



RALEIGH-DURHAM AIRPORT AUTHORITY
(NORTH CAROLINA)
AIRPORT REVENUE REFUNDING BONDS

\$34,060,000
SERIES 2015A (Non-AMT)

\$48,685,000
SERIES 2015B (AMT)

Dated: Date of Delivery

Due: As shown on the inside cover

This Official Statement has been prepared by the North Carolina Local Government Commission and the Raleigh-Durham Airport Authority (the "Authority") to provide information in connection with the sale and issuance of the bonds offered hereby (the "2015 Bonds"). Selected information is presented on this cover page for convenience of the user. To make an informed decision regarding the purchase of the 2015 Bonds, prospective investors should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

Security:

The 2015 Bonds will be special obligations of the Authority secured by and payable from the Net Revenues of the Airport System (as defined herein) and, under certain circumstances other funds and accounts described herein, including a Debt Service Reserve Fund. **THE 2015 BONDS WILL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, SECURED BY AND PAYABLE FROM THE NET REVENUES OF THE AUTHORITY AND CERTAIN OTHER FUNDS AVAILABLE THEREFOR AS DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY HAS NO TAXING POWER.** See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" herein.

Tax Treatment:

In the opinion of Bond Counsel, which is based on existing law and assumes continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2015 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation, except for any owner of a 2015B Bond who is a "substantial user" of the facilities refinanced with the proceeds of the 2015B Bonds or a "related person" of a "substantial user" (as such terms are defined in the Code). In the opinion of Bond Counsel, which is based on existing law, interest on the 2015 Bonds will be exempt from all State of North Carolina income taxes. See "TAX TREATMENT" herein for a further discussion regarding the tax treatment of ownership and receipt of interest on the 2015 Bonds, including a description of the alternative minimum tax treatment of interest on the 2015 Bonds under the Code.

Redemption:

The 2015 Bonds are subject to optional redemption as described herein.

Purpose:

To refund certain outstanding Bonds of the Authority as described herein and pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds.

Interest Payment Date:

May 1 and November 1, commencing November 1, 2015.

Denominations:

\$5,000 or any integral multiple thereof. The 2015 Bonds initially will be issued as fully registered bonds and when delivered will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. See Appendix F hereto.

Expected Closing:

June 16, 2015.

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Trustee:

The Bank of New York Mellon Trust Company, N.A.

Barclays

BofA Merrill Lynch
Raymond James

J.P. Morgan
Siebert Brandford Shank & Co., L.L.C.

MATURITY SCHEDULES

\$34,060,000 Airport Revenue Refunding Bonds Series 2015A (Non-AMT)

<u>Due May 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®*</u>
2019	\$ 120,000	4.00%	1.45%	751073 JL2
2020	2,375,000	5.00	1.67	751073 JM0
2021	2,495,000	5.00	1.96	751073 JN8
2022	2,625,000	5.00	2.21	751073 JP3
2023	2,755,000	5.00	2.38	751073 JQ1
2024	2,900,000	5.00	2.54	751073 JR9
2025	3,045,000	5.00	2.72	751073 JS7
2026	3,205,000	5.00	2.88 ^C	751073 JT5
2027	3,370,000	5.00	3.00 ^C	751073 JU2
2028	3,540,000	5.00	3.10 ^C	751073 JV0
2029	3,725,000	5.00	3.19 ^C	751073 JW8
2030	1,250,000	3.50	3.61	751073 JX6
2030	2,655,000	5.00	3.29 ^C	751073 JY4

\$48,685,000 Airport Revenue Refunding Bonds Series 2015B (AMT)

<u>Due May 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®*</u>
2016	\$4,800,000	4.00%	0.50%	751073 JZ1
2017	4,445,000	5.00	0.96	751073 KA4
2018	4,675,000	5.00	1.41	751073 KB2
2019	4,420,000	5.00	1.70	751073 KC0
2020	2,400,000	5.00	1.97	751073 KD8
2021	2,520,000	5.00	2.29	751073 KE6
2022	2,655,000	5.00	2.51	751073 KF3
2023	2,790,000	5.00	2.69	751073 KG1
2024	2,930,000	5.00	2.89	751073 KH9
2025	3,085,000	5.00	3.04	751073 KJ5
2026	3,235,000	5.00	3.23 ^C	751073 KK2
2027	3,405,000	5.00	3.35 ^C	751073 KL0
2028	3,580,000	5.00	3.44 ^C	751073 KM8
2029	2,000,000	3.50	3.72	751073 KN6
2029	1,745,000	5.00	3.52 ^C	751073 KP1

^C Yield to May 1, 2025 call date at 100%.

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No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2015 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2015 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the 2015 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the 2015 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The information contained herein has been obtained from the Authority and other sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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State of North Carolina

Department of State Treasurer

State and Local Government Finance Division
and the Local Government Commission

**OFFICIAL STATEMENT
OF THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION
CONCERNING**

***RALEIGH-DURHAM AIRPORT AUTHORITY
(NORTH CAROLINA)
Airport Revenue Refunding Bonds***

**\$34,060,000
Series 2015A (Non-AMT)**

**\$48,685,000
Series 2015B (AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide certain information in connection with the issuance by the Raleigh-Durham Airport Authority (the “*Authority*”) of its \$34,060,000 Airport Revenue Refunding Bonds, Series 2015A (Non-AMT) (the “*2015A Bonds*”) and \$48,685,000 Airport Revenue Refunding Bonds, Series 2015B (AMT) (the “*2015B Bonds*,” and together with the 2015A Bonds, the “*2015 Bonds*”). The 2015 Bonds are being issued pursuant to The State and Local Government Revenue Bond Act, Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended (the “*Act*”), a bond order adopted by the Authority on May 21, 2015 (the “*Order*”), a Master Trust Indenture, dated as of February 1, 2001, as amended (the “*Master Indenture*”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), and a Twelfth Supplemental Trust Indenture, dated as of June 1, 2015 (the “*Twelfth Supplemental Indenture*”), between the Authority and the Trustee. The Trustee is also serving as the Registrar and Paying Agent for the 2015 Bonds.

This introduction provides certain limited information to serve as a guide to the Official Statement and is expressly qualified by the Official Statement as a whole. Investors should make a full review of the entire Official Statement and the documents summarized or described herein.

For the definition of certain terms used herein and a summary of certain provisions of the Master Indenture and the Twelfth Supplemental Indenture, see Appendix D. Capitalized terms used herein and not otherwise defined have the same meanings given such terms in the Master Indenture and the Twelfth Supplemental Indenture unless otherwise indicated.

The Authority. The Authority is a special joint agency of the Cities of Raleigh and Durham, North Carolina and the Counties of Wake and Durham, North Carolina. The Authority was created and exists pursuant to a special act enacted by the General Assembly of North Carolina in 1939, as amended, and by action taken by the sponsoring governmental units pursuant to that act. The Authority is governed by an eight member governing board appointed

by the sponsoring governmental units. See “**THE AUTHORITY**” herein for additional information regarding the Authority and its organization.

The Airport and Airport System. The “*Airport System*” consists of all airports, airport sites, and equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including the Raleigh-Durham International Airport (the “*Airport*”). The Airport System currently consists solely of the Airport. The Airport is located in Wake County, approximately 11 miles from the downtown areas of each of the Cities of Raleigh and Durham. The airfield for the Airport includes two major runways and aircraft parking ramps and taxiways. Passenger terminal facilities at the Airport are located in two separate buildings known as Terminal 1 and Terminal 2. See “**THE AIRPORT SYSTEM**” herein for additional information regarding the Airport System and its operation.

Authorization. The 2015 Bonds are being issued pursuant to the authority granted by the Act, the Order, the Master Indenture and the Twelfth Supplemental Indenture.

Security. The 2015 Bonds will be special obligations of the Authority, secured by and payable from the Net Revenues (hereinafter defined) of the Airport System and certain other funds and accounts described in this Official Statement. The 2015 Bonds will be secured by a pledge, charge and lien upon the Net Revenues on a parity with any other Bonds currently Outstanding and hereafter issued by the Authority under the Master Indenture. The 2015 Bonds also will be secured by a Parity Reserve Fund, together with certain other Bonds of the Authority secured by the Parity Reserve Fund. See “**SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS**” herein.

The Authority collects Passenger Facility Charges (“*PFCs*”) that provide additional funds to pay a portion of the debt service on Bonds that are related to projects eligible to be paid from PFCs. See “**SECURITY AND SOURCES OF PAYMENT FOR THE 2015A BONDS—PASSENGER FACILITY CHARGES**” herein.

Purpose. The 2015A Bonds are being issued for the purpose of providing funds, together with other available funds, to (a) refund all of the outstanding Raleigh-Durham Airport Authority Airport Revenue Bonds, Series 2005A (Non-AMT) in the aggregate principal amount of \$39,805,000 (the “*Refunded 2005A Bonds*”) and (b) pay the costs incurred in connection with the issuance of the 2015A Bonds. The 2015B Bonds are being issued for the purpose of providing funds, together with other available funds, to (a) refund all of the outstanding Raleigh-Durham Airport Authority Airport Revenue Bonds, Series 2005B (AMT) in the aggregate principal amount of \$54,550,000 (the “*Refunded 2005B Bonds*”) and (b) pay the costs incurred in connection with the issuance of the 2015B Bonds. The Refunded 2005A Bonds and Refunded 2005B Bonds being refunded are referred to herein collectively as the “*Refunded 2005 Bonds*.”

See “**THE PLAN OF REFUNDING**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

Details of Bonds. The 2015 Bonds will be dated their date of delivery. Interest on the 2015 Bonds will be payable on May 1 and November 1, beginning November 1, 2015, at the

rates shown on the inside front cover. Principal of the 2015 Bonds will be payable, subject to prior redemption as described herein, on May 1, in the years and amounts shown on the inside front cover.

The 2015 Bonds will be issued as fully registered bonds in book-entry-only form, without physical delivery of bond certificates to the beneficial owners of the 2015 Bonds. The Paying Agent will make payment of principal of and interest on the 2015 Bonds to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such payment to its participants for subsequent distribution to the beneficial owners of the 2015 Bonds. Individual purchases of the 2015 Bonds by the beneficial owners will be made in denominations of \$5,000 or integral multiples thereof. See “**THE 2015 BONDS--BOOK-ENTRY-ONLY SYSTEM**” herein.

Tax Status. See “**TAX TREATMENT**” herein.

Investment Considerations. For a description of certain risk factors affecting the payment of and security for the 2015 Bonds, see “**CERTAIN INVESTMENT CONSIDERATIONS**” herein.

Copies of Documents. During the initial offering period, Barclays Capital Inc., as senior manager of the Underwriters mentioned on the cover page of this Official Statement (the “Underwriters”), will provide to potential investors copies in reasonable quantity of the Master Indenture and the Twelfth Supplemental Indenture. Requests or inquiries should be made to 745 7th Avenue; New York, NY 10019, Attention: Municipal Underwriting.

THE 2015 BONDS

AUTHORIZATION

The 2015 Bonds will be issued pursuant to the Act, the Order, the Master Indenture and the Twelfth Supplemental Indenture.

The issuance of the 2015 Bonds received the required approval of the North Carolina Local Government Commission (the “LGC”) on May 5, 2015. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in North Carolina. Its approval is required for all local government bond issues and substantially all other local government financing arrangements in North Carolina. In determining whether to allow bonds to be issued under the Act, the LGC considers the need for, and feasibility of the projects to be financed, the local government’s capability to repay the amount financed from the pledged revenue sources and the local government’s general compliance with State budget and finance laws. Under the Act, the LGC is also responsible, with the issuing unit’s approval, for selling bonds issued pursuant to the Act. See **Appendix E** for additional information on the LGC and its powers and duties.

GENERAL

The 2015 Bonds will be dated their date of delivery, will bear interest from their delivery date payable on each May 1 and November 1, beginning November 1, 2015, at the rates shown on the inside front cover and will mature, subject to prior redemption as described herein, on May 1, in the years and amounts shown on the inside front cover. The 2015 Bonds will be issued as fully registered bonds in book-entry-only form and will be subject to the provisions of the book-entry-only system described below. Individual purchases of the 2015 Bonds by the beneficial owners will be made in denominations of \$5,000 or integral multiples thereof.

BOOK-ENTRY-ONLY SYSTEM

Records of ownership of the 2015 Bonds will be maintained through a Book-Entry-Only system with The Depository Trust Company (“DTC”), New York, New York, as securities depository for the 2015 Bonds. Upon the delivery of the 2015 Bonds, one fully-registered bond for each maturity of each Series of the 2015 Bonds and each maturity of the 2015 Bonds will be registered in the name of Cede & Co., as nominee for DTC, in the aggregate principal amount of that maturity. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2015 BONDS, REFERENCE HEREIN TO THE REGISTERED OWNERS OR OWNERS OF THE 2015 BONDS MEANS CEDE & CO. AND NOT THE BENEFICIAL OWNERS OF THE 2015 BONDS.

See **Appendix A** for a description of DTC and the Book-Entry-Only System for the 2015 Bonds.

REDEMPTION PROVISIONS

Optional Redemption. The 2015 Bonds maturing prior to May 1, 2026 are not subject to redemption at the option of the Authority. The 2015 Bonds maturing on or after May 1, 2026 are subject to redemption, at the option of the Authority, either in whole or in part on any date on or after May 1, 2025, at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

General Redemption Provisions. The Registrar is required to give notice of redemption at least 30 days but not more than 60 days before each redemption by first-class mail (or with respect to 2015 Bonds held by DTC by an express delivery service for delivery on the next succeeding Business Day) to each owner of a 2015 Bond to be redeemed; each such notice to be sent to such owner’s registered address.

If at the time of mailing of notice of an optional redemption there is not deposited with the Trustee or the Paying Agent moneys sufficient to redeem all of the 2015 Bonds called for redemption, the notice of redemption may be conditioned upon the deposit of the redemption moneys with the Trustee or the Paying Agent not later than the scheduled redemption date, and if the notice is so conditioned, the notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and a notice of the cancellation shall be mailed to the owners of the 2015 Bonds otherwise to be redeemed.

Failure to give the required notice of redemption to the owner of any particular 2015 Bonds or any defect in the giving of notice will not affect the validity of the call for redemption of any other 2015 Bonds for which notice was properly given. Any notice sent will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, 2015 Bonds called for redemption become due and payable on the redemption date at the applicable redemption price, unless the notice is cancelled as described in the preceding paragraph. In the event that funds are deposited with the Trustee or the Paying Agent sufficient for such redemption, interest on the 2015 Bonds to be redeemed will cease to accrue as of the redemption date.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

GENERAL

In the Master Indenture, the Authority has entered into certain covenants regarding the operations of the Authority and its finances for the benefit of the owners of Bonds issued under the Master Indenture. The 2015 Bonds will be on parity with the Authority's other outstanding Airport Revenue Bonds previously issued under the Master Indenture, consisting (after the issuance of the 2015 Bonds and the application of the proceeds thereof to the refunding of the Refunded 2005 Bonds) of the Authority's Airport Revenue Bonds, Series 2007 (AMT) (the "2007 Bonds"), Variable Rate Airport Revenue Bonds, Series 2008C (Non-AMT) (the "2008 Bonds"), and Airport Revenue Refunding Bonds, Series 2010A (Non-AMT), Airport Revenue Refunding Bonds, Series 2010B (Non-AMT) and Airport Revenue Refunding Bonds, Series 2010B-1 (collectively, the "2010 Bonds," and the 2007 Bonds, 2008 Bonds and 2010 Bonds referred to collectively as the "Prior Bonds") and any additional Bonds that may be issued under and pursuant to the terms of the Master Indenture (the Prior Bonds, the 2015 Bonds and any such additional Bonds are referred to collectively as the "Bonds"). In addition, regularly scheduled payments due under any interest rate swap agreements may also be payable on parity with payments of debt service on the Bonds to be issued under the Master Indenture, however, at present, the Authority is not a party to any interest rate swap agreements.

Following the issuance of the 2015 Bonds and the application of the proceeds thereof to the refunding of the Refunded 2005 Bonds, \$532,460,000 of Prior Bonds will be outstanding under the Master Indenture, and, together with the 2015 Bonds, \$615,205,000 of Bonds will be outstanding under the Master Indenture. A table setting forth the annual debt service requirements for the 2015 Bonds and the Prior Bonds is set forth below under "OUTSTANDING INDEBTEDNESS AND DEBT SERVICE SCHEDULE."

THE 2015 BONDS WILL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, SECURED BY AND PAYABLE FROM THE NET REVENUES OF THE AUTHORITY AND, UNDER CERTAIN CIRCUMSTANCES, THE PROCEEDS OF THE 2015 BONDS, INVESTMENT EARNINGS, AMOUNTS SET ASIDE IN THE PARITY RESERVE FUND AS DESCRIBED HEREIN AND CERTAIN OTHER FUNDS AND ACCOUNTS DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY HAS NO TAXING POWER.

PLEDGE OF NET REVENUES

Under the Master Indenture, the Authority has pledged, assigned and granted to the Trustee, among other things, a first lien on and security interest in all right, title and interest of the Authority in and to the Net Revenues for the equal and proportionate benefit and security of all Bonds issued under the Master Indenture. Under the Master Indenture, “*Net Revenues*” for a given period are defined as the “*Revenues*” for that period less the “*Maintenance and Operation Expenses of the Authority*” for that period. “*Revenues*” are defined, generally, as all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, subject to certain specific exclusions from the definition of “*Revenues*” set forth in the Master Indenture. “*Maintenance and Operation Expenses of the Authority*” are defined as, for any given period, the total maintenance and operation expenses of the Authority as modified from time to time, excluding depreciation expenses, allowances for any amortization of financing expenses and maintenance and operation expenses of any Special Facilities for so long as any Special Facility Obligations are outstanding, calculated based upon generally accepted accounting principles, except that such calculation will include and exclude those items set forth in the Master Indenture.

The definition of Revenues excludes “*Passenger Facility Charges*” (“*PFCs*”), except to the extent designated as Revenues in a resolution of the Authority or any Supplemental Indenture. The Authority has not designated PFCs as “*Revenues*,” although in certain Supplemental Indentures for the Prior Bonds, the Authority has irrevocably committed PFCs to pay a portion of the debt service on Bonds that are related to projects eligible to be paid from PFCs. See “--**PASSENGER FACILITY CHARGES**” below. Other items excluded from the definition of Revenues include gifts, grants and other income restricted to purposes inconsistent with the payment of debt service on the Bonds and certain insurance proceeds. See **Appendix D** for the complete definition of “*Revenues*” under the Master Indenture.

PASSENGER FACILITY CHARGES

Federal legislation allows public agencies controlling commercial service airports with regularly scheduled service and enplaning 2,500 or more passengers annually to charge each enplaning passenger using the airport a facility charge referred to as a “passenger facility charge.” Under current law the maximum PFC that may be charged by qualifying airports is \$4.50 on each enplaning passenger. Public agencies wishing to impose and use PFCs are required to apply to the Federal Aviation Administration (the “*FAA*”) for authority to charge the PFCs and meet the requirements specified in the legislation and pending regulations issued by the FAA.

The purpose of PFCs is to develop additional capital funding resources for the expansion of the national airport system. PFCs are available to airports to finance specific eligible projects that (1) preserve or enhance capacity, safety or security of the national air transportation system, (2) reduce noise resulting from an airport or (3) furnish opportunities for enhanced competition among air carriers. The FAA has approved the Authority’s collection of up to \$765 million of PFCs through September 1, 2032 to finance the development of Terminal 2 at the Airport.

While the Authority has not designated PFCs as “Revenues” under the Master Indenture, the Master Indenture provides that if PFCs have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to pay principal and interest on Bonds, then the principal and interest to be paid from the PFCs is to be disregarded in calculating the Authority’s compliance with its rate covenant and for complying with the requirements under the Master Indenture for issuing additional Bonds. The Authority intends to continue to collect PFCs as described above and set aside the amounts collected to be used to pay principal and interest on the Bonds. To the extent the Authority collects the PFCs and applies the amounts collected to the payment of debt service on Bonds, such use will result in more favorable treatment of the amounts applied for purposes of computing the Authority’s debt service coverage ratio for purposes of the rate covenant and for complying with the requirements under the Master Indenture for issuing additional Bonds. See “RATE COVENANT” below and the definition of “Aggregate Annual Debt Service” in **Appendix D**.

FLOW OF FUNDS

A special fund called the “*Revenue Fund*” is created under the Master Indenture. Pursuant to the Master Indenture, the Authority covenants and agrees that all Revenues when and as received shall be deposited by the Authority in the Revenue Fund. So long as no Event of Default exists and is continuing, and so long as the Authority does not fail to comply with the requirements of its Rate Covenant (hereinafter defined), or is taking actions required by the Master Indenture to cure a failure to comply with the Rate Covenant, the Revenue Fund will remain in the possession of the Authority. If an Event of Default has occurred and is continuing, or if the Authority fails to comply with the requirements of its Rate Covenant, the Trustee will receive and expend all Revenues pursuant to the terms of the Master Indenture until the Trustee is satisfied that the Event of Default or non-compliance with the Rate Covenant has been cured. In addition to the Revenue Fund, the Master Indenture creates special funds designated the “*Debt Service Fund*,” the “*Debt Service Reserve Fund*,” the “*Subordinated Obligation Debt Service Fund*,” and the “*Subordinated Obligation Debt Service Reserve Fund*.”

The Authority has created a “*PFC Revenue Fund*” in which the Authority deposits PFCs to the extent received. The PFC Revenues, including any investment earnings thereon, are used by the Authority, as appropriate, to pay principal and interest due on Bonds payable from PFCs (or to reimburse the Authority’s General Fund for debt service paid from the General Fund in the fiscal year in anticipation of the collection of PFCs). Any PFCs in excess of the irrevocably committed amounts that the Authority decides to use to pay principal of and interest on Bonds shall be transferred by the Authority to the applicable Debt Service Fund. Any PFCs accumulated in the PFC Revenue Fund in any Fiscal Year in excess of the committed amounts, including any investment earnings thereon, may be used by the Authority for paying PFC eligible project costs or as otherwise permitted by federal statute or the regulations promulgated by the FAA with respect to PFCs. At present, the Authority has not irrevocably committed PFCs to the payment of debt service on Bonds in any significant amount beyond the current fiscal year (ending March 31, 2016). The Authority, however, intends to continue to apply PFCs collected to the payment of debt service on PFC-eligible Bonds. See “RATE COVENANT” below and the definition of “Aggregate Annual Debt Service” in **Appendix D** for a further discussion of the effect of such use on the calculations performed to show compliance by the Authority with its rate covenant.

As long as there are any Outstanding Bonds, all Revenues on deposit in the Revenue Fund will be set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(1) *Maintenance and Operation Expenses of the Authority.* Revenues shall be set aside from time to time in the Revenue Fund to be used to pay the current Maintenance and Operation Expenses of the Authority.

(2) *Debt Service Funds.* Revenues shall be transferred by the Authority to the Debt Service Funds to provide for the payment of principal and interest becoming due on the Authority's Outstanding Bonds at the times and in the manner provided in the Supplemental Indenture authorizing the issuance of those Bonds. Money transferred from the PFC Revenue Fund to the Debt Service Funds to pay principal and interest on the Bonds will be taken into account in determining how much Revenues are required to be transferred to the Debt Service Funds. With respect to the 2015 Bonds, the Twelfth Supplemental Indenture provides that the Authority is required to transfer to the Trustee on the third Business Day prior to each interest payment date or principal payment date the amounts required to pay interest on or principal of the 2015 Bonds.

(3) *Debt Service Reserve Funds.* Revenues shall be transferred by the Authority to the Debt Service Reserve Funds in the amounts specified in a Supplemental Indenture authorizing the issuance of the Bonds secured by such Debt Service Reserve Funds to cure a deficiency or otherwise fund the requirement of the Debt Service Reserve Funds. See “—**PARITY RESERVE FUND**” below.

(4) *Subordinated Obligation Debt Service Funds.* Revenues shall be transferred by the Authority to the trustee or other paying agent for any Subordinated Obligation (defined below) in such amounts and at such times as are sufficient to pay the principal and interest becoming due on the Subordinated Obligations as required by the instrument providing for the issuance of the Subordinated Obligation.

(5) *Subordinated Obligation Debt Service Reserve Funds.* Revenues shall be transferred by the Authority to the Subordinated Obligation Debt Service Reserve Fund, if any, as specified in an indenture or other instrument authorizing the issuance of the Subordinated Obligations secured by that Subordinated Obligation Debt Service Reserve Fund.

See **Appendix D** for a more complete description of the terms of the Master Indenture and Supplemental Indentures regarding the flow of funds thereunder.

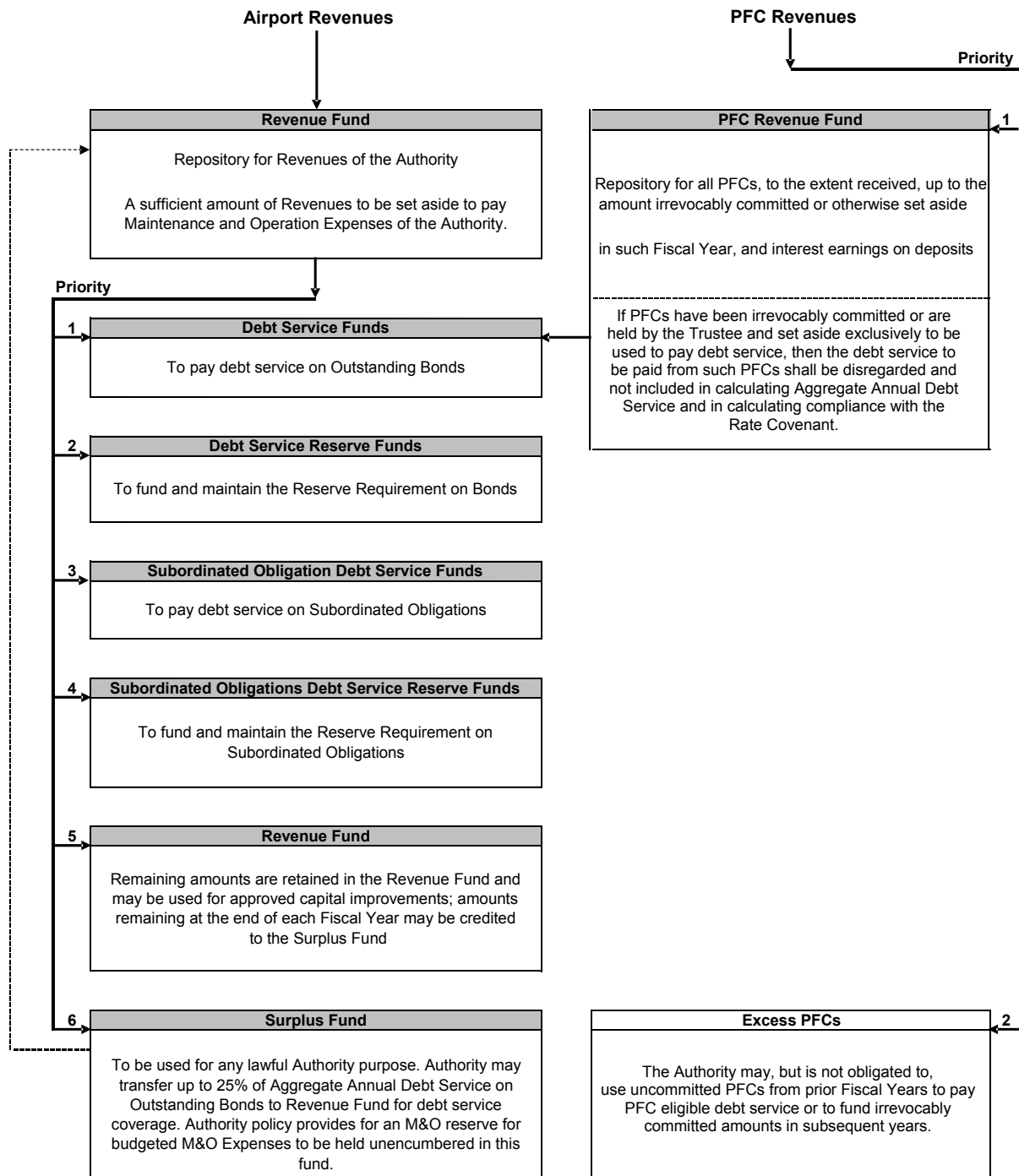
Under the Master Indenture, multiple funds may be established for any of the purposes covered by the Debt Service Fund, Debt Service Reserve Fund, Subordinated Obligation Debt Service Fund and Subordinated Obligation Debt Service Reserve Fund.

