series 2016 Bonds and to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below).

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires. All capitalized terms not defined herein shall be defined and have the meaning as set forth in the Resolution.

"Airline Parties" means the companies that are signatories to the Airport Use Agreements, and any additional companies that executes an agreement with the Board substantially the same as the Airport Use Agreements.

"Airport" means the Cincinnati/Northern Kentucky International Airport.

"Airport Obligations" means all obligations payable from Revenues, issued and outstanding pursuant to the General Bond Resolution.

"Airport Use Agreements" means the Airport Use Agreements between the Board and the Airline Parties.

"Annual Financial Information" means the financial information and operating data described in Exhibit I.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the Airport prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time and according to the standard as described in Exhibit I.

"Commonwealth" means the Commonwealth of Kentucky.

"EMMA" means the Electronic Municipal Market Access system established by the MSRB.

"Event" means the occurrence of any of the events set forth in Exhibit II.

"Material Event" means the occurrence of an Event that is material, as materiality is interpreted under the 1934 Act.

"Material Events Disclosure" means dissemination, of a notice of a Material Event as set forth in Section 5.

"MSRB" means the Municipal Securities Rulemaking Board.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Obligated Person" means the Board and each airline or other entity at any time using the Airport (i) that is obligated under an Airport Use Agreement, lease or other agreement having a term of more than one year to pay a portion of the debt service on the Airport Obligations and (ii) has paid amounts equal to at least twenty (20%) percent of the Revenues of the Airport for each of the prior two fiscal years at the Airport.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Series 2016 Bonds.

"Rule" means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

"SEC" means the Securities Exchange Commission.

"SEC Reports" means reports and other information required to be filed pursuant to Sections 13(a), 14 or 15(d) of the 1934 Act.

"Undertaking" means the obligations of the Board pursuant to this Continuing Disclosure Undertaking.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in Exhibit III. The Official Statement relating to the Series 2016 Bonds dated June 23, 2016 is referred to herein as the "Final Official Statement."

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Undertaking, the Board hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the

time of delivery of such information and by such time so that such entities receive the information by the dates specified. The MSRB requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer by generated because operations to which it is related have been materially changed or discontinued, the Board shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Undertaking, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. EVENTS NOTIFICATION; MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Undertaking, the Board hereby covenants that it will disseminate in a timely manner (not in excess of ten (10) business days after the occurrence of a Material Event) a Material Events Disclosure to the MSRB through EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. The MSRB requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2016 Bonds or defeasance of any Series 2016 Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Resolution.

6. DUTY TO UPDATE PROCEDURES. The Board shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rule each time it is required to file information with EMMA.

7. CONSEQUENCES OF FAILURE OF THE BOARD TO PROVIDE INFORMATION. The Board shall give notice in a timely manner (not in excess of ten (10) business days) to the MSRB through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Board to comply with any provision of this Undertaking, the beneficial owner of any Series 2016 Bond may seek mandamus or specific performance by court order to cause the Board to comply with its obligations under this Undertaking. Any court action to enforce this Undertaking must be initiated in the Fiscal Court of Kenton County, Kentucky. A default under this Undertaking shall not be deemed a default under the Series 2016 Bonds or the Resolution, and the sole remedy under this Undertaking in the event of any failure of the Board to comply with this Undertaking shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Undertaking, the Board, pursuant to authorization granted in the Resolution, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Board or type of business conducted;

(ii) this Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2016 Bonds, as determined by parties unaffiliated with the Board (such as the Paying Agent or bond counsel), or by approving vote of the beneficial owners of the Series 2016 Bonds pursuant to the terms of the Resolution at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

In the event that the SEC or the MSRB or other regulatory authority shall approved or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Board shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Undertaking.

9. TERMINATION OF UNDERTAKING. The obligations of the Board under this Undertaking shall remain in effect only for such period that the Series 2016 Bonds are outstanding in accordance with their terms and the Board remains an Obligated Person with respect to the Series 2016 Bonds within the meaning of the Rule. The obligation of the Board to provide the information and notices of the events described above shall terminate, if and when the Board no longer remains such an Obligated Person. If any person, other than the Board, becomes an Obligated Person relating to the Series 2016 Bonds, the Board shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

10. DISSEMINATION AGENT. The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

11. ADDITIONAL INFORMATION. Nothing in this Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or Material Event Disclosure, in addition to that which is required by this Undertaking. If

the Board chooses to include any other information in any Annual Financial Information Disclosure or Material Event Disclosure in addition to that which is specifically required by this Undertaking, the Board shall have no obligation under this Undertaking to update such other information or include it in any future Annual Financial Information Disclosure or Material Event Disclosure.