In addition, moneys on deposit in the Revenue Fund may be used from time to time to pay the cost of any additions, improvements, repairs, renewals or replacements to the Airport System set forth in the Authority's Capital Improvements Budget; provided, however, that the use of such moneys may not impair the Authority's ability to make the payments described above.

Amounts on deposit in the Revenue Fund on the last Business Day of each Fiscal Year may, as of such date, be credited to the Surplus Fund or any other account or fund directed by the Authority if (1) there exists no Event of Default, (2) no deficiency exists in any fund, account or subaccount created under the Master Indenture or any Supplemental Indenture and (3) the Authority certifies to the Trustee that the amount to be credited will not materially adversely affect the ability of the Authority to pay in the following Fiscal Year the Maintenance and Operation Expenses of the Authority or the amounts to be deposited in any fund, account or subaccount created under the Master Indenture or any Supplemental Indenture. Amounts transferred to the Surplus Fund are no longer subject to the pledge and lien created by the Master Indenture.

The following graphic depicts the flow of funds under the Master Indenture.

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RATE COVENANT

Under the Master Indenture, the Authority covenants to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System, and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the amount necessary in that Fiscal Year (a) to pay debt service on all Bonds, (b) to make required deposits to any Debt Service Reserve Fund under the Master Indenture or any Supplemental Indenture, (c) to pay any reimbursement owed to any issuer of a credit facility or a standby purchase agreement for any Bonds and (d) to pay debt service and fund any required reserve fund payments on any Subordinated Obligations. In addition, the Authority further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any Transfer (described below), will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Bonds. For purposes of this covenant, the amount of any Transfer taken into account may not exceed 25% of Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year. The requirements imposed upon the Authority and described in this paragraph are referred to in this Official Statement as the “*Rate Covenant*.”

Under the Master Indenture, a “*Transfer*” is defined to mean (a) the amount on deposit in the Surplus Fund on the last Business Day of a Fiscal Year plus (b) any amounts withdrawn from the Surplus Fund during that Fiscal Year to pay Maintenance and Operation Expenses of the Authority and to make any required payments or deposits to pay or secure the payment of the principal, purchase price or redemption premium of and interest on the Outstanding Bonds less (c) any amounts credited to the Surplus Fund from the Revenue Fund as of the last day of such Fiscal Year.

If Net Revenues, together with any Transfer (to the extent applicable), in any Fiscal Year are less than the amount necessary to meet the requirements of the Rate Covenant, the Authority will retain and direct a Consultant (as defined in the Master Indenture) to make recommendations regarding the Authority’s business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and will take all lawful measures to revise the Authority’s business operations or schedule of rentals, rates, fees and charges as may be necessary to produce the required Net Revenues, in the next Fiscal Year. If the Authority takes the measures required by the Consultant prior to or during the next succeeding Fiscal Year, a deficiency in Net Revenues in the succeeding Fiscal Year will not constitute an Event of Default under the Master Indenture. If the Authority fails to meet the Rate Covenant in the second succeeding year, such failure will constitute an Event of Default.

Since the Authority has irrevocably committed an amount of PFCs in each Fiscal Year through March 31, 2016, to the extent received, to pay debt service on Bonds related to PFC eligible projects, under the Master Indenture the Authority can disregard the debt service on Bonds to be paid by such PFCs in the calculation of Aggregate Annual Debt Service for purposes of complying with the Rate Covenant through March 31, 2016. In addition, the Authority may make additional irrevocable commitments for other years that would permit the Authority to disregard additional debt service on Bonds paid from PFCs in the calculation of Aggregate

Annual Debt Service. In recent years, in connection with the adoption of the annual budget, the Authority has made additional irrevocable commitments to apply PFCs to the payment of debt service. At present, the Authority expects to continue this procedure in the foreseeable future.

See “FINANCIAL INFORMATION—DEBT SERVICE COVERAGE RATIO” below for the computation of the Authority’s compliance with the Rate Covenant for the last five fiscal years. See **Appendix D** for a complete description of the terms of the Rate Covenant.

PARITY RESERVE FUND

General. The 2015 Bonds will be secured by the Parity Reserve Fund created under the Master Indenture. The Parity Reserve Fund is a Debt Service Reserve Fund under the Master Indenture and also secures the 2007 Bonds and the 2010 Bonds (the 2008 Bonds are not secured by the Parity Reserve Fund). Since the refunding of the Refunded 2005 Bonds by the 2015 Bonds will result in annual debt service savings, no additional deposit will be required related to the issuance of the 2015 Bonds (and will result in a release of funds from the Parity Reserve Fund, which will be used to redeem a portion of the Refunded 2005 Bonds). The Authority may provide that future Series of Bonds may participate in the Parity Reserve Fund on a parity basis with the 2015 Bonds, the 2010 Bonds and the 2007 Bonds, provided that there is deposited in the Parity Reserve Fund the Reserve Requirement required with respect to each of the Series of Bonds secured by the Parity Reserve Fund and the new Series of Bonds participating in the Parity Reserve Fund.

The Reserve Requirement is an amount equal to the least of (a) Maximum Aggregate Annual Debt Service for Reserve Requirement for all Series of Bonds participating in the Parity Reserve Fund, (b) 10% of the principal amount of the Series of Bonds that have been issued and are participating in the Parity Reserve Fund, less the amount of original issue discount with respect to such Series of Bonds if such original issue discount exceeded 2% of such Series of Bonds at the time of their original sale and (c) 125% of the average Aggregate Annual Debt Service for Reserve Requirement for all Series of Bonds participating in the Parity Reserve Fund. For purposes of determining the Reserve Requirement, debt service to be paid from PFCs is not excluded from Aggregate Annual Debt Service. After the issuance of the 2015 Bonds, the Reserve Requirement will be \$45,213,838 and the Parity Reserve Fund will be fully funded with cash and investments. This amount reflects a \$1,062,844 reduction in the Reserve Requirement from the amount prior to the issuance of the 2015 Bonds. The excess amount will be used to retire a portion of the Refunded 2005 Bonds as described below under “THE PLAN OF REFUNDING.”

In addition to being fully funded with cash and investments, the Parity Reserve Fund contains a Municipal Bond Debt Service Reserve Fund Policy in the amount of \$3,597,371.51 issued by Financial Guaranty Insurance Company (“*Financial Guaranty*”) that was deposited in the Parity Reserve Fund at the time of issuance by the Authority of certain Bonds in 2001. By the terms of the 2001 Reserve Policy, the 2001 Reserve Policy remains in effect until the earlier of when no Bonds are secured by the Parity Reserve Fund and November 1, 2031. The 2001 Reserve Policy remains on deposit in the Parity Reserve Fund and is available for drawings thereon in accordance with its terms (to the extent that Financial Guaranty is able to make payments thereunder).

Moneys held in the Parity Reserve Fund shall be used for the purpose of paying principal of and interest on each Series of Bonds participating in the Parity Reserve Fund, including the 2015 Bonds, if, on any date on which principal or interest is due and payable, the amounts in the Debt Service Fund for that Series of Bonds are insufficient to pay in full the amount then due on such Series of Bonds.

If moneys have been withdrawn from the Parity Reserve Fund and deposited into the respective Debt Service Funds participating in the Parity Reserve Fund to prevent a default, then the Authority will pay to the Trustee, from Net Revenues, but only as provided in the Master Indenture, the full amount so withdrawn, together with interest, if any, or so much as shall be required to restore the Parity Reserve Fund to the Reserve Requirement and to pay such interest, if any. Such repayment shall be made in 12 substantially equal monthly installments each due on the first Business Day of the month commencing with the first month after such withdrawal occurs. Amounts provided by the Authority to the Trustee to fund the Authority's Parity Reserve Fund obligations for its Bonds must be distributed between the Bonds on a pro rata basis without regard to the existence of a cash funded Parity Reserve Fund or a Debt Service Reserve Fund Surety Policy.

See **Appendix D** for a complete description of the Parity Reserve Fund.

ADDITIONAL BONDS

The Authority may issue additional Bonds under the Master Indenture, secured by the Net Revenues on a parity with the 2015 Bonds, the Prior Bonds and any other Bonds issued under the Master Indenture, for the purpose of paying the cost of any project or undertaking of the Authority or refunding outstanding Bonds or Subordinated Obligations of the Authority.

Additional Bonds Test. In order to issue additional Bonds under the Master Indenture, other than refunding Bonds, the Authority must provide to the Trustee, among other things, evidence indicating that the Authority is in compliance with the Rate Covenant, or that it is taking the remedial actions recommended by a Consultant following a failure to meet the Rate Covenant as described above under "*Rate Covenant*" above and either:

- (a) a Consultant retained by the Authority has provided to the Trustee a certificate stating that, based upon reasonable assumptions, projected Net Revenues will be sufficient to satisfy the Rate Covenant (disregarding any Bonds or Subordinated Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the additional Bonds proposed to be issued) for each of the next five full Fiscal Years following issuance of the additional Bonds, or each full Fiscal Year from issuance of the additional Bonds through two full Fiscal Years following completion of the Projects financed by the additional Bonds proposed to be issued, whichever is later; provided, that if Capitalized Interest on any Bonds and proposed additional Bonds is to be applied in the last Fiscal Year of the period described in this sentence, the Consultant shall extend the test through the first full Fiscal Year for which there is no longer Capitalized interest, or

(b) an Authorized Authority Representative has provided to the Trustee a certificate stating that Net Revenues for the most recent Fiscal Year preceding the date of issuance of the proposed Series of Bonds were no less than 125% of Maximum Aggregate Annual Debt Service on all Bonds that would be Outstanding after the issuance of the additional Bonds proposed to be issued.

In preparing the certificates described above, the Authorized Authority Representative or the Consultant, as the case may be, is authorized by the Master Indenture to make certain adjustments to the actual or projected Net Revenues that take into account rate increases that were, or can reasonably be expected to be, placed into effect by the Authority during the period in question.

With respect to additional Bonds to be issued to refund Outstanding Bonds under the Master Indenture, the Authority must provide to the Trustee, among other things, evidence that either (1) one of the requirements for the issuance of additional Bonds described above is satisfied or (2) following the proposed issuance of the refunding Bonds and application of the proceeds thereof, the Aggregate Annual Debt Service in each Fiscal Year on all Bonds Outstanding shall not be more than one hundred ten percent (110%) of the Aggregate Annual Debt Service of all Outstanding Bonds as scheduled for such Fiscal Year prior to the proposed refunding.

An earnings test certificate is not required if the proceeds of the additional Bonds will be used to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such completion Bonds does not exceed 15% of the principal amount of the Bonds originally issued for the Project if the Authority delivers to the Trustee, among other things, the evidence required by the Master Indenture demonstrating that the nature and purpose of the Project has not materially changed and the proceeds of the original Bonds have been or will be used to pay Costs of the Project.

SUBORDINATED OBLIGATIONS

Under the Master Indenture, the Authority is authorized to issue or incur “*Subordinated Obligations*,” or debt or other obligations secured by the Net Revenues on a subordinate basis to the 2015 Bonds and any other parity Bonds issued under the Master Indenture. Payments on Subordinated Obligations from moneys constituting Net Revenues may be made only if all amounts of principal and interest that have become due and payable on all Bonds, whether by maturity or redemption, have been paid in full and the Authority is current on all payments, if any, required to be made to replenish all Debt Service Reserve Funds.

There are currently no Subordinated Obligations outstanding.

PERMITTED INVESTMENTS

Moneys and funds of the Authority may be invested in accordance with North Carolina law. Moneys held in the funds and accounts created under the Master Indenture may be invested in accordance with North Carolina law and subject to any additional restrictions that may be set forth in the Master Indenture.

See **Appendix D** for a list of investments that are “*Permitted Investments*” under the Master Indenture.

RELEASE OF REVENUES

Under the Master Indenture, the Authority is authorized to obtain the release of any identified source or stream of revenues from the definition of “*Revenues*.” Upon such a release, the source or stream of revenues so released will no longer be “*Revenues*” pledged to secure payment of the Bonds. In order to obtain this release, the Authority must file with the Trustee:

(a) a request to release such category of Revenues, accompanied by a written certificate of the Authority certifying the Authority is in compliance with all requirements of the Master Indenture;

(b) a report of an independent certified public accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for each of the two audited Fiscal Years prior to the date of the report were at least 150% of Maximum Aggregate Annual Debt Service;

(c) a certificate of a Consultant retained by the Authority to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for the current Fiscal Year will be equal to at least 150% of Maximum Aggregate Annual Debt Service;

(d) confirmation from each Rating Agency then rating the Bonds that the ratings then assigned to any Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of Released Revenues; and

(e) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Revenues and from the pledge, charge and lien of the Master Indenture will not, in and of itself, cause the interest on any Bond issued as tax-exempt securities to be included in gross income for purposes of federal income tax.

EVENTS OF DEFAULT AND REMEDIES; NO ACCELERATION

Events of Default under the Master Indenture and related remedies are described in the summary of certain provisions of the Master Indenture in **Appendix D**, in particular under the caption “**DEFAULTS AND REMEDIES.**” The occurrence of an Event of Default does not grant any right to accelerate payment of the Bonds to either the Trustee, the Owners of the 2015 Bonds or the Owners of any other Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Authority under the Master Indenture.

THE PLAN OF REFUNDING

The 2015 Bonds are being issued for the purpose of providing funds, together with other available funds, to (a) refund the Refunded 2005 Bonds and (b) pay the costs incurred in connection with the issuance of the 2015 Bonds. The 2005 Bonds were issued to provide funds to pay costs of certain improvements to the Airport. The following tables set forth certain details regarding the Refunded 2005 Bonds:

\$39,805,000 Airport Revenue Bonds, Series 2005A (Non-AMT)

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
2019	\$ 490,000	4.00%	751073CR6
2020	2,760,000	5.00	751073CS4
2021	2,900,000	5.00	751073CT2
2022	3,050,000	5.00	751073CU9
2023	3,205,000	5.00	751073CV7
2024	3,370,000	5.00	751073CW5
2025	3,530,000	4.375	751073CX3
2030	20,260,000	5.00	751073CZ8
2030	240,000	4.375	751073CY1

\$54,550,000 Airport Revenue Bonds, Series 2005B (AMT)

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
2016	\$ 4,575,000	5.00%	751073DU8
2017	4,810,000	5.00	751073DV6
2018	5,055,000	5.00	751073DW4
2019	4,820,000	5.00	751073DX2
2020	2,820,000	5.00	751073DY0
2021	2,965,000	5.00	751073DZ7
2022	3,120,000	5.00	751073EA1
2023	3,270,000	4.50	751073EB9
2024	3,420,000	4.50	751073EC7
2025	3,580,000	4.50	751073ED5
2029	16,115,000	4.75	751073EE3

The Refunded 2005 Bonds have been called for redemption on June 16, 2015. The Refunded 2005 Bonds will be redeemed at 100% of the principal amount thereof plus accrued interest to their date of redemption. The proceeds of the 2015 Bonds, together with certain excess amounts in the Parity Reserve Fund and other funds provided by the Authority, will be applied immediately on June 16, 2015 to redeem the Refunded 2005 Bonds.

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright©2014 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP data herein is provided solely for the convenience of reference only, and neither the Authority nor the Underwriters take responsibility for the accuracy of such data

ESTIMATED SOURCES AND USES OF FUNDS

The Authority estimates the sources and uses of funds associated with the 2015 Bonds to be as follows:

SOURCES:

Principal Amount of 2015A Bonds	\$34,060,000
Principal Amount of 2015B Bonds	48,685,000
Net Original Issue Premium	11,240,072
Other Available Funds ¹	<u>1,637,550</u>

TOTAL \$95,622,622

USES:

Deposit to Redeem Refunded 2005 Bonds	\$94,929,706
Costs of Issuance ²	<u>692,916</u>

TOTAL \$95,622,622

¹ Includes funds released from Debt Service Funds and Parity Reserve Fund in connection with refunding the Refunded 2005 Bonds.

² Includes underwriters' discount, legal fees, financial advisor fees, printing costs, rating agency fees, fees and expenses of the Trustee, Registrar, Paying Agent and Escrow Agent and miscellaneous fees and expenses.

OUTSTANDING INDEBTEDNESS AND DEBT SERVICE SCHEDULE

Following the issuance of the 2015 Bonds as described in this Official Statement, the Authority will have debt service payment obligations with respect to the 2007 Bonds, the 2008 Bonds, the 2010 Bonds and the 2015 Bonds. The following table sets forth for each Fiscal Year ending March 31 the aggregate debt service requirements of the Authority with respect to the 2015 Bonds and the Prior Bonds:

FISCAL YEAR ENDING MARCH 31,	2015 BONDS					PRIOR BONDS¹	TOTAL
	2015A BONDS		2015B BONDS				
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	SUBTOTAL		
2016		\$ 631,144		\$ 883,594	\$1,514,738	\$17,143,894	\$18,658,631
2017		1,683,050	\$4,800,000	2,260,250	8,743,300	40,846,138	49,589,438
2018		1,683,050	4,445,000	2,053,125	8,181,175	40,850,463	49,031,638
2019		1,683,050	4,675,000	1,825,125	8,183,175	40,869,688	49,052,863
2020	\$ 120,000	1,680,650	4,420,000	1,597,750	7,818,400	40,886,388	48,704,788
2021	2,375,000	1,618,875	2,400,000	1,427,250	7,821,125	40,893,713	48,714,838
2022	2,495,000	1,497,125	2,520,000	1,304,250	7,816,375	40,922,063	48,738,438
2023	2,625,000	1,369,125	2,655,000	1,174,875	7,824,000	40,929,038	48,753,038
2024	2,755,000	1,234,625	2,790,000	1,038,750	7,818,375	40,940,238	48,758,613
2025	2,900,000	1,093,250	2,930,000	895,750	7,819,000	40,962,638	48,781,638
2026	3,045,000	944,625	3,085,000	745,375	7,820,000	40,983,438	48,803,438
2027	3,205,000	788,375	3,235,000	587,375	7,815,750	41,004,538	48,820,288
2028	3,370,000	624,000	3,405,000	421,375	7,820,375	41,026,900	48,847,275
2029	3,540,000	451,250	3,580,000	246,750	7,818,000	41,800,963	49,618,963
2030	3,725,000	269,625	3,745,000	78,625	7,818,250	41,817,563	49,635,813
2031	3,905,000	88,250			3,993,250	41,837,906	45,831,156
2032						41,866,025	41,866,025
2033						31,278,425	31,278,425
2034						31,311,000	31,311,000
2035						31,332,725	31,332,725
2036						31,364,325	31,364,325
2037						31,407,075	31,407,075
2038						10,157,875	10,157,875

¹ Excludes debt service on Refunded 2005 Bonds. Assumes an interest rate of 4.00% on the 2008 Bonds.

THE AUTHORITY

ORGANIZATION AND GOVERNANCE

The General Assembly of North Carolina enacted legislation on March 9, 1939 enabling the Cities of Raleigh and Durham and the Counties of Wake and Durham to jointly establish, operate and maintain an airport and to appoint members to a board to be known as the “Aeronautics Authority for the City of Raleigh, City of Durham, the County of Durham and the County of Wake.” Subsequently, the Aeronautics Authority was created by action of the governmental units. The enabling act further authorized the Aeronautics Authority to “act in an administrative capacity and be vested with the authority to control, lease, maintain, improve, operate, and regulate the joint airport or landing field.” In 1941, the name of the Aeronautics Authority was changed to the “Raleigh-Durham Airport Authority.” Amendments to the Authority’s enabling legislation have been enacted from time to time to define and expand the Authority’s powers to operate the Airport.

The Authority is currently governed by a board (the “*Board*”) comprised of two representatives appointed for concurrent two-year terms by each of the four governmental units. The Board annually selects officers from among its members, including a chairman, vice chairman, secretary and treasurer. The Board establishes the policies under which the Airport is operated, hires a staff to handle its day-to-day development, operation and maintenance responsibilities, and establishes and collects charges made for use of the Airport to cover the financial obligations it incurs in developing, operating and maintaining the facility.

The Authority has many of the same powers of any North Carolina local governmental unit with some notable exceptions. It has no power to impose any taxes. In order to finance Airport development, operation and maintenance, it charges fees to those who use or operate businesses at the Airport. It cannot sell any of the land on which the Airport is located, if held in the names of the cities and counties, without the unanimous consent of the Cities of Raleigh and Durham, Wake County and Durham County, which own the land along with the Authority. It can, however, purchase land in its own name and can exercise the power of eminent domain to condemn privately held land and make it property of the Authority. The Authority receives \$12,500 per year from each of the four governmental units that appoint its members. The total of \$50,000 is less than one-tenth of one percent of the Authority’s annual operating revenue. All other financial support of the Authority is generated from user fees and rents paid by businesses leasing building space or ground on the Airport.

The Authority is authorized to have its own police and firefighting units, whose jurisdictions extend to approximately one mile outside the Airport’s property boundaries.

In the budget for the Fiscal Year ended March 31, 2015, the number of authorized full time positions of the Authority was 291. In addition, the Authority employs up to 39 part-time law enforcement officers (in addition to its full time force) to provide law enforcement presence at the security checkpoints. The majority of the cost of maintaining this checkpoint security force is reimbursable from the Transportation Security Administration, with the balance of the cost paid by the airlines. Full time employees include police officers, firefighters (all of whom also are emergency medical technicians), maintenance workers (including electricians, heating

and air conditioning mechanics, and automotive mechanics), engineers, accountants, auditors, human resources/personnel specialists, airport operations officers, telecommunicators, public information and marketing specialists, parking cashiers, shuttle bus drivers, purchasing specialists and regulatory specialists.

The President is the chief executive officer of the Authority. The President reports to the Board, hires and supervises all subordinate staff members, and manages the day-to-day activities of the Airport.

GOVERNING BOARD

Members of the Board are appointed to serve two-year terms with each of the four local governments required to appoint two members in the odd numbered calendar years. The current members of the Board and the governmental unit appointing the members are set forth on the inside cover page of this Official Statement.

KEY MANAGEMENT PERSONNEL

The following are the names, backgrounds and duties of certain management personnel of the Authority.

Michael J. Landguth, A.A.E. Mr. Landguth serves as President and Chief Executive Officer (CEO) of the Authority. He assumed the position on November 14, 2011. As President and CEO, Landguth is responsible for the Authority's overall staffing, budgeting, strategic planning and operations. He is a seasoned airport professional with more than 20 years in the industry. Under his leadership, the Authority developed a strategic business plan to guide the organization's activities and support its growth. The Authority completed a \$68 million renovation to Terminal 1 and launched the airport's first asset management program, which culminated in a five-year plan for maintaining the Airport's \$1.5 billion in physical assets. The Airport's Terminal 1 was named *Engineering News-Record Southeast's* 2014 Best Project in the Airport/Transit category and was the Airport's first LEED certified building by the US Green Building Council. During his tenure, the Airport reached its goal of increased access to the West coast with non-stop service to San Francisco, Seattle and expanded service to Los Angeles. Locally, the Authority was recognized as the healthiest employer in the region by the *Triangle Business Journal*. Mr. Landguth is an Accredited Airport Executive and a member of the Board of Directors of the American Association of Airport Executives. He is Chairman of Airports Council International – North America's Medium Hub Caucus. He has presented before the United States House of Representatives Committee on Homeland Security Subcommittee on Transportation Security hearing on "Lessons from the LAX Shooting: Airport and Law Enforcement Perspectives" in May of 2014. In 2014, he was named to North Carolina's Aviation Development Task Force by Governor Pat McCrory. He holds both a Bachelor's and Master's degrees in Aeronautical Sciences from Embry Riddle Aeronautical University.

William "Bill" Sandifer, A.A.E. Mr. Sandifer is Senior Vice President and Chief Operating Officer. He oversees all aspects of facility planning, maintenance and design as well as the Airport's operations, police, fire-rescue and ground transportation departments. Mr. Sandifer brings 28 years of comprehensive airport management and consulting experience to the

Authority. Most recently, he was the senior vice president and national aviation director at Reynolds, Smith and Hills. He holds a Bachelor of Science in Aviation Management from Eastern Michigan University, a Master of Business Administration from the University of Michigan and a Juris Doctor from Michigan State University.

Chuck McFall, PhD, PMP. Mr. McFall is Senior Vice President and Chief Revenue Officer. He oversees all revenue-generating functions at the Airport, including business development, property management, land development, and parking activities; he also oversees all information technology services activities and provides leadership for strategic planning initiatives. Prior to joining the Authority, Mr. McFall worked for the Tennessee Valley Authority. He has a Ph.D. in Business Administration from Columbia Southern University, a M.A. in Applied Organizational Behavior from Tusculum College and an Executive Certificate from the Massachusetts Institute of Technology. Mr. McFall has obtained the Project Management Professional (“PMP”) certification from the Project Management Institute.

Donna Sylver, MBA, CPA, CGMA. Ms. Sylver is Senior Vice President and Chief Financial Officer. She is responsible for planning, organizing, implementing, and directing the fiscal control, procurement, safety and risk activities of the Authority. Ms. Sylver brings more than 20 years of diverse financial experience to the Authority, and is a Certified Public Accountant, as well as a Chartered Global Management Accountant. Ms. Sylver holds an MBA from the Kenan-Flagler Business School of The University of North Carolina at Chapel Hill, a B.S. in Accounting from North Carolina Wesleyan College, and a Project Management certification from the American Management Association. She is a member of the American Institute of CPAs and the North Carolina Association of CPAs.

Thomas Barritt, CPA, CGMA. Mr. Barritt is Director of Finance and Controller and has more than 25 years of airport financial experience. Mr. Barritt’s duties include oversight of Authority accounting, budgeting, rates and charges, financing and debt compliance, investments, and financial planning. Mr. Barritt has been employed by the Authority since 1988 and has held the position of Director of Finance since 2001. Prior to becoming Director of Finance, he was the Finance Manager for the Authority since 1996. He received a B.A. degree in accounting from North Carolina State University in 1987. Mr. Barritt is a licensed Certified Public Accountant and a Chartered Global Management Accountant. Mr. Barritt is a member of the American Institute of CPAs and the North Carolina Association of CPAs.

Erin Locklear. Ms. Locklear is General Counsel to the Authority, providing legal oversight and coordination for a wide range of issues that affect the Authority. She also oversees the Authority’s Small Business Office. Ms. Locklear has been General Counsel since 2012. She earned an A.B. in Sociology from Princeton University, and her J.D. from The University of North Carolina at Chapel Hill School of Law.

SERVICE AREA

The Airport is located midway between the cities of Raleigh and Durham in an area often referred to as the “Research Triangle.” The population as of July 1, 2013 of the Raleigh-Durham-Cary Combined Statistical Area (“CSA”), which is made up of the eight counties in and around the Research Triangle, was estimated at approximately 2,037,430. The Airport is the

easternmost large Airport in North Carolina and draws significant users from eastern North Carolina, in addition to users from the Research Triangle area. The Piedmont Triad International Airport, which primarily services the Greensboro-Winston-Salem area, is approximately 79 miles west of the Airport. Charlotte Douglas International Airport is located approximately 159 miles southwest of the Airport.

The following table shows the estimated population in the CSA, North Carolina, and in the United States as of the dates set forth:

<u>YEAR</u>	<u>CSA</u>	<u>NORTH CAROLINA</u>	<u>UNITED STATES</u>
2000	1,187,941	8,049,000	281,422,000
2010	1,749,525	9,535,483	308,745,538
2013 ¹	2,037,430	9,848,060	316,128,839

Source: U.S. Department of Commerce, Bureau of the Census.

¹ Estimated.

According to the U.S. Department of Labor, Bureau of Labor Statistics, as of September 2014 total non-farm employment in the Raleigh-Durham-Cary CSA was approximately 856,000 comprised of the following:

<u>SECTOR</u>	<u>EMPLOYMENT</u> <u>(1,000s)</u>
Government	159
Professional and Business Services	155
Trade, Transportation and Utilities	131
Educational and Health Services	129
Leisure and Hospitality	88
Manufacturing	60
Financial Activities	41
Mining, Logging and Construction	38
Other Services	34
Information	23

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The Research Triangle Park (the “RTP”) is located five miles from the Airport. According to the Research Triangle Foundation of North Carolina, as of November 2014, over 190 companies are located in RTP employing about 50,000 people.

The following table shows the 15 largest employers (excluding state and local governments) in the 13 counties surrounding RTP along with their industry specialization:

LARGEST EMPLOYERS IN THE RESEARCH TRIANGLE AREA		
<u>EMPLOYER</u>	<u>SPECIALIZATION</u>	<u>EMPLOYEES</u>
Duke University and Medical Center	University & Medical Center	35,998
University of North Carolina at Chapel Hill and UNC Healthcare	University	20,173
WakeMed Health & Hospitals	Medical Center	8,423
North Carolina State University	University	8,080
IBM	Software - R&D	7,000
Cisco Systems	Software - R&D	5,500
Rex Healthcare	Medical Center	5,400
SAS (HQ)	Software - R&D	5,159
GlaxoSmithKline	Pharmaceuticals - R&D	4,140
Blue Cross Blue Shield NC	Health Insurance	3,200
Hospira	Injectable Mfg.	3,000
Affiliated Computer Services	Business Processing	2,915
Wells Fargo	Financial Services	2,800
Fidelity Investments	Financial Services/Software	2,400
Quintiles Transnational	Contract Research	2,300

Source: Research Triangle Regional Partnership (October 2014).

The Research Triangle area draws its name from the location of three major universities, The University of North Carolina at Chapel Hill, North Carolina State University and Duke University, all of which are located in the area. In addition to those institutions, the area is the home of several other colleges and universities. The following table sets forth the colleges and universities in the region and academic year 2013-2014 enrollment figures:

<u>COLLEGE AND UNIVERSITY ENROLLMENT, FALL 2013</u>	
North Carolina State University	34,009
The University of North Carolina at Chapel Hill	29,127
Duke University	15,465
North Carolina Central University	8,093
Shaw University	2,062
Meredith College	1,872
Saint Augustine's College	1,299
William Peace University	1,081
Louisburg College	678

Source: Statistical Abstract of Higher Education in North Carolina 2013-14, Research Report 1-13 (August 2014), The University of North Carolina, Chapel Hill, North Carolina.

THE AIRPORT SYSTEM

GENERAL

The Airport is located in Wake County, near the Durham County border (a small amount of the Airport property is located in Durham County), between the Cities of Raleigh and Durham. The Airport is located approximately 11 miles from the downtown areas of each of Raleigh and Durham. Interstate 40, a major thoroughfare, is located directly to the southwest of the Airport and US Highway 70, another major thoroughfare, is located directly to the northeast of the Airport. William B. Umstead State Park is located to the immediate east of the Airport.

The Airport consists of approximately 5,100 acres, approximately 2,075 of which are developed. The Airport has two primary runways and one secondary runway. The Airport has two active terminals.

For the fiscal year ended March 31, 2015, 4,805,103 passengers were enplaned at the Airport, and over 9.5 million total passengers were processed during that period. The Airport was ranked 39th in the United States in enplanements in calendar year 2013 and second in North Carolina behind Charlotte Douglas International Airport. The Airport, however, serves almost exclusively origin-destination (O&D) passengers, while Charlotte Douglas International Airport serves largely connecting passengers.

The Airport is designated as a medium hub airport by the FAA. At present, the Airport System is comprised of only the Airport.

AIRPORT FACILITIES

Airfield. The airfield includes three runways and aircraft parking ramps and taxiways. The primary runway system consists of 10,000-foot Runway 5L-23R and parallel 7,500-foot Runway 5R-23L. These runways have northeast/southwest alignments and are able to accommodate simultaneous take-offs and landings. These runways are equipped with high-intensity runway LED lighting and instrument landing systems that permit operation under almost all types of weather conditions. LED lighting offers substantial operational savings over traditional quartz lighting, reducing energy costs by up to 60% and saving on maintenance due to less frequent lamp replacement. The Airport is one of the first airports in the country to use primarily LED lighting on its airfield. The Airport is also served by a secondary 3,550 foot Runway 14-32. Runway 14-32 is not equipped to handle most commercial aircraft.

Passenger Terminal Facilities. Passenger terminal facilities at the Airport are located in two separate buildings known as Terminal 1 and Terminal 2.

Terminal 1 consists of approximately 250,000 square feet of floor space, including 9 contact gates. In 2014, the Authority completed an approximately \$68 million project to modernize and renovate Terminal 1, all of which was funded on a “pay as you go” basis. The project included installation of an automated baggage handling system, reconfiguration of the security checkpoint to a larger and more navigable design, creation of pre-security concession areas and other improvements. The Terminal 1 renovation project was named the Best Project in the Airport/Transit category in 2014 by *Engineering News-Record Southeast*. It is the Airport’s

first LEED certified building by the US Green Building Council. Terminal 1 is the home for Southwest Airlines at the Airport.

Terminal 2 consists of approximately 920,000 square feet of floor space, including 36 gates. Terminal 2 is the result of an approximately \$573 million redevelopment project that was completed in 2011 and is a state-of-the-art, common use passenger terminal occupied by all of the other airlines conducting operations at the Airport. In addition to the airline gates, Terminal 2 has 40 shops and restaurants. All airlines conducting operations at the Airport other than Southwest Airlines operate out of Terminal 2.

Certain agreements of the Authority with airlines and concessionaires with respect to the use of the passenger terminals are described below under “--**ARRANGEMENTS AND AGREEMENTS FOR USE OF AIRPORT FACILITIES.**”

Parking Facilities. There are 20,350 parking spaces located in four structural and multiple surface lots throughout the Airport. Parking spaces at the Airport are designated as “hourly,” “daily,” and “park and ride.” Parking rates are set based upon the proximity of the parking facility to the terminals. Current rates for parking are \$1 per hour with a maximum of \$24 per day in hourly parking and \$2 per hour with a maximum of \$12 per day in daily parking. Rates for “park and ride” lots are \$6 per day. There are off-Airport parking providers, but the Authority has over 90% market share of Airport-related parking. In accordance with an Authority ordinance, any such off-Airport parking providers are required to pay the Authority 10% of their gross revenues.

For the Fiscal Year ended March 31, 2015, parking revenues accounted for approximately 41% of the total operating revenue of the Authority (Authority estimate; unaudited).

Cargo Facilities. There are two cargo handling facilities located at the Airport. Major cargo carriers operating at the Airport are Federal Express, Martinaire/DHL, Emery Worldwide and United Parcel Service. There are also multiple freight forwarders and passenger airlines that lease additional square feet of office and warehouse space from the Authority.

Other Airport Facilities. Various other facilities are located at the Airport, including general aviation facilities, on-Airport rental car service centers, fuel storage facilities, a service station and convenience store and a hangar and administration building providing facilities for the North Carolina National Guard.

PASSENGER AIR CARRIERS SERVING THE AIRPORT

As of March 2015, the Airport was served by the following major/national domestic airlines, regional airlines and foreign-flag carriers:

NATIONAL CARRIERS

American Airlines
Delta Air Lines
Frontier Airlines
JetBlue Airways
Southwest Airlines
United Airlines
US Airways

REGIONAL CARRIERS

Alaska Airlines (service begins Fall 2016)
Allegiant Air
American Connection (American Eagle, Chautauqua)
Delta Connection (Atlantic Southeast, Comair, Chautauqua, Mesaba, Pinnacle)
Midwest
United Express (ExpressJet, Mesa, Shuttle America)
US Airways Express (Air Wisconsin, Chautauqua, Mesa, PSA, Republic, Trans States)

FOREIGN-FLAG CARRIERS

Air Canada

The Airport currently serves 41 domestic cities and three international cities nonstop with an average of 183 daily departing flights. In Fiscal Year 2015, approximately 98% of all passengers at the Airport enplaned on domestic flights and 2% enplaned on international flights.

In April 2015, Alaska Airlines announced that it would begin daily non-stop service between the Airport and Seattle, Washington in October 2015. Upon commencement of this service, Seattle will be the third non-stop destination on the west coast of the United States from the Airport (in addition to Los Angeles and San Francisco). In May 2015 Allegiant Airlines began service between three destinations in Florida and the Airport. Southwest Airlines recently announced that in August 2015 it will begin daily service between Dallas (Love Field) and the Airport. Also in May 2015 United Airlines announced that it will offer two daily nonstop flights between the Airport and Denver, Colorado starting in September 2015.

The following table shows recent enplaned passenger data, and the percentage of total enplanements by airline represented thereby, for each of the Fiscal Year ended March 31:

Airline	2015		2014		2013		2012		2011	
Delta	1,433,435	29.8%	1,301,608	28.3%	1,252,801	27.0%	1,213,745	26.3%	1,068,655	23.4%
Southwest	1,075,156	22.4%	881,332	19.2%	1,001,494	21.6%	980,621	21.3%	1,018,029	22.3%
American	761,538	15.9%	822,556	17.9%	792,398	17.1%	796,502	17.3%	835,120	18.3%
USAir	735,199	15.3%	665,133	14.5%	702,779	15.2%	740,900	16.1%	652,031	14.3%
United	479,055	9.9%	431,097	10.0%	364,127	7.9%	248,920	5.4%	330,210	7.2%
JetBlue	239,660	5.0%	225,960	4.9%	227,676	4.9%	234,131	5.1%	210,642	4.6%
Continental	0	0.0%	0	0.0%	139,311	3.0%	243,467	5.3%	295,864	6.5%
AirTran (1)	0	0.0%	179,787	3.9%	119,079	2.6%	115,128	2.5%	117,280	2.6%
Charter/Other	81,060	1.7%	59,425	1.3%	33,619	0.7%	38,071	0.8%	46,946	1.0%
Total	4,808,103	100%	4,596,898	100%	4,633,284	100%	4,611,485	100%	4,574,777	100%

(1) In 2014, AirTran operations were taken over by Southwest. AirTran enplanements for the 2014 fiscal year are included in the Southwest amount.

ARRANGEMENTS AND AGREEMENTS FOR USE OF AIRPORT FACILITIES

Landing Fees. Under existing policy, the Authority calculates landing fee rates according to a cost center compensatory methodology. The cost base is defined as the sum of direct and indirect (1) maintenance and operation expenses, (2) debt service payments on debt incurred for airfield improvements, and (3) depreciation and imputed interest for Airport cash-funded facilities. These costs are allocated among air carrier and general aviation users at the Airport, and the air carrier portion is charged to the individual carriers on the basis of landed weight.

The landing fee established for the Fiscal Year ending March 31, 2016 is \$1.98 per 1,000 pound unit. The landing fee rate reflects an increase from the landing fee rate in effect for the Fiscal Year ended March 31, 2015 of \$1.79 per 1,000 pound unit.

Operating Agreements. Each of the airlines operating at the Airport, except American Airlines as described below, has entered into month-to-month letter operating agreements (the “*Operating Agreements*”) with the Authority providing for the operation of each airline’s scheduled passenger business and lease of terminal space. The rights of the Authority under the Operating Agreements have not and will not be assigned to the Trustee to secure the Bonds (although income generated from the leasing of the space constitutes “*Revenues*” under the Master Indenture and will secure the Bonds).

Under the Operating Agreements, airlines operating at the Airport are required to pay rent to the Authority to lease space in the terminals. The lease payments are determined based upon the amount of square footage leased by an airline for ticket counter space, gate space, baggage handling and claim space, security checkpoint space and administrative office space. The cost of providing security checkpoints, baggage claim space and law enforcement services are pro-rated among the airlines. The cost of utility service is also included in fixed rental rates. Any operating airline whose senior corporate rating is rated below investment grade is required to post payment collateral equal to 90 days of estimated airport rentals, fees, and charges. Any

such operating airline that is unable to post the payment collateral through a bond or letter of credit must pay its rentals, fees, and charges in advance.

The rentals charged under the agreement may be changed from time to time by the Authority. Rates are examined annually during the Authority's budget process and are subject to adjustment each Fiscal Year. Under current Authority practice, airline terminal building space rentals are calculated taking into consideration (1) the costs incurred by the Authority in operating and maintaining the terminals, and (2) nonairline revenues generated in the terminals.

In connection with the development of Terminal 2 on the site once occupied by a terminal leased to American Airlines, the Authority and American Airlines entered into a separate set of agreements related to the north concourse in Terminal 2. These agreements covered a 15-year term expiring on June 15, 2017. In general, these separate agreements with American Airlines have terms substantially identical to the operating agreements that are in place for the other airlines in Terminal 2, except for certain preferential use rights of American during the term of the separate agreements with American Airlines.

Pursuant to the Operating Agreements, each airline operating at the Airport is required to carry a \$50 million comprehensive general liability insurance policy covering its operations at the Airport with a combined single limit of at least \$50 million.

The agreements may be amended or modified at any time without bondholder approval and may be terminated without cause and without penalty at any time by either party thereto upon one month's notice.

Concessions. The Authority has contractual relationships with concessionaires for food and beverage, news/gifts, advertising and various other miscellaneous services at the Airport. In Terminal 1, two contracts with food/beverage concessionaires and one contract for retail merchandise have ten-year terms ending February 28, 2024. In Terminal 2, two contracts with food/beverage concessionaires have eleven-year terms ending September 30, 2019. Three contracts for retail merchandise and three contracts for services have seven-year terms ending September 30, 2015. Two contracts for retail merchandise have nine-year terms end September 30, 2017. The food/beverage, retail merchandise and services contracts each provide the Authority with a percentage of sales with a minimum guaranteed amount. The minimum guaranteed amounts under such contracts can be waived by the Authority and have been waived for brief periods in the past based on various economic circumstances. The Authority has an exclusive advertising agreement with the advertising concessionaire that extends through April 30, 2019. The Authority receives the greater of a minimum guaranteed amount or 50% of gross advertising sales.

Cargo Agreements. Cargo operators at the Airport have entered into agreements with the Authority to pay monthly rentals for their leased cargo space. Cargo carriers are also required to pay landing fees at the prescribed rates.

Rental Car Agreements. Four automobile rental companies operating ten rental car brands provide service at the Airport. Alamo, Avis, Advantage, Budget, Dollar, Enterprise, Hertz, National, Payless and Thrifty each maintain service centers on Airport property in an area

that is remote from the terminals and accessed via company operated shuttles. Under the terms of the agreements between the Authority and the companies operating on the Airport property, the Authority realizes a concession fee of 10% of gross automobile rental revenues, subject to minimum annual guarantees. In addition, the companies operating at the Airport also pay ground rents and maintenance and operations fees.

SELECTED AIRPORT STATISTICAL INFORMATION

Appendix C hereto contains certain statistical information regarding Airport operations during the fiscal year ended March 31, 2014. Such information is included in the Authority's Comprehensive Annual Financial Report of the Authority for the fiscal year ended March 31, 2014.

FINANCIAL INFORMATION

The financial statements of the Authority for the fiscal year ended March 31, 2014 have been audited by certified public accountants. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of Director of Finance and Controller, Raleigh-Durham Airport Authority, P.O. Box 80001, RDU Airport, North Carolina 27623. Attached hereto in **Appendix B** is the Management Discussion and Analysis and the Basic Financial Statements of the Authority and the notes thereto, taken from the audited Comprehensive Annual Financial Report of the Authority for the fiscal year ended March 31, 2014. Such Comprehensive Annual Financial Report is also available on the MSRB's EMMA website.

The Authority was the recipient of the Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended March 31, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government finance reports. The Certificate for the March 31, 2014 fiscal year marks the sixth consecutive year the Authority has received this honor since it first applied for the Certificate at the end of the March 31, 2009 fiscal year.

The following table presents the Authority's Summary of Operations for the fiscal years ended March 31, 2015 (unaudited) and 2014 and 2013. The information for the fiscal years ended March 31, 2014 and 2013 is derived from the Authority's audited financial statements included in Appendix B. The information for March 31, 2015 is unaudited.

The audited financial statements for the fiscal year ended March 31, 2015 are expected to be available in late June 2015.

**RALEIGH-DURHAM AIRPORT AUTHORITY
SUMMARY OF OPERATIONS**

	YEARS ENDED MARCH 31,		
	2015 (unaudited)	2014	2013
Operating Revenues			
Parking	\$42,900,176	\$40,634,069	\$40,455,878
Airfield	11,361,874	12,158,127	11,366,233
General Aviation	1,632,938	1,475,959	1,539,352
Terminals	31,649,941	26,230,425	27,022,756
Air Cargo	2,186,712	2,032,561	2,000,218
Fuel Farm	1,493,730	1,260,329	1,033,960
Rental Car	14,191,508	13,126,408	12,875,772
Other	2,053,355	1,779,631	1,750,567
Total Operating Revenues	<u>\$107,470,234</u>	<u>\$98,697,509</u>	<u>\$98,044,736</u>
Operating Expenses			
Airfield Facilities	\$20,771,149	\$21,427,418	\$19,852,701
Administrative	13,081,431	11,439,962	10,104,828
Fuel Farm	974,962	988,781	962,410
Law Enforcement	3,083,883	2,621,284	3,276,244
Airport Maintenance	5,752,900	5,682,924	5,582,380
Parking	2,646,638	2,734,778	2,695,904
Airport Fire and Rescue	1,630,311	1,687,521	1,588,000
Guest Services	793,295	803,492	736,912
Communications	706,819	722,262	777,618
Operations	1,325,999	1,277,388	1,211,335
Ground Transportation	2,728,126	2,656,949	2,573,877
Terminal Services	111,886	129,396	237,313
Subtotal Expenses	<u>53,607,399</u>	<u>52,172,155</u>	<u>49,599,522</u>
Depreciation	49,623,986	47,901,680	48,678,489
Total Operating Expenses	<u>103,231,385</u>	<u>100,073,835</u>	<u>98,278,011</u>
Operating Income (Loss)	<u>\$4,238,849</u>	<u>\$(1,376,326)</u>	<u>\$(233,275)</u>
Non-Operating Revenues (Expenses)			
Investment Interest Income	\$2,465,614	\$1,419,898	\$2,054,048
Passenger Facility Charges	19,113,147	18,323,327	18,734,688
Net increase (decrease) in Fair Value	(570,203)	477,643	781,419
Bond Interest Expense, Net	(26,763,852)	(25,801,032)	(27,933,517)
Other, Net	580,676	344,365	408,133
Total Non-Operating Expenses	<u>(5,174,618)</u>	<u>(5,235,799)</u>	<u>(5,955,229)</u>
Loss Before Capital Contributions	(935,769)	(6,612,125)	(6,188,504)
Capital Contributions	2,459,419	10,647,762	5,475,352
Increase (Decrease) in Net Position	<u>1,523,650</u>	<u>4,035,637</u>	<u>(713,152)</u>
Net Position, beginning of year	<u>424,835,950</u>	<u>420,800,313</u>	<u>421,513,465</u>
Net Position, end of year	<u>\$426,359,600</u>	<u>\$424,835,950</u>	<u>\$420,800,313</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL INFORMATION

The Authority has established multiple cost centers, referred to as “complexes,” to track revenues and expenses that are used in the calculation of airline and non-airline rates and charges. The Authority accounts for all operating revenues, and for direct maintenance and operational expenses, on the basis of these complexes. With regard to revenue, Parking, Airfield, Terminals, and Rental Car represent the largest of these complexes. Additionally, the Authority incurs certain indirect expenses which are allocated back to the complexes based on direct labor by complex. The Authority employs a time tracking system for direct labor as the basis used to facilitate this allocation.

REVENUES, EXPENSES, AND CHANGE IN NET ASSETS FOR FISCAL YEAR ENDED MARCH 31, 2015 (UNAUDITED)

For the fiscal year ended March 31, 2015, the Authority experienced an \$8.8 million increase, or 8.9%, in operating revenues. Increases in revenues over the prior year were realized in Parking (\$2,266,107), Terminal (\$5,419,516), and Rental Car (\$1,065,100). These increases in revenues were offset by decreases in Airfield revenue (\$796,253), and Other revenue (\$273,724), each compared to the prior year. For the fiscal year ended March 31, 2015, enplaned passengers increased 208,205 to 4,805,103, which represented an increase of 4.5%, relative to the prior fiscal year. Thus, growth in revenue was driven by two major factors: 1) enplanement growth of 4.5% which drove significant increases in Parking, Terminal Concessions, and Rental Car revenues, and 2) increased Terminal fixed rental rates for the airlines (20%, effective April 1st, 2014) which drove Terminal space rental revenue. Despite recent airline industry consolidation, the Authority maintained its operating revenue diversity with no carrier accounting for more than 9% of total operating revenue.

Operating expenses (excluding depreciation) increased \$1,435,244, or 2.8%, for the fiscal year ended March 31, 2015, relative to the prior year. The increase was primarily due to increases in Administrative Expenses of \$1,641,469 (14.4%) and Law Enforcement expenses of \$462,599 (17.65%). Offsetting these increased expenses was a decrease in Airport Facilities costs of \$656,269 (3.1%). The Authority’s rates and charges to air carriers remained at the low end of comparable airports.

Non-operating revenues and (expenses) in total decreased \$61,181 (1.2%). Investment revenue increased \$1,045,716 (73.7%), from the prior year, the result of higher investment interest rates. Passenger Facility Charge revenue also increased \$789,820, or 4.3%, compared to the prior year, the result of increased passengers. Offsetting these increases in Revenue was increased Bond Interest Expense of \$962,820 (3.7%) and a decrease in the Fair Value of investments (unrealized) of \$1,047,846.

Capital contributions decreased approximately \$8.1 million due to decreased grant funding, compared to the prior year. This decrease was the result of the prior year completion of a discretionary grant funded airfield project.

REVENUES, EXPENSES, AND CHANGE IN NET ASSETS FOR FISCAL YEAR ENDED MARCH 31, 2014

For the fiscal year ended March 31, 2014, the Authority experienced a 0.67% increase, or \$652,773, in operating revenues. Increases in revenues over the prior year were realized in Airfield (\$791,894), Rental Car (\$250,636), and Parking (\$178,191). These increases in revenues were offset by decreases in Terminal revenue (\$792,331), and General Aviation revenue (\$63,393), each compared to the prior year. Overall enplaned passengers of 4,596,898 decreased modestly by 36,386 (0.79%) for the fiscal year ended March 31, 2014, relative to the prior fiscal year. The decrease in the diversity of carriers in the airline industry was reflected in the Authority's airline derived revenue as one carrier, Delta, accounted for 27% of the Authority's airline derived revenue and the combined airline derived revenue of American and USAir, who are undergoing a merger, accounted for 39% of the airline derived revenue. Despite the industry consolidation, the Authority maintained its operating revenue diversity with no carrier accounting for more than 9% of total operating revenue.

Operating expenses (excluding depreciation) increased 5.2%, or \$2,572,633, for the fiscal year ended March 31, 2014 relative to the prior year. The increase was primarily due to increases in expenses associated with Airport Facilities of \$1,574,717 (7.9%) and Administrative Expenses of \$1,335,134 (13.2%). The effect of these increased expenses on total operating expenses was partially offset by decreased in Law Enforcement Expenses of \$654,960 (20%), and Terminal Services of \$107,917 (45.5%), the result of departmental restructuring. The Authority's rates and charges to air carriers remained at the low end of comparable airports.

Non-operating revenues (expenses) in total decreased approximately \$720,000 or 12% due primarily to declining investment income (decrease of \$634,150 from the prior year). PFC revenue decreased slightly by \$411,361, or 2.2%, compared to the prior year, the result of a slight decline in passengers. Capital contributions increased approximately \$5.2 million due to increased grant funding, compared to the prior year.

With the combined effect of the above changes, the Authority ended its fiscal year ended March 31, 2014 with an approximate \$4 million increase in Net Position.

DEBT SERVICE COVERAGE

The following table sets forth a calculation of the Authority's debt service coverage ratio, calculated in accordance with the Master Indenture, but without a Transfer Adjustment, for each of the years ended March 31:

Year ended March 31	Revenues [a] (1)	Maintenance and Operating Expenses of the Airport System [b](1)	Net Revenues [c]= [a] - [b]	Aggregate Annual Debt Service [d](2)	Debt Service Coverage Ratio [c]/[d](3)
2011	\$92,120,045	\$47,992,595	\$44,127,450	\$16,847,450	2.62
2012	96,532,649	48,739,565	47,793,084	24,128,606	1.98
2013	100,098,785	49,599,521	50,499,264	23,512,819	2.15
2014	100,117,407	52,172,155	47,945,252	22,816,342	2.10
2015 (unaudited)	109,936,979	53,607,399	56,329,580	25,219,451	2.23

(1) Calculated as provided in the Master Indenture. Revenues do not include PFCs. Maintenance and Operating Expenses (exclude depreciation and amortization).

(2) Calculated as provided in the Master Indenture. Excludes debt service on Bonds paid from PFCs.

(3) Excludes Transfer Adjustment permitted by the Master Indenture. If the Transfer Adjustment were included, the debt service coverage ratio would increase in each year by .25.