12. BENEFICIARIES. This Undertaking has been executed to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Board and the beneficial owners of the Series 2016 Bonds, and shall create no rights in any other person or entity.

13. ASSIGNMENT. The Board shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the Board under this Undertaking or to execute an Undertaking under the Rule.

14. CURRENT COMPLIANCE. The Board is in compliance in all material respects with undertakings previously entered into by it pursuant to the Rule, except insofar as any of the following paragraphs describing material non-compliance.

The Board failed to file material event notices in a timely manner with respect to certain underlying rating upgrades. Specifically, the Board filed with EMMA on November 21, 2014 a notice with respect to an underlying rating upgrade by Fitch on July 1, 2013, and filed with EMMA on April 11, 2016 a notice with respect to an underlying rating upgrade by Moody's on March 24, 2016.

In addition, the Board failed to file material event notices in a timely manner with respect to certain rating changes affecting bond insurance companies (collectively, the "Bond Insurers"), which insured previously outstanding bonds of the Board. The Board filed with EMMA on November 21, 2014 a notice with respect to all rating changes known to the Board and affecting the Bond Insurers occurring since November 1, 2009.

15. GOVERNING LAW. This Undertaking shall be governed by the laws of the Commonwealth, without giving effect to the conflict of laws provisions thereof.

IN WITNESS WHEREOF, the party hereto has caused this Continuing Disclosure Undertaking in connection with the Series 2016 Bonds, to be executed by its duly authorized representative as of the date below written.

KENTON COUNTY AIRPORT
BOARD

By ______________________________
Sheila R. Hammons
Chief Financial Officer

Date: June 30, 2016

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

Annual Financial Information means the financial information and operating data as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to the MSRB through EMMA, or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement shall have been submitted by the Board to the MSRB. The Board shall clearly identify each such item of information included by reference.

I. Annual Financial Information:

(a) Financial information and operating data (exclusive of Audited Financial Statements) which shall include information generally consistent with the following information:

(i) with respect to the Board, financial and statistical data of the Airport relating to (a) Enplaned Passengers by Airline, (b) Landed Weight by Airline (c) Debt Service Coverage, (d) Historical Cost Per Enplanement, and (e) Historical Air Cargo (in tons), generally consistent with that contained in the Official Statement; and

Note: If any of the information described above is published by a third party and is no longer publicly available, the Board shall include a statement to that effect as part of its Annual Financial Information for the year in which such lack of availability arises.

(ii) with respect to each Obligated Person other than the Board, if such Obligated Person does not file SEC Reports, the Board will not be able to provide such information on that Obligated Person.

Note: As of the date of this Undertaking, Delta Air Lines, Inc. is the only Obligated Persons other than the Board, and is required to file SEC Reports with the SEC under the 1934 Act. The Board has no obligation to file or disseminate any SEC Reports relating to another Obligated Person, and has no responsibility for the accuracy or completeness of any SEC Report filed by any Obligated Person.

(b) The Board's Annual Financial Information (exclusive of Audited Financial Statements) will be provided to the MSRB through EMMA not more than 270 days after the last day of the Board's fiscal year, which is currently December 31.

(c) Audited Financial Statements as described in Part II are expected to be filed at the same time as the Annual Financial Information described in this Part I. If Audited

Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be filed when available.

II. Audited Financial Statements:

(a) Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

(b) Audited Financial Statements will be provided to the MSRB through EMMA within thirty (30) days after their availability to the Board.

EXHIBIT II

MATERIAL EVENT NOTIFICATION AND DISCLOSURE

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. (Issuance of) 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 securities, or other material events affecting the tax status of the securities;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;[1]
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;[2]
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar proceedings of an Obligated Person;[3]
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee, or the change of the name of a trustee, if material.

[1] Any scheduled redemption of Series 2016 Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a specified event within the meaning of the Rule.
[2] Repayment of the Series 2016 Bonds is not secured by a lien on any property capable of release or sale or for which other property may be substituted.
[3] Note that, for purposes of the event identified in item 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

EXHIBIT III

CUSIP NUMBERS

$47,785,000
KENTON COUNTY (KENTUCKY) AIRPORT BOARD
CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT
AIRPORT REVENUE REFUNDING BONDS, SERIES 2016

Year of Maturity	CUSIP+
2017	491026 UD0
2018	491026 UE8
2019	491026 UF5
2020	491026 UG3
2021	491026 UH1
2022	491026 UJ7
2023	491026 UK4
2024	491026 UL2
2025	491026 UM0
2026	491026 UN8
2027	491026 UP3
2028	491026 UQ1
2029	491026 UR9
2030	491026 US7
2031	491026 UT5
2032	491026 UU2
2033	491026 UV0

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KENTON COUNTY (KENTUCKY) AIRPORT BOARD • Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016 (Non-AMT)

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