BUDGET INFORMATION FOR THE FISCAL YEAR ENDING MARCH 31, 2016

The Authority, as it typically does, elected to forecast conservatively, especially with respect to revenue generation for the fiscal year ending March 31, 2016. For example, the budgeted operating revenues of \$102.2 million for the fiscal year ended March 31, 2015 were approximately \$5.3 million lower than actual operating revenues for the fiscal year of \$107.5 million (unaudited).

For the fiscal year ending March 31, 2016, total operating revenue is budgeted to rise to \$109.9 million, a 7.5%, or \$7.8 million, increase over budgeted operating revenue for the fiscal year ended March 31, 2015 (and a \$2.4 million increase over actual revenues for the fiscal year (unaudited). This revenue increase is largely attributable to projected passenger growth (4.5%) driven increases in parking revenue (\$2 million increase over prior years' budget) and terminal related revenue (\$3.2 million increase over prior years' budget).

Operating expenses are budgeted to increased \$8.3 million, or 15.3% for the year ending March 31, 2015 relative to the budgeted amounts for the prior year. The increase was predominantly (two-thirds of the increase) driven by increased asset management costs related to maintaining the Authority's \$1.5 billion of infrastructure assets. In April 2014, with the opening of the modernized Terminal 1, the Authority completed a 15 year period of construction of

nearly \$1 billion that also included Terminal 2, a new parking garage, and a renovated general aviation complex.

The combined net effect of these budgeted projections would be to increase Net Position by \$8.4 million over the Net Position (unaudited) at the end of the fiscal year ended March 31, 2015.

OTHER POST-EMPLOYMENT BENEFITS

The Authority provides certain post-employment healthcare benefits (“*OPEB*”) as a part of the total compensation offered to attract and retain the services of qualified employees. The Authority pays the cost of the individual and dependent premiums (or the same portion of the cost as it pays for non-retired employees) for the qualified retiree’s health coverage through the Authority’s group health insurance plan. When the retiree reaches age 65, the Authority’s post-retirement benefits cease. At that time, the retiree is no longer covered by the Authority’s group health insurance program.

This benefit is available to retirees who participate in the North Carolina Local Government Employees’ Retirement System (“*LGERS*”). While eligibility to draw retirement benefits from LGERS vests at 5 years, eligibility for post-retirement health benefits from the Authority requires: (1) all requirements for retirement from LGERS are met and (2) the final 5 years of service are worked with the Authority.

In June 2004, the Governmental Accounting Standards Board released its Statement No. 45 relating to the Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans (the “*GASB 45*”). GASB 45 requires governments to treat OPEB for accounting purposes on an accrual basis similar to pensions. The Authority’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“*ARC*”), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. As of December 31, 2013, the most recent actuarial valuation date, the unfunded actuarial accrued liability (“*UAAL*”) was \$5,811,562. As of March 31, 2014 the ARC needed to meet the UAAL was \$683,754 (audited) and as of March 31, 2015 the ARC was \$613,784 (unaudited). The Authority does not fund the ARC, but rather pays for its OPEB liabilities on an annual pay-as-you-go basis.

For additional information concerning the Authority’s OPEB, see Note 7 to the Authority’s Audited Financial Statements in **Appendix B**.

CAPITAL IMPROVEMENT PROGRAM

The Authority has developed a capital improvement program covering the period of the Fiscal Year ending March 31, 2016 through the Fiscal Year ending March 31, 2020 (the “*Capital Improvement Program*”). The Capital Improvement Program includes expenditures on capital projects at the Airport of approximately \$116 million, net of costs to be paid from grant funding. To the extent the Authority determines to proceed with such projects, the projects would be

funded from a combination of funds generated from Authority activities, Airport Improvement Program grants-in-aid and grants from the State of North Carolina. Additional sources of funding may be utilized in the future. Demand driven projects, such as a consolidated rental car facility and certain roadway improvements are outside the scope of the Capital Improvement Program and the Authority's decision of whether or not to proceed with these projects will depend on demand, availability of funding and other considerations. The Authority expects that funding for any such demand driven projects would come from consolidated rental car facility charges and internally generated funds. The implementation of the future elements of the Capital Improvement Program is contingent upon demand and the availability of funds or financing of the program under reasonable terms and conditions.

At present, the Authority does not plan to issue additional Bonds to finance any of the projects included in the Capital Improvement Program. The Authority continues, however, to regularly examine the condition of its general infrastructure and the need to meet the demands of the Airport's customers. To the extent necessary, the Authority will seek debt authorization in keeping with the Authority's objectives.

INFORMATION ON AIRLINES AND THE AVIATION INDUSTRY

The airlines and cargo carriers serving the Airport or their respective parent corporations are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file reports and other information with the Securities and Exchange Commission (the "*SEC*"). Certain information, including financial information, as of particular dates concerning such airlines or their respective parent corporations is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Rooms of the SEC which can be located by calling the SEC at 1-800-SEC-0330. Certain information is also filed electronically with the SEC and can be accessed on its website at <http://www.sec.gov>. In addition, each airline is required to file periodic reports with the United States Department of Transportation. These reports can be inspected at the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies can be obtained from the Department of Transportation at prescribed rates.

CERTAIN INVESTMENT CONSIDERATIONS

The following section describes certain risk factors affecting the payment of, and security for, the 2015 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the 2015 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following specific factors along with all other information described or referenced elsewhere in this Official Statement in evaluating an investment in the 2015 Bonds.

GENERAL FACTORS AFFECTING AIRLINES

The 2015 Bonds will be special obligations of the Authority, secured by and payable from the Net Revenues of the Authority and, under certain circumstances, PFCs, investment

earnings, amounts set aside in the Parity Reserve Fund and certain other funds and accounts described in this Official Statement. The ability to pay debt service on the 2015 Bonds will depend on the receipt of sufficient Net Revenues and, to the extent permitted under applicable law, PFCs.

The Airport's ability to generate Net Revenues and PFCs depends on sufficient levels of aviation activity and passenger traffic at the Airport. Passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand.

The Authority's ability to derive Net Revenues from its operation of the Airport depends upon many factors which affect the airlines' operations at the Airport, many of which are not subject to the control of the Authority, including the economy, domestic and international affairs, air transportation disruptions, the threat of terrorism and international conflict, health crises, the cost structure of the airlines, including the cost of aviation fuel, and labor issues. The Authority cannot assess the impact that these factors will have on the airline industry and, in turn, on the Airport's Net Revenues.

In addition, many factors have combined to create structural changes in the travel market that have altered consumer travel patterns. The threat of terrorism against the United States remains. As a result, the federal government has continued to mandate security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at many airports, adding to the cost of air travel and making air travel potentially less attractive to consumers relative to ground transportation, especially to short-haul destinations. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

AIRLINE BANKRUPTCIES

Since 2000, numerous airlines have filed for, and emerged from, bankruptcy protection, including several that have significant operations at the Airport. Each of the airlines that has filed for bankruptcy has continued operations at the Airport, however, as a part of their restructuring plans and continued operations, certain routes and flights have been subject to reductions. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. The Authority has not lost any revenues under its operating agreements with the airlines currently operating at the Airport directly as a result of any airline bankruptcy; however, it is not possible to predict the future impact on the Airport System of any future bankruptcies, liquidations or major restructurings of airlines. See "--**FEDERAL LEGISLATION AFFECTING THE AIR TRANSPORTATION INDUSTRY**" below.

The act authorizing PFCs provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFCs, except for any

handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFCs separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines, however, are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFCs until such PFCs are remitted. Federal legislation requires airlines in bankruptcy to segregate PFCs into a separate account for the benefit of eligible agencies. While this requirement should provide some protection for airports in connection with PFCs collected by airlines in bankruptcy, prior to its enactment, bankruptcy courts have not universally treated PFCs collected by the airlines as trust funds. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by an airline operating at the Airport. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether the airline that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline.

COST OF AVIATION FUEL

Airline earnings are significantly affected by changes in the price of aviation fuel. Fuel is one of the largest cost components of airline operations and continues to be an important and uncertain determinate of an air carrier's operating economics. While there has recently been a significant decrease in the cost of aviation fuel, supply and demand dynamics affect fuel costs and any increase in fuel prices generally 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, demand from the rapid growth of developing economies, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather, among other factors. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

AIRLINE CONCENTRATION; EFFECT OF AIRLINE INDUSTRY CONSOLIDATION

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible that the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (1) in 2008, Delta acquired/Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (2) in 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (3) in 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; and (4) in 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. (American Airlines and US Airways continue to operate as separate airlines until their operations have been fully integrated, which is expected to take 18 to 24 months). To date none of these mergers have had any material impact on airline service or enplanements at the Airport. Mergers

or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC collections and/or increased costs for the other airlines serving the Airport.

PASSENGER FACILITY CHARGES

Sufficiency. The Authority's collection of PFC revenues will vary depending on the actual number of passenger enplanements at the Airport. A shortfall in PFCs could have an adverse impact on the Authority's ability to make timely payment of principal of or interest on the Bonds.

Availability. The authority to impose and use PFCs are subject to the terms and conditions of federal regulations and statutes. Failure to comply with the requirements of applicable law, such as the failure to use PFCs strictly for the approved PFC eligible projects, may cause the FAA to terminate or reduce the Authority's authority to impose and collect PFCs. In addition, notwithstanding FAA regulations requiring airlines that collect PFCs to account for PFC collections separately and indicating that those PFC collections are to be regarded as funds held in trust by the collecting airline for the beneficial interest of the public agency imposing the PFC, in the event of a bankruptcy proceeding involving a collecting airline, there is the possibility that a bankruptcy court could hold that the PFCs in the airline's custody are not to be treated as trust funds and that the Airport is not entitled to any priority over other creditors of the collecting airline as to such funds. Also, there is no assurance that the federal law authorizing the imposition of PFCs or any other relevant legislation or regulation will not be repealed or amended as to adversely affect the Authority's ability to collect PFCs or to apply them to pay for the PFC eligible projects. The occurrence of any of these events could have an adverse impact on the timely payment of principal of, or interest on, the Bonds, as noted above.

FEDERAL LEGISLATION AFFECTING THE AIR TRANSPORTATION INDUSTRY

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations. Since September 11, 2001 and as a result of the financial distress and bankruptcy filings in the airline industry, the Federal government enacted several pieces of legislation that have directly affected the airline industry. Such legislation includes the Federal Aviation and Transportation Security Act to provide, among other things, for the federalization of airport security through the Transportation Security Administration ("*TSA*"). The Homeland Security Act ("*HSA*") created the Department of Homeland Security ("*DHS*") to accomplish several primary goals, identified by the statute as: preventing terrorist attacks within the United States; reducing the nation's vulnerability to terrorism; minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to seek such connections. The TSA is part of DHS.

The Next Generation Air Transportation System program run by the Federal Aviation Administration has the potential to change the current financing system for the national aviation system.

It is not possible to predict whether future restriction 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 Authority, or whether such restrictions or legislation or regulations would adversely affect Net Revenues.

FEDERAL REGULATION REGARDING RATES AND CHARGES DISPUTES

The FAA Authorization Act of 1994 establishes that airline rates and charges set by airports be “reasonable” and mandates an expedited administrative process by which the Secretary of Transportation (the “*Secretary*”) shall review rates and charges complaints. An affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise.

CONTINUING DISCLOSURE

In the Twelfth Supplemental Indenture, the Authority will undertake, for the benefit of the beneficial owners of the 2015 Bonds, to provide to the Municipal Securities Rulemaking Board (the “*MSRB*”):

(a) by not later than seven months from the end of each Fiscal Year of the Authority, beginning with the Fiscal Year ended March 31, 2015, the audited financial statements of the Authority for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Authority are not available by seven months from the end of such Fiscal Year, unaudited financial statements of the Authority for such Fiscal Year to be replaced subsequently by audited financial statements of the Authority to be delivered within 15 days after such audited financial become available for distribution,

(b) by not later than seven months from the end of each Fiscal Year of the Authority, beginning with the Fiscal Year ended March 31, 2015, the financial and statistical data as of the date not earlier than the end of the preceding Fiscal Year for the type of information included under the following headings in this Official Statement to the extent such items are not included in the audited financial statements referred to in (a) above: THE AIRPORT SYSTEM – “Airport Facilities – Parking Facilities” (number of spaces); “– Cargo Facilities” (table of enplaned, deplaned and total cargo therein); “– Passenger Air Carriers Serving the Airport” (table of enplanements by carriers); “Enplaned Passengers” and “Aircraft Landed Weight.”

(c) in a timely manner not in excess of ten business day after the occurrence of the event, notice of any of the following events with respect to the 2015 Bonds:

- (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 events affecting the tax status of the Series 2015 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2015 Bonds, if material;
- (8) bond calls, other than calls for mandatory sinking fund redemption, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the 2015 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Authority;
- (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional Trustee or the change of name of the Trustee, if material; and

(d) in a timely manner, notice of a failure of the Authority to provide required annual financial information described in (a) or (b) above on or before the date specified.

All information provided to the MSRB as described in this Section shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The Authority may also discharge its undertaking described above by transmitting such information in any other manner subsequently authorized or required by the U.S. Securities and Exchange Commission in lieu of the manner described above.

At present, Section 159-34 of the General Statutes of North Carolina requires the Authority's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The Twelfth Supplemental Indenture will also provide that if the Authority fails to comply with the undertaking described above, the Trustee or any beneficial owner of the 2015 Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that the Authority's failure to comply with the undertaking will not constitute an Event of Default under the Master Indenture and will not result in the acceleration of the 2015 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the 2015 Bonds.

Pursuant to the Twelfth Supplemental Indenture, the Authority will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Authority, provided that any such modification will be done in a manner consistent with Rule 15c2-12, and provided further that:

(a) any such modification may only be 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 Authority;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners of the 2015 Bonds, as determined either by the Trustee or bond counsel, or by the approving vote of the Owners of a majority in principal amount of the 2015 Bonds pursuant to the terms of the Master Indenture, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the 2015 Bonds.

In the summer of 2014, the Authority discovered that the audited financial statements for the fiscal year ended March 31, 2010 were not filed on the MSRB's website as it had previously undertaken to provide pursuant to Rule 15c2-12. In connection with this failure, and in connection with certain other possible failures to file event notices in connection with changes in the ratings on the Authority's Bonds and related to changes in the credit ratings of third party credit enhancers, the Authority in December 2014 filed a "self-report" with the Securities and Exchange Commission in which the Authority reported failures to comply with previous continuing disclosure undertakings. The Authority is not aware of any material failure to file any notices of the occurrence of material events that have occurred since the fiscal year ended March 31, 2011.

LITIGATION

No litigation is now pending or, to the best of the Authority's knowledge, threatened against or affecting the Authority seeking to restrain or enjoin the authorization, execution or delivery of the 2015 Bonds, the Master Indenture or the Twelfth Supplemental Indenture or contesting the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2015 Bonds, the Master Indenture or the Twelfth Supplemental Indenture or the Authority's creation, organization or corporate existence, or the title of any of the Authority's present officers to their respective offices, or the Authority's powers to carry out its obligations thereunder.

The Authority is party to a number of civil lawsuits and other legal actions. The ultimate outcome of these suits is not expected to have a material adverse impact upon the Authority's financial position.

LEGAL MATTERS

Legal matters related to the authorization, execution, sale and delivery of the 2015 Bonds are subject to the approval of Womble Carlyle Sandridge & Rice, LLP, Bond Counsel, the form of whose approving legal opinion is set forth in **Appendix F**. Certain legal matters will be passed upon for the Authority by Erin M. Locklear, General Counsel to the Authority, and for the Underwriters by Parker Poe Adams & Bernstein LLP, counsel to the Underwriters.

TAX TREATMENT

OPINION OF BOND COUNSEL

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), regarding, among other matters, the use, expenditure

and investment of the proceeds of the 2015 Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the 2015 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation (except for any owner of a 2015B Bond who is a “substantial user” of the facilities refinanced with the proceeds of the 2015B Bonds or a “related person” of a “substantial user” (as such terms are defined in the Code)).

Bond Counsel is also of the opinion that (i) interest on the 2015A Bonds will not be treated as a specific preference item, and (ii) interest on the 2015B Bonds will be treated as a preference item, in each case for purposes of the federal alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals. Interest on the 2015A Bonds will be includable in determining “adjusted current earnings” of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. In addition, in the opinion of Bond Counsel, under existing law, interest on the 2015 Bonds will be exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership or transfer of the 2015 Bonds.

ORIGINAL ISSUE PREMIUM

The 2015A Bonds maturing on May 1, 2019 through 2029, inclusive, and 2030 (and bearing interest at a rate of 5.00% per annum) and the 2015B Bonds maturing on May 1, 2016 through 2028, inclusive, and 2029 (and bearing interest at a rate of 5.00% per annum) (collectively, the “2015 Premium Bonds”) are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the 2015 Premium Bond is sold and (b) the principal amount payable at maturity of such 2015 Premium Bonds constitutes original issue premium. In general, an owner of a 2015 Premium Bond must amortize the bond premium over the remaining term of the 2015 Premium Bond based on the owner’s yield over the remaining term of the 2015 Premium Bond, determined based on constant yield principles (in certain cases involving a 2015 Premium Bond callable prior to its stated maturity date, 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 such 2015 Premium Bond). An owner of a 2015 Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period and subtract such bond premium from the owner’s basis in the 2015 Premium Bond. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is nondeductible loss. Under certain circumstances, the owner of a 2015 Premium Bond may realize a taxable gain upon disposition of the 2015 Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost.

Owners of 2015 Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences in connection with the ownership and disposition of 2015 Premium Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the 2015A Bonds maturing on May 1, 2030 (and bearing interest at a rate of 3.50% per annum) and the 2015B maturing on May 1, 2029 (and bearing interest at a rate of 3.50% per annum) (collectively, the “2015 Discount Bonds”) are less than the amounts payable at maturity. An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the 2015 Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a 2015 Discount Bond is interest not includable in the gross income of an owner who purchases such 2015 Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such 2015 Discount Bond at maturity. Owners who purchase 2015 Discount Bonds at a price other than the initial offering price or who do not purchase 2015 Discount Bonds in the initial public offering should consult their tax advisors with respect to the consequences of the ownership of such 2015 Discount Bonds. An owner who purchases a 2015 Discount Bond in the initial offering at the initial offering price and holds such 2015 Discount Bond to maturity is deemed under existing federal tax laws and regulations to accrue original issue discount on a constant yield basis under Section 1288 of the Code from the date of original issue. An owner’s adjusted basis in a 2015 Discount Bond is increased by accrued original issue discount for purposes of determining gain or loss on sale, exchange or other disposition of such 2015 Discount Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt interest received or deemed to have been received for purposes of determining various other tax consequences of owning a 2015 Discount Bond, such as in the case of a 2015 Discount Bond that is a 2015A Bond, inclusion in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations, and such as in the case of a 2015 Discount Bond that is a 2015B Bond, being treated as a preference item, for purposes of the federal alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals, even though in both cases there will not be a corresponding cash payment.

Owners of 2015 Discount Bonds should consult their own tax advisors regarding the calculation of accrued original issue discount for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the ownership or disposition of 2015 Discount Bonds.

OTHER TAX CONSEQUENCES

Ownership or transfer of, or the accrual or receipt of interest on, the 2015 Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty

insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Prospective purchasers of the 2015 Bonds should consult their tax advisors as to any such possible tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, or certain litigation or judicial decisions, if upheld, will not contain provisions or produce results which could, directly or indirectly, reduce the benefit of the excludability of interest on the 2015 Bonds from gross income for federal income tax purposes.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2015 Bonds.

Interest paid on tax-exempt obligations, such as the 2015 Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the 2015 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the 2015 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Service.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the 2015 Bonds are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and all insurance companies, trust companies, investment companies, banks, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the 2015 Bonds are securities which may properly and legally be deposited with and received by any State

of North Carolina or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is now or may hereafter be authorized by law.

RATINGS

Moody's Investors Service ("*Moody's*") and Fitch, Inc. ("*Fitch Ratings*") have assigned ratings of "Aa3" and "AA-," respectively, to the 2015 Bonds. Further explanation of the significance of such ratings may be obtained from Moody's and Fitch Ratings. The Authority has provided to Moody's and Fitch Ratings certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the 2015 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or Fitch Ratings. Such action may have an adverse effect on the market price of the 2015 Bonds. Neither the Authority nor the Underwriters have undertaken any responsibility after the issuance of the 2015 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

The Authority has retained the services of Jefferies LLC, as Financial Advisor, in connection with the authorization and delivery of the 2015 Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume the responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Barclays Capital Inc., as the representative of the Underwriters, has entered into a Bond Purchase Agreement to purchase all of the 2015 Bonds, if any of the 2015 Bonds are to be purchased, at a purchase price equal to the principal amount thereof, plus a net original issue premium of \$11,240,071.65, less an underwriters' discount of \$290,475.59. The obligation of the Underwriters to pay for the 2015 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the 2015 Bonds to certain dealers (including dealers depositing the 2015 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the 2015 Bonds, has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of Charles Schwab & Co., Inc. ("*CS&Co.*") and LPL Financial LLC ("*LPL*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2015 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2015 Bonds that such firm sells.

MISCELLANEOUS

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the 2015 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement other than those made in Appendix E.

The LGC and the Authority have each duly authorized the execution and delivery of this Official Statement.

**NORTH CAROLINA LOCAL GOVERNMENT
COMMISSION**

By: /s/ Greg C. Gaskins
Secretary

RALEIGH-DURHAM AIRPORT AUTHORITY

By: /s/ Michael Landguth, A.A.E.
President and Chief Executive Officer

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APPENDIX A
BOOK-ENTRY-ONLY SYSTEM

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APPENDIX A

BOOK-ENTRY-ONLY SYSTEM

Beneficial ownership interests in the 2015 Bonds will be available only in a book-entry system. The actual purchasers of the 2015 Bonds (the “*Beneficial Owners*”) will not receive physical certificates representing their interests in the 2015 Bonds purchased. So long as The Depository Trust Company (“*DTC*”), New York, New York, or its nominee is the registered owner of the 2015 Bonds, references in this Official Statement to the Owners of the 2015 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Twelfth Supplemental Indenture contains provisions applicable to periods when DTC or its nominee is not the registered owner.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2015 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE 2015 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2015 BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC will act as securities depository for the 2015 Bonds. The 2015 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 certificate in the aggregate principal amount of each Series and maturity of the 2015 Bonds will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificated securities. 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 (the “*Indirect Participants*”). DTC has Standard & Poor’s highest

rating: AAA. The DTC rules applicable its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each 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 purchases. 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 2015 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 2015 Bonds, except in the event that the use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 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 2015 Bonds may wish to take steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of the 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2015 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2015 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 Authority as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2015 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments of principal and interest with respect to the 2015 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC (nor its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. THE AUTHORITY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the 2015 Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2015 Bonds are required to be printed and delivered.

THE AUTHORITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2015 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TWELFTH SUPPLEMENTAL INDENTURE TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2015 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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APPENDIX B
FINANCIAL STATEMENTS OF THE AUTHORITY

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RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Overview

The management discussion and analysis (“MD&A”) provides an overview of the Raleigh-Durham Airport Authority’s (the “Authority”) activities during the fiscal years ended March 31, 2014 and March 31, 2013. The Authority’s basic financial statements consist of three components; 1) Management’s Discussion and Analysis, 2) financial statements, and 3) notes to the financial statements. In addition to the management’s discussion and analysis, management has prepared the accompanying Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

The MD&A is intended to aid the reader in interpreting the Authority’s relative financial position as of the above referenced date. Condensed key financial as well as non-financial information will be highlighted for the reader.

Required Financial Statements

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statements of Net Position include all of the Authority’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements can be used to measure the success of the Authority’s operations over the past year, its financial position and can be used to determine the Authority’s overall profitability, financial strength and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 20 to 42 of this report.

Background

The Raleigh-Durham International Airport (the “Airport”) is located in Wake County, between the Cities of Raleigh and Durham approximately 10 miles from the downtown areas of each of Raleigh and Durham. Interstate 40, a major thoroughfare, is located immediately to the southwest of the Airport and US Highway 70, another major thoroughfare, located immediately to the northeast of the Airport. William B. Umstead State Park is located to the immediate east of the Airport. The Airport consists of approximately 5,100 acres, approximately 2,075 of which are developed. The Airport has two active terminals, 1 and 2. The \$573 million Terminal 2, a state of the art, common use facility consists of

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Background (Continued)

approximately 900,000 square feet of floor space, including 36 passenger gates. The North Concourse of Terminal 2 opened October 26, 2008, while the final phase, or the South Concourse of Terminal 2, opened January 23, 2011. In addition, in April 2014 the Authority completed a \$68 million renovation of Terminal 1. This terminal is home to Southwest Airlines and AirTran and operates with 9 gates.

The Airport has two primary runways and one secondary runway. In the fiscal years ended March 31, 2014 and 2013, 9.2 million passengers, annually, used the Airport.

Passenger Facility Charges

In February 2003, the Authority received final approval from the Federal Aviation Administration (FAA) to begin charging a \$3 passenger facility charge (“PFC”) effective May 1st, 2003. In fiscal year 2004-05, the Authority received approval from the FAA to increase this charge from \$3.00 to \$4.50 per eligible enplanement effective October 1st, 2004. PFC cash balances decreased 57.1% or \$6.2 million for the fiscal year ending March 31, 2014, versus the prior year. PFC cash balances decreased 30.4% or \$4.7 million for the fiscal year ending March 31, 2013, versus the prior year. In each of these years, declining PFC cash balances were the result of the Authority using surplus PFC cash towards the irrevocable commitment of PFC’s applied to debt service. PFC balances are restricted for use on FAA approved projects as reimbursement of capital costs or to offset PFC eligible debt service.

Annual PFC revenue of \$18.3 million decreased \$411 thousand or 2.2% for FY 2013-14, relative to the prior year. In addition, a portion of PFCs are irrevocably committed to offset Authority debt service beginning FY 2005-06. This irrevocable commitment applied to debt service for the fiscal years ending March 31, 2014, 2013, and 2012, was \$24,346,000, \$23,634,000, and \$22,946,000, respectively. The irrevocable commitment budgeted to be applied to debt service for FY 2014-15 is \$22,001,000. Irrevocable commitments to the extent not applied to debt service are carried forward for future application.

Financial Highlights and Analysis

Net Position

Current assets decreased 7.6%, or \$11.9 million from the prior year due to decreased short-term investments of \$19.0 million. Primarily offsetting this decrease was a \$6.5 million increase in cash and cash equivalents. Current assets increased 2.0%, or \$3.1 million from March 2012 to March 2013 due to increased short-term investments of \$30.3 million. Primarily offsetting this increase was a \$26.9 million decrease in cash and cash equivalents and a \$1.4 million decrease in accounts receivable.

Total non-current assets, consisting of restricted assets and airport and facilities, net decreased \$7.1 million or .7%. This decrease was in part related to the reduction of PFC cash and cash equivalents of \$6.2 million and a decrease in the debt service reserve fund of \$1.4 million or 3.0%. For the FY 2012-13, non-current assets, consisting of restricted assets and airport and facilities, net, decreased \$15.8

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Net Position (Continued)

million or 1.6%. This decrease was in part related to the reduction of PFC cash and cash equivalents of \$4.7 million. However, the largest part of this reduction, or \$9.5 million, was related to a decrease in airport and facilities, net resulting from current depreciation exceeding the amount capitalized for the period.

Restricted assets decreased \$7.4 million or 12.4% primarily due to a \$6.2 million or 57.1% decrease in PFC cash and cash equivalents and a decrease in the parity reserve fund of \$1.4 million or 3.0%. Restricted assets decreased \$6.3 million or 9.6% from March 2012 to March 2013 primarily due to a \$4.7 million or 30.4% decrease in PFC cash and cash equivalents and a decrease in the parity reserve fund of \$1.3 million or 2.8%.

Airport and facilities, net increased \$285 thousand or .03% primarily related to an increase construction activities related to the renovation of Terminal 1. Airport and facilities, net decreased \$9.5 million or 1.0% from March 2012 to March 2013 primarily as a result of current depreciation exceeding the amount capitalized for the period.

The combined effect of the above items was to decrease total assets \$19.0 million or 1.6% for the fiscal year ended March 2014, and \$12.7 million or 1.1% for the fiscal year ended March 2013, and \$34.3 million or 2.8% for the fiscal year ended March 2012.

For the period ending March 31, 2014, current liabilities decreased by \$3.0 million or 6.5% due to a decrease in retainage and construction accounts payable of \$4.9 million related to substantial completion of the Terminal 1 project, and offset by an increase in accounts payable of \$1.2 million and an increase in current maturities of long-term debt of \$790 thousand. For the prior period, March 2012 to March 2013, current liabilities increased by \$7.5 million or 19.6% due to an increase in retainage and construction accounts payable of \$8.2 million related to the Terminal 1 project, and a decrease in account payable of \$1.0 million.

Total non-current liabilities decreased by \$20.0 million or 2.9% primarily due to decreases in long term debt of \$18.9 million and Debt issue premiums of \$1.5 million, both the result of scheduled principal reductions and premium amortizations, respectively. Slightly offsetting this decrease was a combined increase in OPEB Retiree cost and Separation allowance costs of \$435 thousand. For the prior period ending March 31, 2013, total non-current liabilities decreased by \$18.7 million or 2.6%, primarily due to decreases in long term debt of \$18.1 million and Debt issue premiums of \$1.5 million both the result of scheduled principal reductions and premium amortizations, respectively. Slightly offsetting this decrease was a combined increase in OPEB Retiree cost and Separation allowance costs of \$906 thousand.

Total deferred inflows of resources decreased \$128 thousand or 23.8%, and \$780 thousand or 59.1% due to reduction in rent credits related to lease changes with an air carrier, for the fiscal years ending March 31, 2014 and March 31, 2013, respectively.

The combined effect of these items was to increase net position during the year ended March 31, 2014 by \$4 million or 1.0%. For the year ended March 31, 2013 net position decreased by \$713 thousand or .2%. Net position at March 31, 2014, March 31, 2013, and March 31, 2012 are presented in the following table:

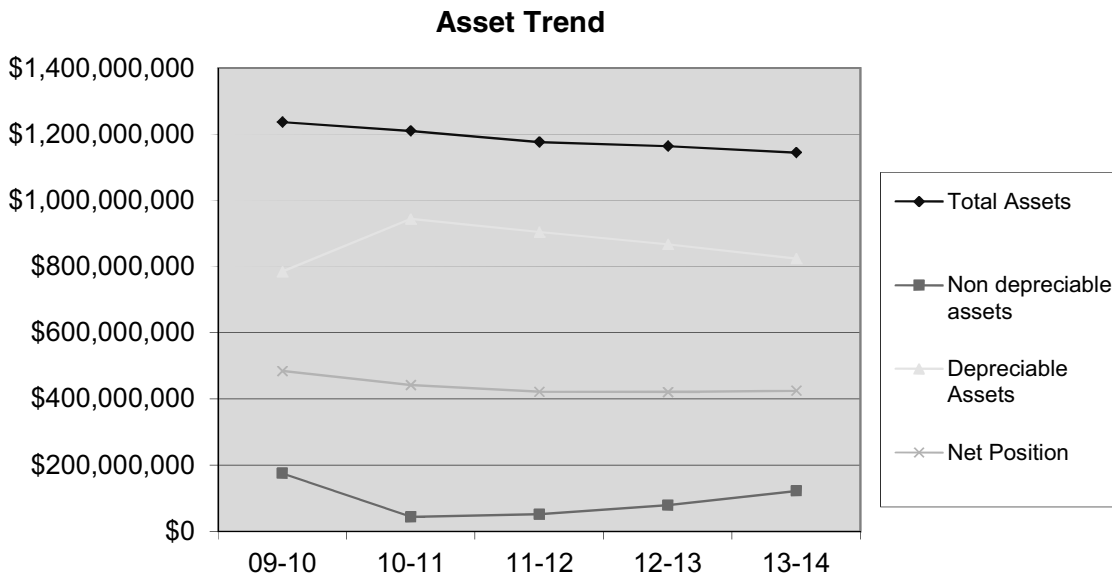
RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
 Years Ended March 31, 2014 and 2013

Net Position (Continued)

Condensed Statements of Net Position

	March 31, 2014	March 31, 2013	March 31, 2012
Current Assets	\$ 145,842,417	\$ 157,757,757	\$ 154,674,291
Airport and facilities, net	946,362,715	946,077,356	955,552,767
Other noncurrent assets	52,574,704	59,994,568	66,334,207
Total assets	<u>1,144,779,836</u>	<u>1,163,829,681</u>	<u>1,176,561,265</u>
Current liabilities	42,846,885	45,804,343	38,303,275
Noncurrent liabilities	676,684,982	696,684,585	715,423,591
Total liabilities	<u>719,531,867</u>	<u>742,488,928</u>	<u>753,726,866</u>
Total deferred inflows of resources	412,019	540,441	1,320,934
Invested in capital assets, net of related debt	330,599,774	313,607,597	307,107,509
Restricted Assets	7,432,645	13,459,327	18,369,465
Unrestricted assets	86,803,531	93,733,389	96,036,491
Net position	<u>\$ 424,835,950</u>	<u>\$ 420,800,313</u>	<u>\$ 421,513,465</u>

The following graph depicts the trend in total assets, airport and facilities non depreciable, airport and facilities depreciable, and net position as described in the preceding paragraphs. Airport and facilities, non depreciable includes land and construction in progress:



RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Revenues, Expenses, and Change in Net Position

For the fiscal year ended March 31, 2014, the Authority experienced a \$653 thousand increase (.7%) in operating revenue, due primarily to an increase in airfield revenue of \$791 thousand compared to the prior year. This overall increase in operating revenue was realized despite a slight decrease in passengers of 36 thousand or .8% for the fiscal year ended March 31, 2014, relative to the prior fiscal year. The Authority’s rates and charges to air carriers remained at the low end of comparable airports. In addition, the Authority’s airline derived revenue remained diversified with no single carrier accounting for more than approximately 8% of operating revenue for the fiscal year ended March 31, 2014.

For the fiscal year ended March 31, 2013, the Authority experienced a \$3.6 million increase (3.9%) in operating revenue, due primarily to an increase in parking revenue of \$4.0 million compared to the prior year. This overall increase in operating revenue was realized with an increase in passengers of 35 thousand or .5% for the fiscal year ended March 31, 2013, relative to the prior fiscal year. The Authority’s rates and charges to air carriers remained at the low end of comparable airports. In addition, the Authority’s airline derived revenue remained diversified with no single carrier accounting for more than approximately 9% of operating revenue for the fiscal year ended March 31, 2013.

Operating expenses (excluding depreciation) increased 5.2%, or \$2.6 million, for the fiscal year ended March 31, 2014 relative to the prior year. This increase was primarily due to increases in Administrative costs of \$1.3 million or 13.2%, and an increase in Airport facilities costs of \$1.6 million or 7.9%. Depreciation expense decreased 1.6% or \$777 thousand during the fiscal year ended March 31, 2014. Thus, total Operating expenses (including depreciation), increased 1.8%, or \$1.8 million. The combined effect of the above items was a 490% or \$1.1 million increase in the Operating loss, relative to the prior period. Nearly all of this increase in Operating loss was directly related to increased operating costs related to Administrative and Airfield expenses.

Operating expenses (excluding depreciation) increased 1.8%, or \$861 thousand, for the fiscal year ended March 31, 2013 relative to the prior year. This increase was primarily due to increases in Administrative costs of \$473 thousand or 4.9%, and an increase in Airport Maintenance costs of \$435 thousand or 8.5%, resulting from increased costs associated with maintaining equipment and assets. Depreciation expense decreased 1.4% or \$681 thousand during the fiscal year ended March 31, 2013. Thus, total Operating expenses (including depreciation), increased .2%, or \$180 thousand. The combined effect of the above items was a 93.7% or \$3.5 million decrease in the Operating loss, relative to the prior period. Nearly all of this decrease in Operating loss was directly related to increased revenue related to Parking.

For FY 2013-14, non-operating revenues (expenses) in total decreased \$719 thousand due to the following: reductions in bond interest expense of 2.1 million or 7.6%, reduction in investment interest of 634 thousand or 30.8%, reduction in Passenger Facility Charges of \$411 thousand or 2.2% and a reduction in net decrease in fair values of investments of \$301 thousand or 38.9% for FY 2012-13.

For FY 2012-13, non-operating revenues (expenses) in total decreased \$2.8 million due to the following: reductions in both the loss on swap terminations of \$1.5 million, and \$861 thousand less bond interest expense, as compared to FY 2011-12.

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended March 31, 2014 and 2013

Revenues, Expenses, and Change in Net Position (Continued)

For FY 2013-14, capital contributions increased \$5.2 million or 94.5% compared to the prior year. This change primarily related to increased Federal and State Funds received for airfield project costs. Regarding the increase in net position for FY 2013-14, the resultant increase of \$4.0 million was the combined result of the aforementioned reasons.

For FY 2012-13, capital contributions increased \$4.8 million or 749.9% compared to the prior year. This change primarily related to increased Federal and State Funds received for airfield project costs. Regarding the decrease in net position for FY 2012-13, the resultant decrease of \$1.1 million was the combined result of the aforementioned reasons.

Condensed Statement of Revenues, Expenses, and Change in Net Position

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Operating revenues			
Parking	\$ 40,634,069	\$ 40,455,878	\$ 36,406,284
Terminals	26,230,425	27,022,756	27,020,695
Rental Car	13,126,408	12,875,772	12,305,766
Other	18,706,607	17,690,330	18,651,803
Total operating revenues	<u>98,697,509</u>	<u>98,044,736</u>	<u>94,384,548</u>
Operating expenses	52,172,155	49,599,522	48,738,671
Depreciation	47,901,680	48,678,489	49,359,167
Total operating expense	<u>100,073,835</u>	<u>98,278,011</u>	<u>98,097,838</u>
Operating income (loss)	<u>(1,376,326)</u>	<u>(233,275)</u>	<u>(3,713,290)</u>
Non-operating revenues(expenses)			
Passenger Facility Charges	18,323,327	18,734,688	18,424,026
Investment Interest Income	1,419,898	2,054,048	2,148,101
Other non-operating revenue	822,008	1,189,552	971,064
Non-operating expenses	<u>(25,801,032)</u>	<u>(27,933,517)</u>	<u>(30,259,920)</u>
Total non-operating revenues(expenses)	<u>(5,235,799)</u>	<u>(5,955,229)</u>	<u>(8,716,729)</u>
Capital contributions	<u>10,647,762</u>	<u>5,475,352</u>	<u>644,240</u>
Increase (decrease) in net assets	<u>4,035,637</u>	<u>(713,152)</u>	<u>(11,785,779)</u>
Net position, beginning of year	<u>420,800,313</u>	<u>421,513,465</u>	<u>433,299,244</u>
Net position, end of year	<u>\$ 424,835,950</u>	<u>\$ 420,800,313</u>	<u>\$ 421,513,465</u>

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Cash Flows

The Authority's overall unrestricted liquidity position consisting of cash and cash equivalents, and short-term investments decreased during FY 2013-14 by \$12.5 million or 8.3% largely due to cash funding of renovations to Terminal 1. For FY 2012-13, this unrestricted cash position increased during FY 2012-13 by \$3.4 million or 2.3% largely due to increased parking revenue.

For FY 2013-14 restricted cash decreased \$7.6 million or 22.9% primarily due to a \$6.1 million reduction in PFCs and a \$1.4 million decrease in Parity Debt Service Reserve funds. For FY 2012-13 restricted cash decreased \$6.1 million or 9.7% primarily due to a \$4.7 million reduction in PFCs and a \$1.3 million decrease in Parity Debt Service Reserve funds. For FY 2011-12 restricted cash decreased \$2.9 million or 4.4% primarily due to a \$4.3 million reduction in PFCs offset by a \$1.7 million increase in Parity Debt Service Reserve funds.

With regard to the statement of cash flows for FY 2013-14, cash provided by operating activities of \$48.5 million decreased \$409 thousand or .84% from the prior fiscal year. FY 2012-13, cash provided by operating activities of \$48.9 million increased \$4.0 million or 8.9% from the prior fiscal year. For FY 2011-12, cash provided by operating activities of \$45.0 million increased slightly \$1.0 million or 2.4% from the prior fiscal year.

For FY 2013-14, cash provided by investing activities of \$20.8 million represented an increase of \$48.2 million or 175.8%, relative to the prior fiscal year. This large increase in cash provided by investing activities was the result of maturity of short-term investments. For FY 2012-13, cash used in investing activities of \$27.4 million represented an increase of \$61.2 million or 181.3%, relative to the prior fiscal year. This large increase in cash used by investing activities was the result of increased longer-term investment utilization. For FY 2011-12, cash provided by investing activities of \$33.7 million represented an increase of \$61.4 million or 221.8%, relative to the prior fiscal year. This large increase in cash provided by investing activities was the result of increased bond calls of Federal agencies due to reductions in short-term rates.

For FY 2013-14, cash used in capital and related financing activities or \$70.3 million, represented an increase of \$15.8 million or 29.0% from the prior period. Primary contributors to this increase were an increase in additions to Airport and Facilities of \$22.1 million. Offsetting cash used in capital and related financing activities was an increase in Contributed capital of \$5.6 million related to additional grant receipts. For FY 2012-13, cash used in capital and related financing activities or \$54.5 million, represented an increase of \$6.7 million or 14.1% from the prior period. Primary contributors to this increase were an increase in additions to Airport and Facilities of \$11.0 million. Offsetting cash used in capital and related financing activities was an increase in Contributed capital of \$2.4 million related to additional grant receipts. For FY 2011-12, cash used in capital and related financing activities or \$47.8 million, represented a decrease of \$55.1 million or 53.6% from the prior period. Primary contributors to this decrease were a reduction in additions to Airport and Facilities of \$64.5 million (compared to the prior year addition of Terminal 2 South Concourse), and a reduction of \$38.3 million in the amount of loss on swap terminations. Offsetting this decrease in capital and related financing activities was a decrease in debt issuance premiums (\$27.0 million).

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
 Years Ended March 31, 2014 and 2013

Cash Flow (continued)

For FY 2013-14 positive operating cash activities (\$48.5 million), an increase in cash provided by investment activities (\$20.8 million) and offset by cash used by capital and related financing activities (\$70.3 million) combined to produce an overall decrease in cash and cash equivalents of \$1.0 million. For FY 2012-13 positive operating cash activities (\$48.9 million) offset by cash used in investment activities (\$27.4 million) and offset by cash used by capital and related financing activities (\$54.5 million) combined to produce an overall decrease in cash and cash equivalents of \$33.0 million. For FY 2011-12 positive operating cash activities (\$45.0 million) along with increased cash provided by investment activities (\$33.7 million) offset by cash used by capital and related financing activities (\$47.8 million) combined to produce an overall increase in cash and cash equivalents of \$30.9 million.

The following is a summary of the change in cash and cash equivalents for the fiscal years ended March 31, 2014, March 31, 2013, and March 31, 2012:

Condensed Statement of Cash Flows

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Net cash provided from:			
Operating activities	\$ 48,527,482	\$ 48,936,837	\$ 44,952,607
Investing activities	20,778,184	(27,430,884)	33,720,917
Capital and related financing activities	<u>(70,349,414)</u>	<u>(54,522,183)</u>	<u>(47,782,045)</u>
Net increase (decrease)	(1,043,748)	(33,016,230)	30,891,479
Cash and cash equivalents at beginning of year	<u>121,190,066</u>	<u>154,206,296</u>	<u>123,314,817</u>
Cash and cash equivalents at end of year	<u>\$ 120,146,318</u>	<u>\$ 121,190,066</u>	<u>\$ 154,206,296</u>

The Authority continues to maintain its cash reserve policy to set aside and reserve an operating cash reserve of about one times the current fiscal year’s annual operating budgeted expenses (excluding depreciation). Beginning FY 2010-11, the Authority raised the cash reserve cap to \$50 million where it is currently maintained. Authority policy requires that this reserve not be expended, encumbered, or budgeted for any purpose in executing Authority fiscal policy without Board approval and notification of bond rating agencies that maintain bond ratings for the Authority.

Capital Assets

As of March 31, 2014 the Authority had \$946.4 million (net of depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$285 thousand, or .03% over FY2012-13. As of March 31, 2013 the Authority had \$946.1 million (net of depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net decrease of \$9.5 million, or 1.0% over FY2011-12. This year’s major asset additions were Terminal 1 improvements. More detailed information about the Airport’s capital assets is presented in Note 4 to the financial statements.

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Economic Outlook and Capital Development

In 2000, the Authority, in response to record setting growth, was considering an extensive redevelopment plan for Terminal A that would ultimately have expanded Terminal A from 23 gates to as many as 40 gates. This plan would have added nearly 1,000,000 square feet of space to Terminal A and would have potentially exceeded one billion dollars in cost.

Terminal C was built and paid for by American Airlines (AA) in 1987 through a Special Facility Revenue Bond financing arrangement that originally provided AA with a forty-year lease, set to expire in 2027. The Terminal C facility was originally designed to house and support the AA hub operation begun in the late 1980s. By FY 1996, American Airlines had closed its hubbing operation. During this time, Midway Airlines relocated its hubbing operation from Chicago’s Midway Airport and subleased gates from AA in Terminal C. By FY 2002, Midway’s connecting passengers had fallen due to the 2001 recession. When coupled with the loss of traffic following the September 11, 2001 terrorist attacks, Midway ceased operations.

In FY 2001, connecting passengers represented 19% of total passengers which was down from AA’s peak in 1995 of 61%. Thus, no longer a hub, RDU’s Origination and Destination (O&D) traffic continued to increase to approximately 96% where it remains today. In this new non-hub environment, Terminal C was not designed, nor was it able to effectively support an O&D operation with multiple airlines and about 4% connecting traffic.

Subsequent to the major changes in the airline industry after September 11, 2001, the Authority and AA entered into an agreement, effective June 15, 2002, for the Authority to purchase AA’s leasehold interests at the Airport. This leasehold included Terminal C, certain cargo and fuel facilities as well as other airport improvements. This leasehold acquisition allowed the Authority the option to more cost effectively and efficiently expand and redevelop Terminal C rather than proceed with the redevelopment of Terminal A. As a result, major redevelopment of Terminal A was deferred until after the redevelopment and expansion of Terminal C.

Now having effective control of the Terminal C facility, the Authority turned its attention to a major redevelopment of Terminal C under a preliminary project budget of \$350 million. With the additional planned development of the South Concourse, the project budget was subsequently revised to \$573 million. In addition, these project costs were the result of extensive modeling and cost projections to incorporate a costing strategy to maintain the lowest possible cost per enplanement passenger to the airlines, thereby retaining the Airport’s competitive cost structure currently benchmarked at about 75% of the industry medium hub average.

During 2005, the Authority believed that an appropriate strategy with regard to financing this project was to limit risk associated with rising interest costs. Thus, the Authority developed a hedging program to lock in current historically low long-term interest rates through the use of forward interest rate swaps. On May 4, 2005, the Authority entered into two (2) negotiated synthetic fixed interest rate swaps (BMA or Bond Market Association Municipal Swap Index based) totaling \$300,000,000. The purpose of these transactions was to fix interest costs related to the Terminal C Renovation and Expansion Project.

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Economic Outlook and Capital Development (Continued)

Pursuant to these hedge agreements, the Authority on June 13, 2006, issued \$300,000,000 of variable rate bonds, to be amortized over 30-years. Due to the swap agreements related to this debt, the Authority was able to lock in a fixed interest rate of 4.27% on this transaction. Subsequent to the end of Fiscal Year 2007-08, the Authority refunded the Series 2006A-E Bonds in the amount of \$300 million on May 2, 2008. These bonds were variable, but underlying swaps converted this obligation to a fixed synthetic rate. Several years later, these bonds were refunded to fix a trading problem associated with the downgrade of the bond insurer the Authority used to insure these bonds. The new Series 2008A-C bonds in the amount of \$300 million had the identical amortization schedule as the Series 2006A-E refunded bonds and were traded on the Authority’s credit rating (bond insurance was not used). In addition, the underlying swaps totaling \$300 million on these bonds were not changed. The 2008A-C bonds, once issued, returned to trading in a historic relationship to the benchmark tax exempt index. Thus, the trading problems associated with the ratings downgrade of the previous bond insurer were resolved.

The financing for the Terminal 2 project was completed in 2007 with the issuance of \$152 million of fixed rate bonds on May 31, 2007. In connection with this financing, the Authority’s underlying credit rating was upgraded to AA- (from A+) and Aa3 (from A3) by Fitch Ratings and Moody’s Investor Service, respectively. A stable outlook was assigned in both cases. These ratings and outlook remain the same at the end of FY 13-14.

On September 15, 2008 Lehman Brothers (Lehman) filed for bankruptcy and consequently defaulted on its \$150 million swap agreement with the Authority. On February 9, the Airport Authority terminated the Lehman swap at a cost to the Airport Authority of \$9.1 million. Simultaneously, the Authority selected Barclays and Morgan Keegan/Deutsche Bank as new swap counterparties and received \$4,551,000 from them to offset this payment made to Lehman Brothers. The new swaps were negotiated with Barclays in the amount of \$50 million and with Morgan Keegan/Deutsche Bank in the amount of \$25 million. These new swaps were set at a swap rate of 4.099 percent, down from the 4.27 percent Lehman swap rate, reducing the Airport Authority’s interest cost on this \$75 million by approximately \$128,000 per year. Thus, the remaining \$75 million became un-hedged variable debt at that time.

Lehman had initially challenged the Authority’s calculations regarding these transactions and the Authority’s calculation of the swap termination subsequent to Lehman’s default. Through mediation with Lehman in the fall of 2011, the Authority successfully negotiated a final settlement of this swap termination amount and all other related matters between the two parties.

On August 6th, 2010 the Authority elected to terminate all three of its interest rates swap positions. These swaps with Citigroup, Barclays Capital, and Morgan Keegan had notational values totaling \$216.87 million at August 6, 2010. At this time, these swaps under existing market conditions had a collective market termination value of \$33,549,516. In conjunction with these terminations, the Authority simultaneously priced the 2010A refunding bonds in the amount of \$242.365 million which refunded the 2008AB variable bonds (the swapped bonds), converting them to fixed rate non-AMT obligations. These swap positions had been undertaken in 2005 to lock in historically low interest rates on the Terminal 2 project in advance of its ability to access the bond markets. By eliminating its swap positions, the Authority sought to reduce its exposure to risks associated with the underlying variable rate demand obligations, particularly with regard to costs and availability of credit and liquidity support

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Economic Outlook and Capital Development (Continued)

for the 2008A/B Bonds, and to risks associated with the interest rate swap agreements. Such risks had increased materially from 2005 when the Authority had entered into these swap agreements. As of August 6, 2010 and since that time through the fiscal year ending March 31, 2014, the Authority had no interest rate swaps or derivatives in its debt portfolio.

During August 2010, the Authority also was able to advance refund the 2001A bonds with the series 2010B and 2010B-1 bonds in the amounts of \$94,080,000 and \$38,235,000, respectively. These bonds achieved present value savings of 7.80% and 6.70%, respectively. Thus, with these refunding issues, the Authority officially defeased its 2001A bond obligations.

Prior to the swap terminations, the Authority and the North Carolina Local Government Commission placed a present value dis-savings cap of 3.0% on these transactions. The Authority achieved this goal with associated present value dis-savings of 2.36% on these swap terminations on August 6, 2010. In combination with present value savings from the 2010B and 2010B-1 refundings, the Authority achieved overall present value savings of \$5.2 million on the collective transactions.

In March 2011, in accordance with its financial plan, the Authority paid off (defeased) all its remaining 2001B bond obligations by cash funding with the trustee the required payoff amount. The 2001B bonds were paid off in May 2011 in the amount of approximately \$10.4 million. Thus, the 2001B bonds were defeased in March 2011.

On October 26, 2008, the Authority opened phase 1 of Terminal 2 (renamed from Terminal C). The South Concourse or phase 2 of the Terminal 2 project opened on January 23, 2011, thus completing the \$573 million Terminal 2 on time and on budget. No additional debt has been funded since the 2010 refundings and the recently completed \$68 million Terminal 1 Renovation project was entirely cash funded.

For the fiscal year ended March 31, 2014, the Authority's enplaned passengers decreased slightly to 4.597 million which represented a .78% decrease relative to the prior year. For the fiscal year ended March 31, 2013, the Authority's enplaned passengers increased to 4.633 million which represented a .48% increase, relative to the prior period. In the fiscal year ended March 31, 2012, 4.611 million enplaned passengers used the Airport.

Long Term Debt Activity

At March 31, 2014 the Authority's outstanding debt totaled \$660,905,000 which was comprised of 89.8% fixed rate revenue bonds and 10.2% variable rate revenue bonds. The weighted average interest cost of this debt portfolio was 3.92% at March 31, 2014. Other than pursuing potential cost saving bond refundings, the Authority currently has no plans to issue new or additional debt. For more information on long-term debt activity please refer to footnote 5, "Long-term debt."

Budget Information for the Fiscal Year Ending March 31, 2015

The Authority, as it typically does, has elected to forecast conservatively, especially with respect to revenue generation for the fiscal year ended March 31, 2015. For comparison purposes, FY 2014-15

RALEIGH–DURHAM AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended March 31, 2014 and 2013

Budget Information for the Fiscal Year Ending March 31, 2015 (Continued)

budgeted operating revenue of \$102.2 million was \$3.5 million or 3.5% greater than actual FY 2013-14 operating revenue of \$98.7 million. For FY 2014-15 relative to the prior year budget, total budgeted operating revenue increased \$4.6 million or 4.7%. This increase was primarily due to a Terminal space rate increase driving a revenue increase in the Terminal complex of \$3.4 million or 20.0%, and increased terminal concession revenue of \$590 thousand or 9.5%. Budgeted non-operating revenue decreased \$8.6 million or 25.6% due to decreased Federal and State Grant revenue (\$9.3 million).

Budgeted operating expenses (excluding depreciation) increased \$1.7 million, or 3.1% for the year ended March 31, 2015 relative to the prior year. Inclusive of depreciation, total budgeted operating expenses increased \$4.6 million or 4.6% relative to the prior year. Total budgeted non-operating expenses decreased \$1.3 million or 4.4% due to decreased debt service interest expense.

The combined net effect of these items for the FY 2014-15 was to decrease budgeted net position nearly \$7.4 million, driven by decreased construction grant funding for the period.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Raleigh-Durham Airport Authority, P.O. Box 80001, RDU Airport, North Carolina 27623.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENTS OF NET POSITION

March 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 68,656,921	\$ 62,147,244
Short-term investments	69,280,467	88,302,824
Collateral for SEB loan program	1,500,000	1,500,000
Accounts receivable	3,921,279	3,490,659
Grants receivable	1,609,143	1,262,001
Inventories	381,666	377,356
Other current assets	492,941	677,673
Total current assets	145,842,417	157,757,757
Non-current assets		
Restricted assets		
State of North Carolina Underground Storage Tank		
Trust Fund Deductible	220,000	220,000
Passenger Facility Charge Cash and Cash Equivalents	4,627,338	10,787,581
Passenger Facility Charge receivable	2,585,307	2,451,746
General Airport Revenue Bonds Cash and cash equivalents	-	-
Parity Reserve Fund	45,142,059	46,535,241
Total restricted assets	52,574,704	59,994,568
Airport and facilities		
Airport and facilities, non depreciable	122,254,893	78,939,010
Airport and facilities depreciable, net	824,107,822	867,138,346
Airport and facilities, net	946,362,715	946,077,356
Total non-current assets	998,937,419	1,006,071,924
TOTAL ASSETS	1,144,779,836	1,163,829,681

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENTS OF NET POSITION

March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 4,474,920	\$ 3,285,132
Other accrued liabilities	174,779	-
Retainage and construction accounts payable	5,680,834	10,608,034
Accrued employee compensation	1,712,795	1,617,682
Accrued bond interest payable	11,913,557	12,193,495
Current maturities of long-term debt	18,890,000	18,100,000
Total current liabilities	<u>42,846,885</u>	<u>45,804,343</u>
Noncurrent liabilities		
Long-term debt		
General Airport Revenue Bonds	642,015,000	660,905,000
Unamortized debt issue premiums	30,045,099	31,589,691
	<u>672,060,099</u>	<u>692,494,691</u>
Other noncurrent liabilities		
OPEB retiree health care liability	3,734,979	3,230,389
Separation allowance liability	889,904	959,505
	<u>4,624,883</u>	<u>4,189,894</u>
Total noncurrent liabilities	<u>676,684,982</u>	<u>696,684,585</u>
TOTAL LIABILITIES	<u>719,531,867</u>	<u>742,488,928</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned rent credit	<u>412,019</u>	<u>540,441</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>412,019</u>	<u>540,441</u>
<u>NET POSITION</u>		
Net investment in capital assets	330,599,774	313,607,597
Restricted for:		
State of North Carolina Underground Storage Tank		
Trust Fund Deductible	220,000	220,000
Passenger Facility Charges	7,212,645	13,239,327
Unrestricted net assets	<u>86,803,531</u>	<u>93,733,389</u>
TOTAL NET POSITION	<u>\$ 424,835,950</u>	<u>\$ 420,800,313</u>

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended March 31, 2014 and 2013

	2014	2013
Operating revenues		
Parking	\$ 40,634,069	\$ 40,455,878
Airfield	12,158,127	11,366,233
General aviation	1,475,959	1,539,352
Terminals	26,230,425	27,022,756
Air cargo	2,032,561	2,000,218
Fuel farm	1,260,329	1,033,960
Rental car	13,126,408	12,875,772
Other	1,779,631	1,750,567
Total operating revenues	<u>98,697,509</u>	<u>98,044,736</u>
Operating expenses		
Airport facilities	21,427,418	19,852,701
Administrative	11,439,962	10,104,828
Fuel farm	988,781	962,410
Law enforcement	2,621,284	3,276,244
Airport maintenance	5,682,924	5,582,380
Parking	2,734,778	2,695,904
Airport Fire - Rescue	1,687,521	1,588,000
Guest services	803,492	736,912
Communications	722,262	777,618
Operations	1,277,388	1,211,335
Ground transportation	2,656,949	2,573,877
Terminal services	129,396	237,313
Subtotal	<u>52,172,155</u>	<u>49,599,522</u>
Depreciation	47,901,680	48,678,489
Total operating expenses	<u>100,073,835</u>	<u>98,278,011</u>
Operating loss	<u>(1,376,326)</u>	<u>(233,275)</u>
Non-operating revenues (expenses)		
Investment interest income	1,419,898	2,054,048
Passenger facility charges	18,323,327	18,734,688
Net increase in fair value of investments	477,643	781,419
Bond interest expense, net	(25,801,032)	(27,933,517)
Other, net	344,365	408,133
Total non-operating revenues (expenses)	<u>(5,235,799)</u>	<u>(5,955,229)</u>
Loss before capital contributions	<u>(6,612,125)</u>	<u>(6,188,504)</u>
Capital contributions	<u>10,647,762</u>	<u>5,475,352</u>
Increase (decrease) in net position	<u>4,035,637</u>	<u>(713,152)</u>
Net Position, beginning of year	<u>420,800,313</u>	<u>421,513,465</u>
Net Position, end of year	<u>\$ 424,835,950</u>	<u>\$ 420,800,313</u>

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from operations	\$ 98,460,602	\$ 98,330,302
Other, non-operating revenue	344,365	408,133
Cash paid to employees	(21,005,750)	(20,349,492)
Cash paid to suppliers	(29,271,735)	(29,452,106)
Net cash provided by operating activities	<u>48,527,482</u>	<u>48,936,837</u>
Investing activities		
Purchases of short-term investments	(85,977,644)	(87,281,420)
Proceeds from maturities of short-term investments	105,000,000	57,000,000
Investment gain on valuation account	477,643	781,419
Interest on cash deposits	1,278,185	2,069,117
Net cash provided by (used in) investing activities	<u>20,778,184</u>	<u>(27,430,884)</u>
Capital and related financing activities		
Payments of long-term debt and capital lease obligations	(18,100,000)	(17,405,000)
Other capital and financing costs		
Debt premium amortization	(1,544,592)	(1,544,592)
Additions to airport and facilities	(53,114,239)	(31,035,810)
Bond interest paid on long-term debt	(26,080,970)	(28,187,054)
Passenger facility charges collected	18,189,767	18,927,573
Contributed capital	10,300,620	4,722,700
Net cash used in capital and related financing activities	<u>(70,349,414)</u>	<u>(54,522,183)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,043,748)	(33,016,230)
Cash and cash equivalents - beginning of year	<u>121,190,066</u>	<u>154,206,296</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 120,146,318</u>	<u>\$ 121,190,066</u>
(Including Restricted Cash and Restricted Cash Equivalents)		

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,376,326)	\$ (233,275)
Other, non-operating revenue	344,365	408,133
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	47,901,680	48,678,489
Changes in operating assets and liabilities		
Accounts receivable	(288,907)	1,422,637
Inventories	(4,310)	(342,906)
Other current assets	184,732	(13,670)
OPEB retiree health care liability	504,590	429,653
Separation allowance liability	(69,601)	475,933
Accounts payable	1,364,567	(1,011,026)
Accrued employee compensation	95,113	(96,638)
Unearned Rent Credit	(128,422)	(780,493)
Net cash provided by operating activities	\$ 48,527,481	\$ 48,936,837

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets		
Cash and cash equivalents	\$ 68,656,921	\$ 62,147,244
Collateral for SEB loan program	1,500,000	1,500,000
Restricted cash and cash equivalents:		
State of North Carolina Underground Storage Tank Trust Fund Deductible	220,000	220,000
Passenger Facility Charge Cash and cash equivalents	4,627,338	10,787,581
General Airport Revenue Bonds Cash and cash equivalents	-	-
Parity Reserve Fund	45,142,059	46,535,241
	\$ 120,146,318	\$ 121,190,066

Supplemental Cash Flow Information

Cash investing, capital and financing activities		
Net change in grant receivable	\$ 347,142	\$ (725,652)
Cash paid for interest	\$ 28,217,884	\$ 28,912,794
Capitalized interest paid	\$ 2,136,914	\$ 725,740

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 1 – The Authority

In 1939, the General Assembly of the State of North Carolina enacted legislation authorizing the governing bodies of the City of Durham, the City of Raleigh, the County of Durham, and the County of Wake jointly to acquire, establish, and operate airports. It was provided that the governing bodies would appoint a joint board to carry out the provisions of the act, and the Raleigh-Durham Airport Authority (the “Authority”) is the board so appointed. Legal title to all properties is vested jointly in the governing bodies. Each of the four governing bodies makes an annual appropriation of \$12,500, which is accounted for as nonexchange transactions in accordance with Statement No. 33 of the Government Accounting Standards Board (“GASB”).

Note 2 – Summary of significant accounting policies

Basis of presentation, basis of accounting – The accounts of the Raleigh-Durham Airport Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, equity, revenues, and expenses.

The Authority accounts for its operations in one fund type, the enterprise fund. An enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to that of private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All assets and all liabilities associated with the operation of the Authority are included on the statements of net position. As required for periods beginning after June 15, 2000 by Statement 33 of GASB, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recognizes capital contributions as revenue, rather than as contributed capital. Nonexchange transactions for the Authority include federal and state grants and contributions by the Authority’s four governing bodies. The enterprise fund of the Authority is presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned, and expenses are recognized in the period when incurred.

Budgetary control – The Authority adopts an annual budget ordinance as required by the Local Government Budget and Fiscal Control Act of the North Carolina General Statutes. The Operating Budget ordinance is prepared on the modified accrual basis of accounting as required by North Carolina law. This budget is adopted and amended at the total expense level with management control maintained on a departmental and complex basis. Operating expenses may not legally exceed the total expense level and operating budget appropriations lapse at year-end. Project ordinances are also adopted annually but do not lapse at year-end and may extend multiple years. Both operating and project ordinances are adopted by the Authority at its March meeting and are entered in the minutes within five days after adoption.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 2 – Summary of significant accounting policies (continued)

Cash and cash equivalents – The Authority considers highly liquid investments, including restricted assets, with a maturity of 90 days or less to be cash equivalents.

Investments – The Authority records its investments in marketable securities at their quoted estimated fair value except for money market investments and U.S. Treasury and Agency obligations having a remaining maturity at purchase of one year or less, which are recorded at cost.

Grants receivable – Grants receivable from governmental agencies for capital construction projects are recorded in the period actual costs are incurred. The actual amount of payment on these grants is subject to final audit by the applicable agency.

Inventory policy – Inventory consists of parts related to the terminal baggage claim systems and passenger boarding bridges as well as fuel for fleet vehicles and equipment. Materials and supplies inventories are valued at lower of cost or market. Fuel inventories are accounted for at the lower of cost or market.

Airport and facilities – The airport and facilities are recorded at cost. Provision for depreciation has been made to amortize the cost of the assets over their estimated useful lives by the straight-line method.

Depreciation expense was \$47,901,680 and \$48,678,489 for the fiscal years ended March 31, 2014 and 2013, respectively.

A portion of internal engineering costs are capitalized in connection with related capital projects.

All capital projects are budgeted under project ordinances, which span more than one year. These appropriations continue until the related project is complete.

Airport and facilities are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an economic useful life of 3 years or more.

Depreciation of airport and facilities is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets.

The estimated lives by general classifications are as follows:

	<u>Years</u>
Landing field and grounds	5 – 20
Terminal buildings	5 – 45
Other buildings	5 – 30
Utilities	5 – 20
Equipment	3 – 20

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 2 – Summary of significant accounting policies (continued)

The Authority's net assets are classified as follows:

Invested in capital assets, net of related debt – This represents the Authority's total investment in airport and facilities, net of outstanding debt obligations related to those airport and facilities. To the extent debt has been incurred but not yet expended for airport and facilities, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – Restricted net assets include resources in which the Authority is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. When both restricted and unrestricted assets are available for use, the Authority applies restricted assets first and then applies unrestricted assets as needed.

Passenger facility charges are presented as restricted net assets based on Federal Aviation Administration ("FAA") regulations to be used only on approved capital projects.

State of North Carolina underground storage tank trust fund deductible represents cash required to be set aside by the North Carolina Department of Environment and Natural Resources related to underground storage tank clean-up costs.

Aeronautical facilities revenue bonds represent cash and cash equivalents restricted by the Master Trust Indenture to be expended for the construction of certain airport facilities and debt service reserve funds.

Vacation and sick leave compensation – The Authority allows full-time employees to accumulate up to 30 days earned vacation leave, and such leave is fully vested when earned provided the employee has completed a mandatory six-month probationary period. Accumulated vacation pay is recorded as a current liability and reflected in accrued employee compensation.

Employees can accumulate an unlimited amount of sick leave. Unused sick leave accumulated at the time of retirement may be used in determining length of service for retirement benefit purposes. Also, employees who voluntarily terminate employment prior to retirement may convert unused sick leave in excess of 30 days to vacation leave at a rate of two days of sick leave for one day of vacation leave. This policy is limited to converting a maximum of 60 days of sick leave into 30 days of vacation leave. Since the resulting leave is fully vested when earned, it is recorded as a liability along with ordinary vacation leave.

Revenues and expenses classifications – Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Transactions which are financing or investing related and passenger facility charges are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Interest expense – The Authority capitalizes material interest costs related to construction projects. The objective of interest capitalization is to reflect the total asset cost and to provide the related depreciation charges against revenues of future periods that benefit from the asset use.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 2 – Summary of significant accounting policies (continued)

Income tax status – Income of the Authority is excludable from federal income tax under Section 115 of the Internal Revenue Code.

Concentration of credit risk – For the years ended March 31, 2014 and 2013, no air carrier accounted for more than approximately 9% and 8% of the Authority’s operating revenues, respectively.

Use of estimates – The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reporting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Passenger facility charges – The (“FAA”) authorized the Authority to collect Passenger Facility Charges (“PFCs”) of \$3 per qualifying enplaned passenger commencing May 1, 2003. Effective October 1, 2004, the FAA authorized the Authority to collect PFCs of \$4.50 per qualifying enplaned passenger. The net receipts from PFCs are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. Aggregate collections and interest thereon from inception through March 31, 2014 and 2013 were \$203,176,587 and \$184,998,607, respectively. Total PFC funds of \$24,346,000 and \$23,634,000 were expended during the fiscal years ended March 31, 2014 and 2013, respectively, on FAA approved uses. Beginning in the fiscal year 2005-06, a portion of PFCs have been irrevocably committed to directly offset Authority debt service for eligible projects. This irrevocable commitment for the fiscal year ending March 31, 2014 was \$24,346,000. Irrevocable commitments to the extent not applied to debt service are carried forward for future application. Net assets related to PFCs are restricted for projects that are approved by the FAA.

New pronouncements – During the fiscal year ended March 31, 2014 and beyond, the Authority has or will implement several new pronouncements of the GASB. These pronouncements are as follows:

GASB Statement No. 67 “Financial Reporting for Pension Plans - an amendment of GASB 25” The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. GASB 67 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information supporting assessments of accountability and inter-period equity and creating additional transparency. GASB 67 replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No. 50, Pension Disclosures. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013. The Authority is currently evaluating the effect this statement will have on the Authority’s financial position or results of operations.

GASB Statement No. 68 “Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. The Authority is currently evaluating the effect this statement will have on the Authority’s financial position or results of operations.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 2 – Summary of significant accounting policies (continued)

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”

This statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, and the Authority does not expect that this statement will have a material effect on the Authority’s financial position or results of operations.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”

This statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a non-exchange financial guarantee. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013, and the Authority does not expect that this statement will have a material effect on the Authority’s financial position or results of operations.

Note 3 – Deposits and investments

Deposits – All the deposits of the Authority are either insured or collateralized by the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority’s agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risk for deposits.

At March 31, 2014, the Authority’s deposits had a carrying amount of \$68,002,009 and a statement balance of \$72,683,378. Of this bank balance, \$4,529,718 was covered by federal depository insurance while the balance of \$68,153,660 was covered by collateral held under the Pooling Method. The Authority is required to maintain a minimum balance of \$250,000 in its checking account.

At March 31, 2013, the Authority’s deposits had a carrying amount of \$67,659,975 and a statement balance of \$69,021,225. Of this bank balance, \$5,268,300 was covered by federal depository insurance while the balance of \$63,752,925 was covered by collateral held under the Pooling Method. The Authority is required to maintain a minimum balance of \$250,000 in its checking account.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 3 – Deposits and investments (continued)

Investments – At March 31, 2014, the Authority had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1 Year - 30 Months
Repurchase Agreements	\$ 8,137,800			\$ 8,137,800
US Government Agencies	68,007,390	3,005,430	5,007,820	59,994,140
Finistar	4,279,718	N/A	N/A	N/A
NC Capital Management Trust-				
Cash Portfolio	17,086,915	N/A	N/A	N/A
Term Portfolio	6,924,088	N/A	N/A	N/A
Total:	\$ 104,435,911	\$ 3,005,430	\$ 5,007,820	\$ 68,131,940

At March 31, 2013, the Authority had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1 Year - 30 Months
Repurchase Agreements	\$ 8,137,800	\$ -	\$ -	\$ 8,137,800
US Government Agencies	88,302,824	2,512,675	1,006,180	84,783,969
NC Capital Management Trust-				
Cash Portfolio	38,475,598	N/A	N/A	N/A
Term Portfolio	6,916,693	N/A	N/A	N/A
Total:	\$ 141,832,915	\$ 2,512,675	\$ 1,006,180	\$ 92,921,769

Interest Rate Risk - Interest rate risk is the risk that rising interest rates will adversely affect the fair value of an interest bearing investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the investment portfolio to maturities of 30 months.

Credit Risk - State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). Direct investments made by the Authority by policy are limited to U.S. Treasury Bills and Notes, U.S. Government Agency obligations and bank Certificates of Deposit, all with maximum maturity of 30 months. Only indirect investments in Commercial Paper and Repurchase Agreements are permitted in relation to bond proceed and debt service reserve fund investments which are designed to maximum investment income as permitted under U.S. Treasury arbitrage regulations. The Authority's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AA^m by Standard & Poor's as of March 31, 2014 and 2013. The Authority's investments in U.S. Agencies are rated AA⁺ by Standard & Poor's and Aaa by Moody's Investors Service as of March 31, 2014 and 2013.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 3 – Deposits and investments (continued)

G.S. 159-30(c) authorizes the Authority to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-acceptances; and the North Carolina Capital Management Trust (“NCCMT”), a SEC registered mutual fund, dedicated to serving North Carolina public units.

Concentration of Credit Risk - The Authority places no formal limit on the amount that the Authority may invest in any one issuer. At March 31, 2014, 66% of the Authority’s investments are in government agencies, consisting of 19% in Federal Home Loan Bank securities, 20% in Federal Home Loan Mortgage Corporation securities, 8% in Federal National Mortgage Association securities, 19% Federal Farm Credit Bank, 8% Repurchase Agreement, 4% Finistar, and 22% in NCCMT. Of this 22% invested in the NCCMT, 71% represents Authority debt service reserves.

At March 31, 2013, the Authority’s investments consisted of 11% in Federal Home Loan Bank securities, 12% in Federal Home Loan Mortgage Corporation securities, 22% in Federal National Mortgage Association securities, 15% Federal Farm Credit Bank, 15% Guaranteed Investment Contract, 6% Repurchase Agreements, 3% Finistar, and 16% in the NCCMT. Of this 16% invested in the NCCMT, 71% represents Authority debt service reserves.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 4 – Airport and facilities, net

Changes in airport and facilities are as follows for the year ended March 31, 2014:

	<u>March 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>March 31, 2014</u>
<u>Capital assets not being depreciated</u>					
Land	\$ 41,193,383	\$ -	\$ -	\$ -	\$ 41,193,383
Construction in progress	37,745,627	48,187,038	-	(4,871,155)	81,061,510
Total capital assets not being depreciated	<u>78,939,010</u>	<u>48,187,038</u>	<u>-</u>	<u>(4,871,155)</u>	<u>122,254,893</u>
<u>Other capital assets</u>					
Landing field and grounds	540,414,269	-	-	41,128	540,455,397
Terminal buildings	706,657,971	-	-	225,787	706,883,758
Other buildings	174,116,721	-	-	528,981	174,645,702
Utilities	5,417,436	-	-	-	5,417,436
Equipment	28,344,744	-	-	4,075,259	32,420,003
Total other capital assets	<u>1,454,951,141</u>	<u>-</u>	<u>-</u>	<u>4,871,155</u>	<u>1,459,822,296</u>
Total airport and facilities	<u>1,533,890,151</u>	<u>48,187,038</u>	<u>-</u>	<u>-</u>	<u>1,582,077,189</u>
<u>Accumulated depreciation</u>					
Landing field and grounds	(325,021,185)	(16,548,295)	-	-	(341,569,480)
Terminal buildings	(150,084,075)	(19,945,395)	-	-	(170,029,470)
Other buildings	(85,137,257)	(9,103,365)	-	-	(94,240,622)
Utilities	(4,413,034)	(109,866)	-	-	(4,522,900)
Equipment	(23,157,243)	(2,194,759)	-	-	(25,352,002)
Total accumulated depreciation	<u>(587,812,794)</u>	<u>(47,901,680)</u>	<u>-</u>	<u>-</u>	<u>(635,714,474)</u>
Airport and facilities, net	<u>\$ 946,077,357</u>	<u>\$ 285,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 946,362,715</u>

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 4 – Airport and facilities, net (continued)

Changes in airport and facilities are as follows for the year ended March 31, 2013:

	<u>March 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>March 31, 2013</u>
<u>Capital assets not being depreciated</u>					
Land	\$ 41,193,383	\$ -	\$ -	\$ -	\$ 41,193,383
Construction in progress	10,272,974	39,203,078	-	(11,730,425)	37,745,627
Total capital assets not being depreciated	<u>51,466,357</u>	<u>39,203,078</u>	<u>-</u>	<u>(11,730,425)</u>	<u>78,939,010</u>
<u>Other capital assets</u>					
Landing field and grounds	533,165,340	-	-	7,248,929	540,414,269
Terminal buildings	704,264,941	-	-	2,393,030	706,657,971
Other buildings	174,116,766	-	-	(45)	174,116,721
Utilities	5,417,436	-	-	-	5,417,436
Equipment	26,256,233	-	-	2,088,511	28,344,744
Total other capital assets	<u>1,443,220,716</u>	<u>-</u>	<u>-</u>	<u>11,730,425</u>	<u>1,454,951,141</u>
Total airport and facilities	<u>1,494,687,073</u>	<u>39,203,078</u>	<u>-</u>	<u>-</u>	<u>1,533,890,151</u>
<u>Accumulated depreciation</u>					
Landing field and grounds	(308,436,871)	(16,584,314)	-	-	(325,021,185)
Terminal buildings	(129,788,912)	(20,295,163)	-	-	(150,084,075)
Other buildings	(75,593,529)	(9,543,728)	-	-	(85,137,257)
Utilities	(4,249,005)	(164,029)	-	-	(4,413,034)
Equipment	(21,065,988)	(2,091,255)	-	-	(23,157,243)
Total accumulated depreciation	<u>(539,134,305)</u>	<u>(48,678,489)</u>	<u>-</u>	<u>-</u>	<u>(587,812,794)</u>
Airport and facilities, net	<u>\$ 955,552,768</u>	<u>\$ (9,475,411)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 946,077,357</u>

During March 31, 2014 and 2013, interest costs of \$2,136,914 and \$725,740 were capitalized as part of the cost of construction in progress, respectively.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 5 – Long-term debt

Changes of long-term debt for the year ended March 31, 2014 consist of the following:

<u>Amounts due to trustee</u>	<u>March 31, 2013</u>	<u>Principal Repayments</u>	<u>New Debt</u>	<u>March 31, 2014</u>
Series 2005A 4.00-5.00% General Airport Revenue Bonds, maturing in varying installments beginning 2019 to 2030	\$ 39,805,000	\$ -	\$ -	\$ 39,805,000
Series 2005B 3.00-5.00% General Airport Revenue Bonds, maturing in varying installments beginning 2006 to 2029	67,005,000	3,950,000	-	63,055,000
Series 2007 4.750% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2037	146,430,000	3,035,000	-	143,395,000
Series 2008C 4.72% General Airport Revenue Bonds, maturing in varying installments beginning 2009 to 2036 (Refunded 2006 Bonds)	69,325,000	1,595,000	-	67,730,000
Series 2010A 4.11% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2036 (Refunded 2008AB Bonds)	232,160,000	5,320,000	-	226,840,000
Series 2010B 4.11% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2027 (Refunded 2001A Bonds)	86,045,000	4,200,000	-	81,845,000
Series 2010B-1 4.18% General Airport Revenue Bonds, maturing in varying installments beginning 2028 to 2031 (Refunded 2001A Bonds)	38,235,000	-	-	38,235,000
Total bond obligations	<u>679,005,000</u>	<u>18,100,000</u>	<u>-</u>	<u>660,905,000</u>
Less current maturities	<u>18,100,000</u>	<u>-</u>	<u>-</u>	<u>18,890,000</u>
	<u>\$ 660,905,000</u>	<u>\$ 18,100,000</u>	<u>\$ -</u>	<u>\$ 642,015,000</u>

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

Changes of long-term debt for the year ended March 31, 2013 consist of the following:

<u>Amounts due to trustee</u>	<u>March 31, 2012</u>	<u>Principal Repayments</u>	<u>New Debt</u>	<u>March 31, 2013</u>
Series 2005A 4.00-5.00% General Airport Revenue Bonds, maturing in varying installments beginning 2019 to 2030	\$ 39,805,000	\$ -	\$ -	\$ 39,805,000
Series 2005B 3.00-5.00% General Airport Revenue Bonds, maturing in varying installments beginning 2006 to 2029	70,765,000	3,760,000	-	67,005,000
Series 2007 4.750% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2037	149,315,000	2,885,000	-	146,430,000
Series 2008C 4.72% General Airport Revenue Bonds, maturing in varying installments beginning 2009 to 2036 (Refunded 2006 Bonds)	70,845,000	1,520,000	-	69,325,000
Series 2010A 4.11% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2036 (Refunded 2008AB Bonds)	237,325,000	5,165,000	-	232,160,000
Series 2010B 4.11% General Airport Revenue Bonds, maturing in varying installments beginning 2011 to 2027 (Refunded 2001A Bonds)	90,120,000	4,075,000	-	86,045,000
Series 2010B-1 4.18% General Airport Revenue Bonds, maturing in varying installments beginning 2028 to 2031 (Refunded 2001A Bonds)	38,235,000	-	-	38,235,000
Total bond obligations	<u>696,410,000</u>	<u>17,405,000</u>	<u>-</u>	<u>679,005,000</u>
Less current maturities	<u>17,405,000</u>	<u>-</u>	<u>-</u>	<u>18,100,000</u>
	<u>\$ 679,005,000</u>	<u>\$ 17,405,000</u>	<u>\$ -</u>	<u>\$ 660,905,000</u>

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

Debt maturities for the next five years and in five-year increments thereafter are as follows:

Year Ending March 31	General Airport Revenue Bond Series 2005A	General Airport Revenue Bond Series 2005B	General Airport Revenue Bond Series 2007	General Airport Revenue Bond Series 2008C	General Airport Revenue Bond Series 2010A	General Airport Revenue Bond Series 2010B, B-1	Interest
2015	\$ -	\$ 4,150,000	\$ 3,190,000	\$ 1,670,000	\$ 5,510,000	\$ 4,370,000	\$ 30,948,054
2016	-	4,355,000	3,355,000	1,750,000	5,740,000	4,540,000	30,111,171
2017	-	4,575,000	3,525,000	1,840,000	6,005,000	4,725,000	29,203,746
2018	-	4,810,000	3,705,000	1,925,000	6,310,000	4,865,000	28,262,029
2019	-	5,055,000	3,895,000	2,020,000	6,635,000	5,110,000	27,178,046
2020-2024	12,405,000	16,995,000	22,680,000	11,660,000	38,640,000	29,285,000	117,991,579
2025-2029	18,580,000	18,795,000	29,070,000	14,735,000	49,460,000	37,865,000	82,304,410
2030-2034	8,820,000	4,320,000	37,060,000	18,650,000	62,735,000	29,320,000	40,583,560
2035-2038	-	-	36,915,000	13,480,000	45,805,000	-	7,821,633
	<u>\$ 39,805,000</u>	<u>\$ 63,055,000</u>	<u>\$ 143,395,000</u>	<u>\$ 67,730,000</u>	<u>\$ 226,840,000</u>	<u>\$ 120,080,000</u>	<u>\$ 394,404,228</u>

For the table above, interest was calculated for the 2008C variable rate bonds using an estimated rate of 4.00% for their remaining term. At March 31, 2014, the actual rate on these bonds was 0.05%.

On February 27, 2001, the Authority entered into a Master Trust Indenture, dated as of February 1, 2001, that established the primary financing mechanism for the issuance of Bonds to finance improvements to the Airport. Bonds issued under the Master Trust Indenture are obligations of the Authority, secured by and payable from the Net Revenues of the Authority, and under certain circumstances, the proceeds of the Bonds, investment earnings, amounts set aside in a Debt Service Reserve Fund created under the Master Trust Indenture, and certain other funds and accounts.

On February 27, 2001, the Authority issued \$156,975,000 Airport Revenue Bonds Series 2001A under the Master Trust Indenture. The proceeds were used for the design and construction of several improvements to the Airport, including the construction of a garage, two warehouse buildings to house support equipment, alterations to existing parking structures, roadways, bridges, toll plazas, walkways, and alterations to a pedestrian tunnel.

On February 27, 2001, the Authority also issued \$47,570,000 Airport Revenue Refunding Bonds Series 2001B under the Master Trust Indenture. The proceeds were used to refund Revenue Bonds previously issued by the Authority to finance parking facilities at the Airport.

On May 1, 2002, American prepaid and retired Series 1995A and 1995B Special Facility Revenue Refunding Bonds totaling \$78,300,000. These bonds, which were considered conduit debt, financed the Terminal C Building facilities and equipment, all of which were leased to American Airlines for a 40-year period.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

On June 13, 2002, the Authority issued \$30,000,000 Adjustable Rate Airport Revenue Bonds, Series 2002A under the Master Trust Indenture. The proceeds of the Series 2002A Bonds were used to finance a portion of the cost of acquiring and purchasing certain rights and interests of American Airlines, Inc. under the Raleigh-Durham Airport Facilities Lease and Use Agreement dated November 1, 1985, to finance the cost of rehabilitation of certain buildings and equipment related to the forgoing acquisition and purchase, and to finance the cost of certain other capital improvements to aeronautical facilities located at the airport. Due to downgrades of the credit ratings of the bond insurer insuring payment of the Series 2002A Bonds in March 2008, the Series 2002 Bonds could no longer be remarketed at interest rate levels corresponding to their tax exempt trading index or Securities Industry and Financial Markets Association (“SIFMA”). On August 12, 2008 the entire outstanding principal balance of Series 2002A, or \$22,500,000, was retired with Authority funds.

On December 18, 2002, the Authority issued \$35,000,000 Bond Anticipation Notes (“BAN”) Series 2002B under the Master Trust Indenture. On December 17, 2003, the Authority paid off the \$35,000,000 Series 2002B BAN with the issuance of a \$70,000,000 Bond Anticipation Note, Series 2003 (\$35 million new funding), under the Master Trust Indenture. These BAN proceeds were used to fund the initial costs of constructing a general aviation terminal and an operations center; constructing a ramp expansion, including the relocation of Taxiway D; and improving Terminal C and associated facilities, including architectural, pre-construction, and construction. The Series 2003 BAN was retired in March 2005 with the issuance of the Series 2005A&B bonds.

On March 1, 2005, the Authority issued \$39,805,000 Airport Revenue Bond Series 2005A under the Master Trust Indenture. The proceeds were used for the development of the new Terminal 2.

On March 1, 2005, the Authority issued \$85,490,000 Airport Revenue Bond Series 2005B under the Master Trust Indenture. These proceeds were also used for the development of Terminal 2, including the redevelopment of the north ramp general aviation area, an Authority Operations Center, and the relocation of Taxiway D and ramp expansion.

On May 4, 2005 the Authority executed two interest rate swap agreements in anticipation of the issuance of \$300 million of Bonds to finance the continued development of Terminal 2. The effective date of the swaps was June 15, 2006 and the termination date of the swaps was May 1, 2036. One interest rate swap agreement was entered into with Citibank, N.A. and one interest rate swap agreement was entered into with Lehman Brothers Special Financing Inc. The aggregate notional amount of the swaps was \$300,000,000 and the terms of the swaps are substantially similar. Under the swaps, the Authority agreed to pay the swap providers a fixed rate of 4.27% based on the notional amount of the swaps and the swap providers agreed to pay the Authority the Bond Market Association Municipal Swap Index (“BMA” or “SIFMA”) rate plus 5 basis points based on the notional amount of the swaps. Only the net difference in interest rate payments is actually exchanged. The \$300 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The notional amount of the swaps was designed to amortize with the 2006 Bonds.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

On June 15, 2006, the Authority issued \$300 million of its Variable Rate Airport Revenue Bonds in five series (Series 2006A, 2006B, 2006C, 2006D, and 2006E). On May 2, 2008, the Authority refunded the Series 2006 Bonds through the issuance of its Variable Rate Airport Revenue Bonds, also in the amount of \$300 million, in three series (Series 2008A, 2008B, and 2008C). The Series 2008 Bonds were issued to refund the Series 2006 Bonds to correct a trading problem associated with the ratings downgrade of the bond insurer insuring payment of the Series 2006 Bonds. The Series 2008 Bonds were issued in the amount of \$300 million and have the identical amortization schedule as the refunded Series 2006 Bonds. The refunding of the Series 2006 Bonds by the Series 2008 Bonds resolved the trading problems associated with the ratings downgrade of the bond insurer for the Series 2006 Bonds.

The Series 2006 Bonds and later the Series 2008 Bonds were issued as variable interest rate bonds, but the swaps converted the interest rate to a synthetic fixed rate. If the floating receipts from the swap counterparties equaled the interest due on the hedged bonds, the Authority's effective interest rate would be the fixed swap rate. The Authority was exposed to additional interest expense payments if the variable interest rate on the Bonds exceeds BMA (or SIFMA) plus 5 basis points. The swap agreements utilized the International Swap Dealers Association Master Agreement. Termination could result in the Authority being required to make an unanticipated termination payment.

In connection with the 2008 refunding, the swaps associated with the Series 2006 Bonds were not changed, and there was no gain or loss on the refunding.

In September 2008 Lehman Brothers Special Financing, Inc. entered bankruptcy in connection with the bankruptcy filing by Lehman Brothers. This bankruptcy resulted in a default by Lehman Brothers Special Financing Inc. under its \$150 million swap agreement with the Authority. At that time, the Authority began exploring the possibility of terminating the interest rate swap with Lehman. On February 9, the Authority terminated the Lehman swap at a cost to the Authority of \$9.1 million. Simultaneously with terminating the swap agreement, the Authority entered into two new swap agreements for an aggregate notional amount of \$75 million with Barclays Bank, Plc and Morgan Keegan Financial Products, Inc. as swap counterparties. Performance by Morgan Keegan Financial Products, Inc. under its swap agreement was supported by a second agreement entered into by the Authority and Morgan Keegan with Deutsche Bank. The Authority received \$4,551,000 from Barclays Bank Plc and Morgan Keegan Financial Products, Inc. to offset the payment made to Lehman Brothers. The new swaps were negotiated with Barclays in the notional amount of \$50 million and with Morgan Keegan in the notional amount of \$25 million. Fixed rate payments under these new swaps were set at a rate of 4.099 percent, down from the 4.27 percent Lehman swap rate, reducing the Authority's interest cost on the hedged \$75 million by approximately \$128,000 per year. The remaining \$75 million of Series 2008 Bonds became un-hedged variable debt upon the termination of the Lehman swap. Subsequent to their default, Lehman had challenged the Authority's calculations regarding these transactions and the Authority's calculation of swap termination amounts. Through mediation with Lehman in the fall of 2011, the Authority successfully negotiated a final settlement of this swap termination amount and all other related matters between the two parties.

Each series of the Series 2008 Bonds was supported by credit or liquidity support provided by a letter of credit or standby bond purchase agreement of a financial institution. For the \$75 million Series 2008C Bonds, the Authority received a letter of credit from SunTrust Bank. Due to financial difficulties encountered by SunTrust Bank in 2009, the Series 2008C Bonds could not be remarketed at variable interest rates that corresponded to SIFMA. In November 2009, the Authority and SunTrust Bank

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

entered into arrangements with the Federal Home Loan Bank of Atlanta for the Federal Home Loan Bank to deliver a standby letter of credit that supports the letter of credit of SunTrust Bank securing the Series 2008C Bonds. The delivery of the Federal Home Bank letter of credit resulted in a return of the variable interest rates on the Series 2008C Bonds to levels that approximate the SIFMA index.

On May 31, 2007, the Authority finalized financing of the Terminal 2 with the issuance by the Authority of its Airport Revenue Bonds, Series 2007 in the principal amount of \$152 million. The remaining Terminal 2 project costs were funded with \$47 million in pay-as-go PFCs (from accumulated PFC balances) and approximately \$18 million in Authority cash. With the opening of the South Concourse on January 23, 2011, Terminal 2 became fully operational. In addition, this facility was now fully funded and was completed on time and under its budget of \$570 million.

On August 6, 2010 the Authority elected to terminate all three of its interest rate swap positions. These swaps with Citigroup, Barclays Capital, and Morgan Keegan had notational values totaling \$216.87 million at August 6, 2010. At this time, these swaps under existing market conditions had a collective market termination value of \$33,549,516. In conjunction with these terminations, the Authority simultaneously priced the 2010A refunding bonds in the amount of \$242,365,000 which refunded the 2008AB variable bonds (the swapped bonds), converting them to fixed rate non-AMT obligations. These swap positions had been undertaken in 2005 to lock in historically low interest rates on the Terminal 2 project in advance of its ability to access the bond markets. By eliminating its swap positions, the Authority sought to reduce its exposure to risks associated with the underlying variable rate demand obligations, particularly with regard to costs and availability of credit and liquidity support for the 2008A/B Bonds, and to risks associated with the interest rate swap agreements. Such risks had increased materially from 2005 when the Authority had entered into these swap agreements. As of August 6, 2010 and additionally at March 31, 2013, the Authority had no interest rate swaps or derivatives in its debt portfolio.

During August 2010, the Authority also was able to advance refund the Series 2001A Bonds with the Series 2010B and 2010B-1 Bonds in the amounts of \$94,080,000 and \$38,235,000, respectively. The aggregate reduction in debt service payments between the original 2001A debt and the refunded 2010B, B-1 bonds was \$4.118 million. This equated to a net present value savings of \$2.56 million. These bonds achieved present value savings of 7.80% and 6.70%, respectively. The total deposit to the escrow fund to refund the Series 2001A Bonds totaled \$145,691,630 (which included Bond premiums of \$10,818,873). This total was deposited into an escrow fund to be used, together with investment earnings thereon, to pay the interest on the Series 2001A Bonds until the redemption thereof on May 1, 2011 and to pay the redemption price of the Series 2001A Bonds on such date. This escrow payment to the trustee defeased the remaining Series 2001A Bonds and the liability for this debt was removed from these financial statements.

Prior to the swap terminations, the Authority and the North Carolina Local Government Commission placed a limit or cap of 3% on the present value dis-savings on these transactions (calculated based upon a comparison of the estimated all-in costs of the transaction if the Bonds were not refunded and the swap agreements were not terminated and the cost of the fixed rate refunding transaction). The Authority achieved this goal with associated present value dis-savings of 2.36% on these swap terminations on August 6, 2010. In combination with present value savings from the refunding of the Series 2001A Bonds, the Authority achieved overall present value savings of \$5.2 million on the collective transactions.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 5 – Long-term debt (continued)

In September 2010, the Authority entered into arrangements to change and extend the Letter of Credit (“LOC”) provider for the Authority’s remaining \$72.3 million Series 2008C Bonds. Through this transaction the Authority was able to replace the existing credit facility provider for these Bonds under terms more favorable to the Authority than under the prior arrangement and also to extend the credit facility for the Bonds for 3 years.

In March 2011, in accordance with its financial plan, the Authority defeased all its remaining 2001B bond obligations by cash funding with the trustee the payoff amount of approximately \$7.1 million. With application of the cash funded debt service reserve of \$3.6 million, the 2001B bonds were paid off on May 1st, 2011 in the amount of approximately \$10.7 million. This amount consisted of principal of \$10.4 million, a redemption premium of \$104,000, and accrued interest of approximately \$224,000. Thus, the 2001B bonds were defeased in late March 2011 with this escrow payment to the trustee and the liability for this debt was removed from the financial statements.

The Authority’s bonds are subject to federal arbitrage regulations, and are reviewed for potential arbitrage liability annually on the bond issue dates. The arbitrage rebate payments are payable on the fifth anniversary of the bond issue date and every fifth year subsequent to that date. Annual calculations are performed for all applicable bond issues and the Authority is in compliance with regard to arbitrage regulations on all bond issues. In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the Authority must rebate to the federal government “arbitrage profits” earned on the governmental bonds after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At March 31, 2014 the Authority accrued an arbitrage rebate liability of \$186,645 on its Series 2007 bonds. At March 31, 2014 the Authority had no bond arbitrage rebate liability.

These bonds have rate covenants associated with them, whereby the Authority must maintain a debt service coverage ratio of net revenues and available fund balance to debt service. The bond documents provide for a number of technical adjustments to be followed in determining the net revenues and debt service to be used in this calculation. The rate covenant generally requires that sum of (i) the net revenues for the fiscal year and (ii) available fund balance at the end of the fiscal year in an amount up to 25% of debt service for the fiscal year (the “25% transfer”) must be no less than 125% of the adjusted debt service calculated for the fiscal year. The debt service coverage ratio at March 31, 2014 with this 25% transfer is 235%. The debt service coverage ratio at March 31, 2014 without this 25% transfer is calculated as follows:

Net revenues	\$ 47,966,257
Annual debt service	<u>22,816,342</u>
Calculated debt service coverage ratio without transfer	<u><u>210%</u></u>

For the fiscal year ending March 31, 2013, the Authority had debt service coverage ratios of 215% without transfer and 240% with transfer.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 6 – Leases

The Authority leases land, buildings, and terminal space with a cost of approximately \$725 million and a carrying value of approximately \$543 million to the airlines, car rental agencies, restaurants and other businesses located at the airport. Revenues from these leases, which are included in buildings and grounds and general aviation revenue, were approximately 40% and 41% of airport operating revenues for fiscal years ended March 31, 2014 and 2013, respectively. These leases cover periods ranging up to a maximum of 40 years and contain provisions for fixed and contingent rentals based on revenues. For the years ended March 31, 2014 and 2013, contingent rentals comprised \$19.2 and \$18.0 million of the total rental revenues, respectively.

Minimum future rentals on non-cancelable operating leases for the next five fiscal years are approximately:

Year Ending March 31	Amount
2015	\$ 12,195,000
2016	10,098,000
2017	5,236,000
2018	4,067,000
2019	3,728,000
	\$ 35,324,000

Note 7 – Employee retirement plans

Local governmental employees' retirement system

Plan Description – The Authority contributes to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute 6.00% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28% of annual covered payroll respectively. The contribution requirements of members are established and may be amended by the North Carolina General Assembly. The Authority's contributions to LGERS for the years ended March 31, 2014, 2013 and 2012 were \$2,169,691, \$2,077,533, and \$2,033,865, respectively. The contributions made by the Authority equaled the required contributions for each fiscal year.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 7 – Employee retirement plans (continued)

Supplemental retirement income plan for law enforcement officers

Plan Description – The Authority contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Authority. Article 5 of G.S. Chapter 135 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy – Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended March 31, 2014 were \$143,359, which consisted of \$39,803 from the Authority and \$103,556 from the law enforcement officers. Contributions for the year ended March 31, 2013 were \$196,535, which consisted of \$90,258 from the Authority and \$106,277 from the law enforcement officers.

Law enforcement officer’s special separation allowance

Plan Description – The Authority administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Authority’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Authority are covered by the Separation Allowance. At March 31, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>28</u>
Total	35

A separate audited GAAP-basis postemployment benefit plan report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting – The Authority has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from operating accounts, which are maintained on the accrual basis of accounting.

Method Used to Value Investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 7 – Employee retirement plans (continued)

Contributions – The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the operating budget. The Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Authority's pension cost and net pension obligation to the separation allowance were as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
a - Employer annual required contribution	\$ 85,056	\$ 88,614
b - Interest on net pension obligation	47,975	51,762
c - Adjustment to annual required contribution	<u>(62,461)</u>	<u>(60,897)</u>
d - Annual pension cost (a+b+c)	70,570	79,479
e - Employer contributions made for current fiscal year	<u>140,171</u>	<u>155,221</u>
f - Increase in net pension obligation (d-e)	(69,601)	(75,742)
g - Net pension obligation beginning of fiscal year	<u>959,505</u>	<u>1,035,247</u>
h - Net pension obligation end of fiscal year (f+g)	<u><u>\$ 889,904</u></u>	<u><u>\$ 959,505</u></u>

The annual required contribution for the fiscal years ended March 31, 2014 and March 31, 2013 were determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions do not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

The trend information is as follows:

Fiscal Year Ending March	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2009	\$ 99,769	24.63%	\$ 1,056,934
2010	98,662	60.64%	1,095,770
2011	84,514	103.18%	1,093,084
2012	82,172	170.66%	1,035,247
2013	79,479	195.30%	959,505
2014	70,570	198.63%	889,904

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 7 – Employee retirement plans (continued)

Funding Status and Funding Progress - as of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The present value of future accrued liability contributions and, thus, the unfunded actuarial accrued liability (“UAAL”) was \$1,022,450. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Other Post-Employment Benefits

Health Care Plan

Plan Description:

Under the terms of an Authority resolution, the Authority administers a single-employer benefit Health Care Plan (the “Plan”). The Plan provides postemployment healthcare benefits to retirees of the Authority, provided they participate in the North Carolina Local Governmental Employees' Retirement System (“System”). While eligibility to draw retirement benefits from the System vests at 5 years, eligibility for post-retirement health benefits from the Authority requires: (1) all requirements for retirement from LGERS are met and (2) the final 5 years of service are worked with the Authority. The Authority pays the cost of the individual and dependent premiums (or same portion of the cost as it pays for non-retired employees) for the qualified retiree's health coverage through the Authority's group health insurance plan. When the retiree reaches age 65, the Authority's post-retirement benefits cease. At that time, the retiree is no longer covered by the Authority's group health insurance program. The Plan does not issue a stand-alone report and is not included in the report of a public employee retirement system or a report of another entity.

Membership in the Plan included the following at December 31, 2011, the date of the last actuarial valuation:

Retirees receiving benefits	53
Active plan members	<u>282</u>
Total	<u>335</u>

Funding Policy:

As noted above, the Authority pays its share of the cost of coverage (premiums) for the health care benefits provided to qualified retirees. The Authority's members pay their share of the premiums. The Authority has chosen to fund the health care benefits on a pay as you go basis, and no funds are set aside to pay these benefits.

The current annual required contribution rate is 4.16% of annual covered payroll. For the current year, the Authority contributed \$184,940 (retiree claims paid less premiums received) or 1.16% of annual covered payroll. The Authority provides health care coverage through a minimum premium plan. The Authority's required contribution for employees and retirees is the actual expense incurred. Contributions (premiums) made by employees and retirees were 3.33% and .15% of covered payroll, respectively. The Authority's obligation to contribute to the Plan is established and may be amended by the Authority's Board of Directors.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 7 – Employee retirement plans (continued)

Life Insurance Benefit

Plan Description:

Under the terms of an Authority resolution, the Authority administers a single-employer life insurance benefit. The life insurance benefit provides postemployment life insurance coverage to retirees of the Authority in the amount of \$10,000. When the retiree reaches age 99, the Authority's post-retirement benefits cease. At that time, the retiree is no longer covered by the Authority's life insurance policy.

Funding Policy:

The Authority pays the full cost of life insurance premiums. The Authority has chosen to fund the life insurance benefits on a pay as you go basis, and no funds are set aside to pay these benefits. The Authority's obligation to contribute to the life insurance benefit is established and may be amended by the Authority's Board of Directors.

Summary of Significant Accounting Policies:

Postemployment expenditures for the Authority's portion of the premiums are from the Authority's enterprise fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation for the health care benefits:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Annual required contribution	\$ 683,754	\$ 663,839
Interest on net OPEB obligation	129,216	112,029
Adjustment to annual required contribution	<u>123,441</u>	<u>107,022</u>
Annual OPEB cost	689,529	668,846
Contributions made	<u>184,940</u>	<u>239,192</u>
Increase in net OPEB obligation	504,589	429,654
Net OPEB obligation beginning of the year	<u>3,230,390</u>	2,800,736
Net OPEB obligation end of the year	<u>\$ 3,734,979</u>	<u>\$ 3,230,390</u>

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 March 31, 2014 and 2013

Note 7 – Employee retirement plans (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2014 were as follows:

March	OPEB Cost	Contributed	Obligation
2010	\$ 854,455	23.8%	\$ 650,820
2011	1,714,169	11.7%	2,164,060
2012	914,339	30.4%	2,800,736
2013	668,845	35.8%	3,230,390
2014	689,529	26.8%	3,734,979

Funded Status and Funding Progress:

As of December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (“UAAL”) was \$6,007,588. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,938,472, and the ratio of the UAAL to the covered payroll was 37.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer’s own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 9.5 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

RALEIGH-DURHAM AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 8 – Commitments and contingencies

Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees and the general public; and natural disasters. The Authority carries commercial insurance against risks of loss, including property and public liability insurance and worker’s compensation. Settled claims from these risks have been far less than commercial insurance coverage.

The Authority, in accordance with NC General Statute 159-29, maintains Public Official Bonds on the Deputy Airport Director for Finance, Business and Administration and the Director of Finance, each at the statutory requirement of \$50,000. In addition, the Authority carries a Blanket Fidelity Bond for all employees in the amount of \$1,000,000.

Construction commitments – At March 31, 2014 and 2013, the Authority has contractual commitments for Authority expansion programs of approximately \$15 million and \$46 million, respectively.

Contingent liabilities – The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Prior to the opening of Terminal 2, the Authority’s Small Emerging Business (“SEB”) program was used to provide loan backing for two small business concessionaires. The Authority has capped the amount available for this program at \$1.5 million.

Note 9 – Subsequent events

The Authority has evaluated subsequent events through June 10, 2014 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No subsequent events are noted.

Raleigh-Durham Airport Authority
RDU Airport, North Carolina

Required Supplemental Information

Prepared by the Finance Department

RALEIGH-DURHAM AIRPORT AUTHORITY
POST EMPLOYMENT BENEFIT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
12/31/2008	\$ -	\$ 6,078,786	\$ 6,078,786	0.0%	\$ 14,562,473	41.7%
12/31/2009	-	7,591,229	7,591,229	0.0%	15,311,651	49.6%
12/31/2011	-	6,007,588	6,007,588	0.0%	15,938,472	37.7%

RALEIGH-DURHAM AIRPORT AUTHORITY
POST EMPLOYMENT BENEFIT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED

Fiscal Year Ended March 31,	Annual Required Contribution	Actual Contribution	Percentage Contribution
2010	\$ 854,455	\$ 203,635	23.8%
2011	854,455	200,929	23.5%
2012	950,981	277,663	29.2%
2013	663,839	239,192	36.0%
2014	683,754	184,940	27.0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined a part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.00%
Medical cost trend rate	9.50% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

The assumed investment rate of return reflects the fact that no assets are set aside within the Raleigh-Durham Airport Authority that are legally held exclusively for retiree health benefits. If a trust or equivalent arrangement were set up for this purpose, the investment rate of return may be increased.

RALEIGH-DURHAM AIRPORT AUTHORITY
SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
12/31/2009	\$ -	\$ 1,044,827	\$ 1,044,827	0.0%	\$ 1,387,487	75.30%
12/31/2011	\$ -	\$ 1,022,450	\$ 1,022,450	0.0%	\$ 1,349,585	75.76%

RALEIGH-DURHAM AIRPORT AUTHORITY
SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED

Fiscal Year Ended March 31	Annual Required Contribution	Amount Contributed	Percentage of APC Contributed
2009	\$ 88,614	\$ 24,569	27.73%
2010	88,614	59,826	67.51%
2011	88,614	87,200	98.40%
2012	88,614	140,234	158.25%
2013	88,614	155,222	175.17%
2014	85,056	140,171	164.80%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	4.25 - 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

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APPENDIX C

**SELECTED STATISTICAL INFORMATION REGARDING THE AUTHORITY
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

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Net Position by Component
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net Position										
Invested in capital assets, net of related debt	\$ 330,599,774	\$ 313,607,597	\$ 307,107,509	\$ 321,369,827	\$ 302,289,837	\$ 310,905,473	\$ 298,851,847	\$ 283,069,756	\$ 272,120,858	\$ 253,926,968
Restricted For:										
State of North Carolina Underground Storage Tank Trust Deductible	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000
Passenger Facility Charges	7,212,645	13,239,327	18,149,465	22,671,438	73,294,625	74,428,717	73,609,528	54,433,797	39,088,582	19,243,564
Unrestricted Net Assets	86,803,531	93,733,389	96,036,491	97,869,697	108,572,170	91,557,348	88,539,606	86,543,100	75,110,876	66,073,395
Total Net Position	\$ 424,835,950	\$ 420,800,313	\$ 421,513,465	\$ 442,130,962	\$ 484,376,632	\$ 477,111,538	\$ 461,220,981	\$ 424,266,653	\$ 386,540,316	\$ 339,463,927

Note:

Due to Raleigh-Durham Airport Authority's required adoption of GASB 63 & 65 during FY2013, the Net Position for FY2012 have been re-stated for comparative financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Last Ten Fiscal Years

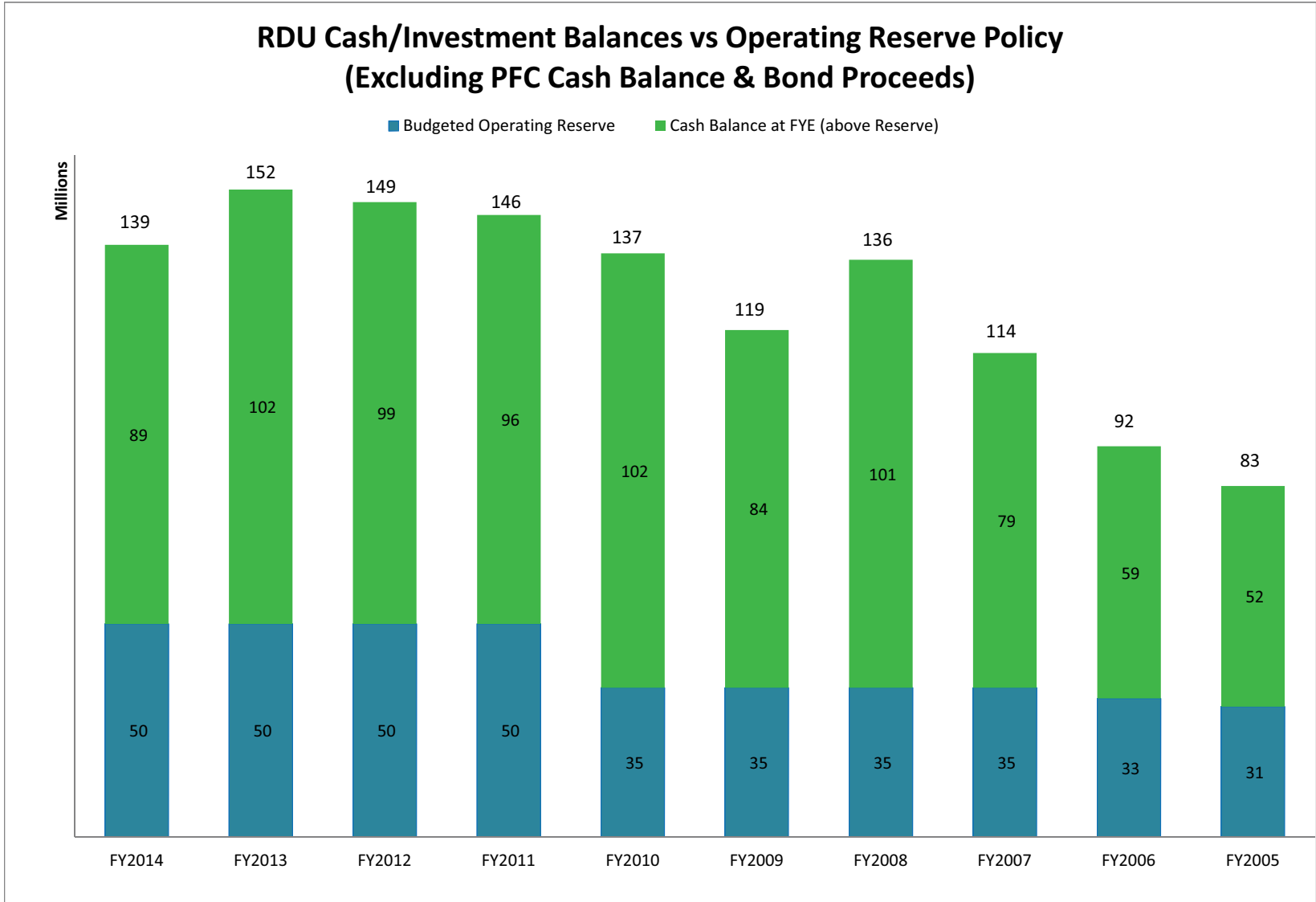
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues										
Parking	\$ 40,634,069	\$ 40,455,878	\$ 36,406,284	\$ 35,150,897	\$ 33,998,195	\$ 36,572,511	\$ 39,500,251	\$ 37,118,422	\$ 35,102,368	\$ 32,764,711
Airfield	12,158,127	11,366,233	11,930,074	11,865,742	12,499,790	10,614,546	11,308,179	10,931,805	6,852,766	7,033,600
General aviation	1,475,959	1,539,352	1,399,599	1,400,643	1,398,821	1,387,739	1,342,211	817,917	1,017,201	884,339
Terminals	26,230,425	27,022,756	27,020,695	24,632,442	23,283,910	20,459,651	18,845,460	17,692,618	16,323,512	16,427,603
Air cargo	2,032,561	2,000,218	2,300,134	2,016,233	2,004,795	1,989,512	1,959,833	1,911,283	1,741,380	1,667,054
Fuel Farm	1,260,329	1,033,960	1,041,622	972,544	961,740	927,232	565,893	1,170,945	1,166,326	1,204,611
Rental car	13,126,408	12,875,772	12,305,766	11,967,229	11,604,879	12,788,821	13,628,529	12,793,354	11,109,594	9,438,239
Other	1,779,631	1,750,567	1,980,374	1,614,048	1,416,787	1,492,178	1,208,407	1,186,009	1,079,832	1,059,597
Total operating revenues	98,697,509	98,044,736	94,384,548	89,619,778	87,168,917	86,232,190	88,358,763	83,622,353	74,392,979	70,479,754
Operating expenses										
Airport facilities	21,427,418	19,852,701	19,742,281	19,122,793	17,956,239	15,499,047	12,290,026	12,670,053	12,624,529	10,166,095
Administrative	11,439,962	10,104,828	9,631,766	9,438,549	8,201,857	8,274,367	6,684,641	5,468,321	5,212,159	4,558,154
Fuel Farm	988,781	962,410	954,405	978,378	903,815	932,042	739,965			
Law enforcement	2,621,284	3,276,244	3,352,166	3,253,639	2,848,365	3,008,371	2,987,660	2,685,681	2,710,370	2,573,268
Airport maintenance	5,682,924	5,582,380	5,147,431	5,176,960	4,828,437	4,821,408	4,247,141	3,986,311	3,711,178	3,511,927
Parking	2,734,778	2,695,904	2,752,134	2,829,332	2,416,808	2,756,988	2,644,350	2,729,983	2,586,436	2,519,168
Emergency services	1,687,521	1,588,000	1,601,134	1,614,092	1,523,960	1,461,996	1,508,453	1,313,139	1,413,059	1,337,302
Visitor services	803,492	736,912	734,451	758,323	689,040	611,002	543,024	558,204	565,644	536,617
Communications	722,262	777,618	751,792	808,140	727,856	814,682	741,821	648,163	651,726	595,018
Operations	1,277,388	1,211,335	1,127,924	1,069,994	984,061	1,004,747	919,665	938,333	906,909	923,375
Ground transportation	2,656,949	2,573,877	2,608,835	2,685,399	2,701,382	2,722,685	2,771,980	2,586,828	2,850,381	3,360,378
Terminal Services	129,396	237,313	334,352	256,996	227,699	222,382	123,352	-	-	-
Subtotal	52,172,155	49,599,522	48,738,671	47,992,595	44,009,519	42,129,717	36,202,078	33,585,016	33,232,391	30,081,662
Depreciation	47,901,680	48,678,489	49,359,167	47,095,977	47,523,955	39,245,679	33,505,153	32,581,129	28,548,381	25,845,025
Total operating expenses	100,073,835	98,278,011	98,097,838	95,088,572	91,533,474	81,375,396	69,707,231	66,166,145	61,780,772	55,926,687
Operating income (loss)	(1,376,326)	(233,275)	(3,713,290)	(5,468,794)	(4,364,557)	4,856,794	18,651,532	17,456,208	12,612,207	14,553,067
Non-operating revenues (expenses)										
Investment interest income	1,419,898	2,054,048	2,148,101	2,500,267	3,750,839	5,592,912	8,507,396	5,484,164	4,015,127	1,931,286
Passenger Facility Charges	18,323,327	18,734,688	18,424,026	18,818,814	18,940,075	19,710,529	24,006,372	20,965,795	20,632,549	15,324,824
Net decrease in fair value of investments	477,643	781,419	241,068	(404,171)	(404,147)	(40,516)	771,553	718,703	160,248	(1,119,050)
Bond interest expense, net	(25,801,032)	(27,933,517)	(29,077,558)	(25,491,187)	(22,663,862)	(15,989,551)	(15,239,195)	(9,556,465)	(9,878,616)	(9,727,743)
Loss on disposal of airport facilities	-	-	-	-	-	-	-	-	-	(219,042)
Loss on swap termination	-	-	(1,465,749)	(34,350,297)	-	(4,543,541)	-	-	-	-
Amortization of deferred expenses related to 2001A refunding	-	-	-	(5,392,913)	-	-	-	-	-	-
Other, Revenue (TSA Reimb, Late Fees, Misc)	344,365	408,133	729,996	873,263	487,820	626,545	206,670	372,260	314,989	852,613
Total non-operating revenues (expenses)	(5,235,799)	(5,955,229)	(9,000,116)	(43,446,224)	110,725	5,356,378	18,252,796	17,984,457	15,244,297	7,042,888
Income (loss) before capital contributions	(6,612,125)	(6,188,504)	(12,713,406)	(48,915,018)	(4,253,832)	10,213,172	36,904,328	35,440,665	27,856,504	21,595,955
Capital contributions	10,647,762	5,475,352	644,240	6,669,348	11,518,926	5,677,385	50,000	2,285,672	19,219,885	17,829,840
Increase (decrease) in net position	4,035,637	(713,152)	(12,069,166)	(42,245,670)	7,265,094	15,890,557	36,954,328	37,726,337	47,076,389	39,425,795
Net position, beginning of year	\$ 420,800,313	\$ 421,513,465	433,582,631	484,376,632	477,111,538	461,220,981	424,266,653	386,540,316	339,463,927	300,038,132
Net position, end of year	\$ 424,835,950	\$ 420,800,313	\$ 421,513,465	\$ 442,130,962	\$ 484,376,632	\$ 477,111,538	\$ 461,220,981	\$ 424,266,653	\$ 386,540,316	\$ 339,463,927

Note:

Due to Raleigh-Durham Airport Authority's required adoption of GASB 63 & 65 during FY2013, the Net Position for FY2012 have been re-stated for comparative financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
KEY PERFORMANCE INDICATORS
Last Ten Fiscal Years

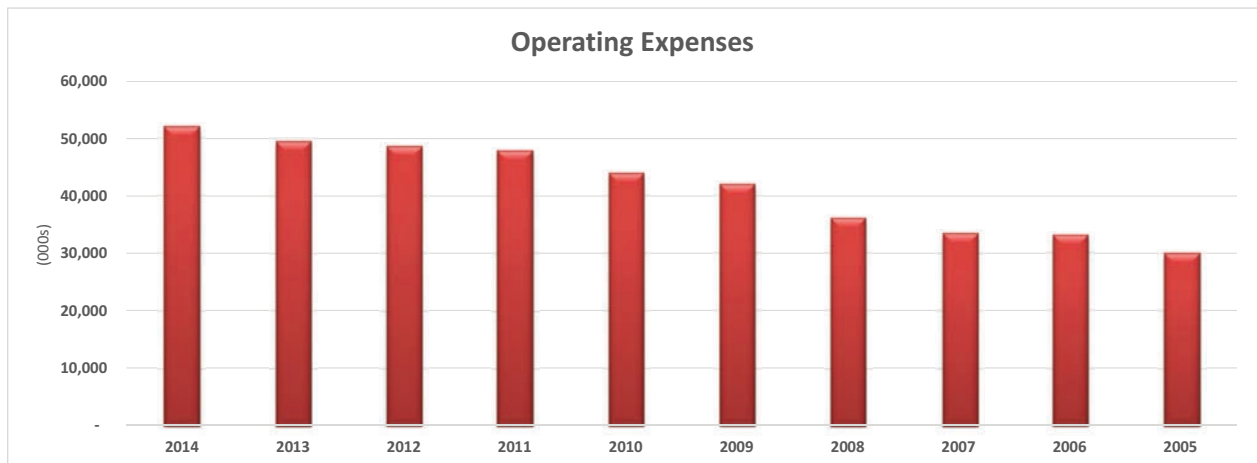
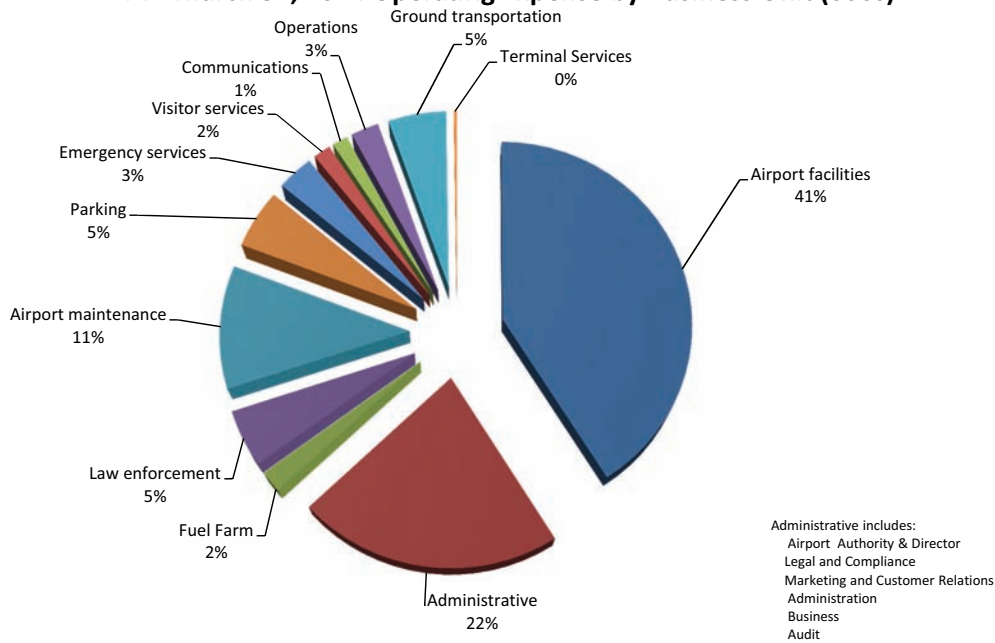
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Airline Revenue per Enplanement	\$ 6.63	\$ 6.35	\$ 6.48	\$ 6.29	\$ 6.24	\$ 5.09	\$ 4.50	\$ 4.62	\$ 3.80	\$ 4.05
Airline Revenue per Airline Operation	224.86	215.93	206.77	191.23	186.94	145.35	120.55	120.81	96.22	94.58
Total Aeronautical Revenue per Total Operation	192.56	192.23	186.22	178.95	171.91	132.04	110.81	110.80	90.68	88.99
Concession Revenue per Enplanement	1.49	1.44	1.49	1.43	1.39	1.25	1.19	1.11	1.04	1.05
Concession Revenue per Airline Operation	50.64	48.96	47.62	43.52	41.80	35.58	31.91	28.94	26.47	24.57
Rental Car Revenue per Enplanement	2.86	2.78	2.68	2.62	2.57	2.73	2.69	2.68	2.36	2.09
Rental Car Revenue per Airline Operation	96.84	94.53	85.35	79.84	77.00	77.93	71.96	70.08	59.91	48.85
Parking Revenue per Enplanement	9.13	9.01	8.18	7.95	7.76	7.99	7.87	7.85	7.53	7.40
Parking Revenue per Airline Operation	309.53	306.46	260.80	241.89	232.63	228.18	210.62	205.17	190.76	173.04
Non-Aeronautical Revenue per Enplanement	13.73	13.49	12.66	12.09	11.82	12.16	11.92	11.80	11.09	10.61
Non-Aeronautical Revenue per Airline Operation	465.46	458.76	404.01	367.65	354.43	347.08	319.05	308.42	281.06	247.99
Non-Airline Operating Revenue per Enplanement	14.84	14.79	14.05	13.43	13.18	13.32	12.92	12.91	12.03	11.56
Non-Airline Operating Revenue per Total Operation	368.95	371.62	332.51	314.97	298.45	281.39	259.97	249.71	230.23	205.89
Total Operating Revenue per Enplanement	21.47	21.14	20.53	19.72	19.41	18.41	17.43	17.53	15.83	15.60
Total Operating Revenue per Airline Operation	728.10	718.97	655.08	599.76	581.97	525.44	466.52	458.07	401.15	364.78
Total Operating Revenue per Total Operation	533.81	531.13	485.88	462.41	439.68	389.00	350.56	339.16	302.88	277.96
Total Operating Expenses per Enplanement	11.35	10.71	10.57	10.49	9.74	8.99	7.14	7.04	7.07	6.66
Total Operating Expenses per Airline Operation	384.88	364.16	337.16	319.14	292.01	256.71	191.14	183.97	179.20	155.69
Total Operating Expenses per Total Operation	282.17	269.02	250.08	246.05	220.62	190.05	143.63	136.22	135.30	118.64
Number of Days Unrestricted Cash On Hand	976	1,118	1,112	1,162	1,135	1,029	1,364	1,232	1,006	997



FYE March 31, 2014 Operating Expense by Business Unit (000s)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Airport facilities	\$ 21,427	\$ 19,853	\$ 19,742	\$ 19,123	\$ 17,956	\$ 15,499	\$ 12,290	\$ 12,670	\$ 12,625	\$ 10,166
Administrative	11,440	10,105	9,632	9,439	8,202	8,274	6,685	5,468	5,212	4,558
Fuel Farm	989	962	954	978	904	932	740	-	-	-
Law enforcement	2,621	3,276	3,352	3,254	2,848	3,008	2,988	2,686	2,710	2,573
Airport maintenance	5,683	5,582	5,147	5,177	4,828	4,821	4,247	3,986	3,711	3,512
Parking	2,735	2,696	2,752	2,829	2,417	2,757	2,644	2,730	2,586	2,519
Emergency services	1,688	1,588	1,601	1,614	1,524	1,462	1,508	1,313	1,413	1,337
Visitor services	803	737	734	758	689	611	543	558	566	537
Communications	722	778	752	808	728	815	742	648	652	595
Operations	1,277	1,211	1,128	1,070	984	1,005	920	938	907	924
Ground transportator	2,657	2,574	2,609	2,685	2,701	2,723	2,772	2,587	2,850	3,360
Terminal Services	129	237	334	257	228	222	123	-	-	-
Total	\$ 52,172	\$ 49,600	\$ 48,739	\$ 47,993	\$ 44,010	\$ 42,130	\$ 36,202	\$ 33,585	\$ 33,232	\$ 30,082

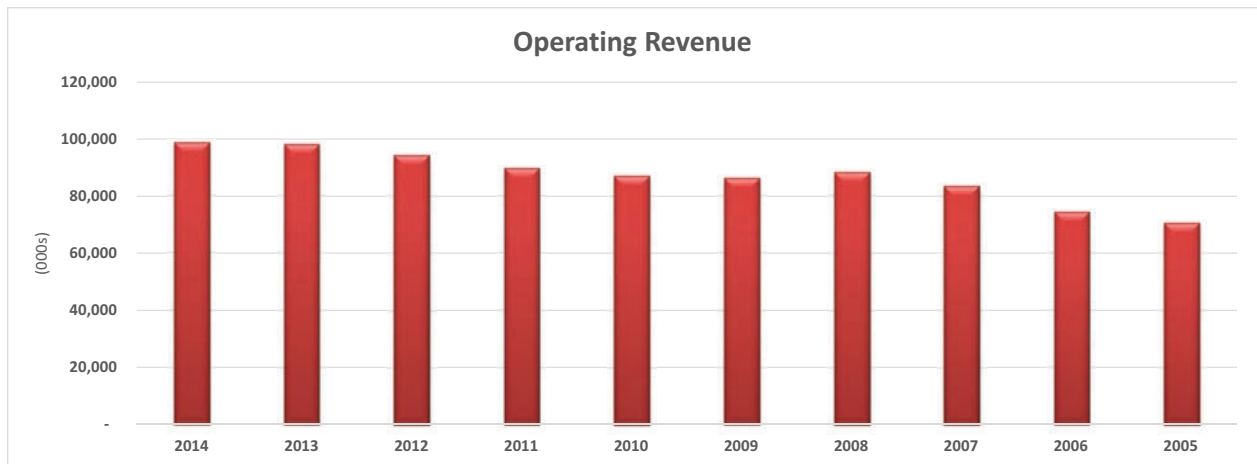
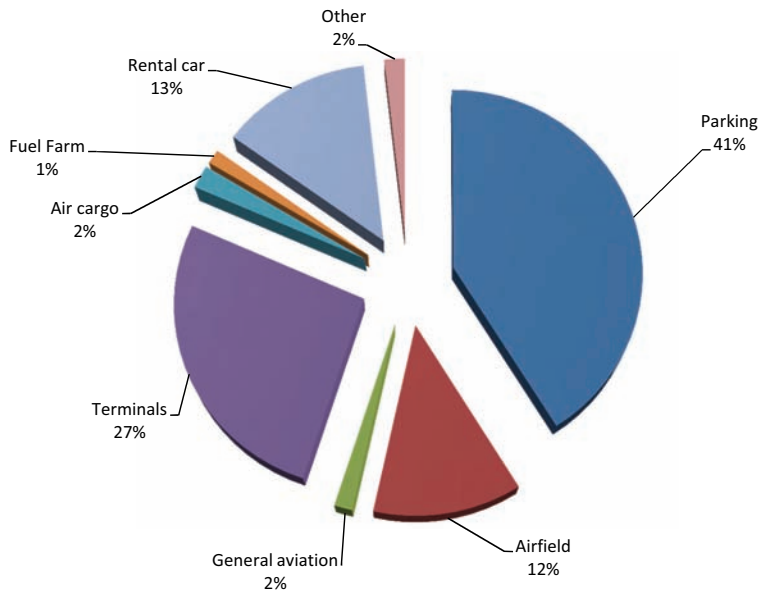
FYE March 31, 2014 Operating Expense by Business Unit (000s)



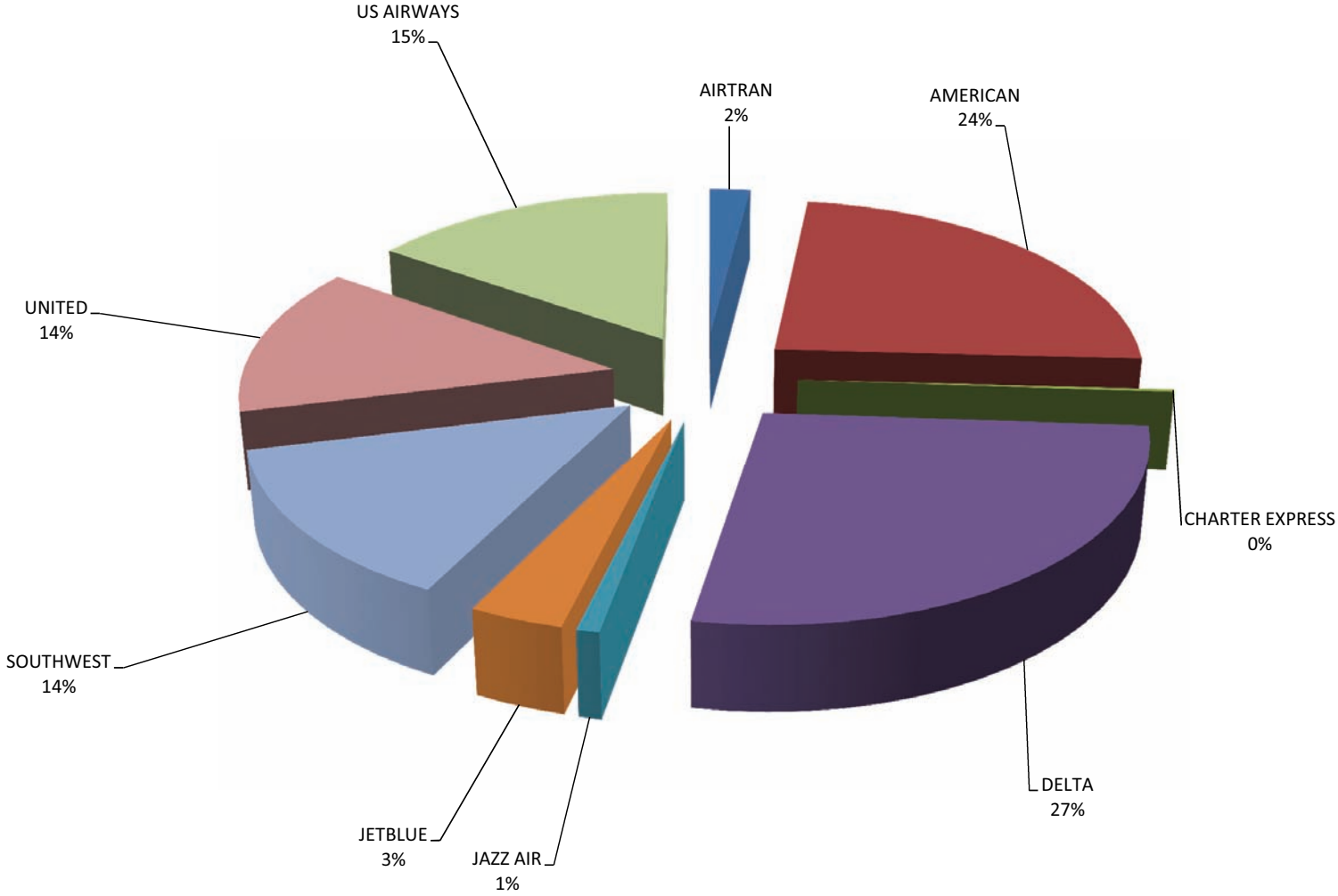
FYE March 31, 2014 Operating Revenue by Source (000s)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parking	\$ 40,634	\$ 40,456	\$ 36,406	\$ 35,151	\$ 33,998	\$ 36,573	\$ 39,500	\$ 37,118	\$ 35,102	\$ 32,765
Airfield	12,158	11,366	11,930	11,866	12,500	10,615	11,308	10,932	6,853	7,034
General aviation	1,476	1,539	1,400	1,401	1,399	1,388	1,342	818	1,017	884
Terminals	26,230	27,023	27,021	24,632	23,284	20,460	18,845	17,693	16,324	16,428
Air cargo	2,033	2,000	2,300	2,016	2,005	1,990	1,960	1,911	1,741	1,667
Fuel Farm	1,260	1,034	1,042	973	962	927	566	1,171	1,166	1,205
Rental car	13,126	12,876	12,306	11,967	11,605	12,789	13,629	12,793	11,110	9,438
Other	1,780	1,751	1,980	1,614	1,417	1,492	1,208	1,186	1,080	1,060
Total	\$ 98,698	\$ 98,045	\$ 94,385	\$ 89,620	\$ 87,169	\$ 86,232	\$ 88,359	\$ 83,622	\$ 74,393	\$ 70,480

FYE March 31, 2014 Operating Revenue by Source (000s)



FYE March 31, 2014 Airline Derived Revenue by Carrier



no carrier accounted for more than 8.04% of operating revenues

RALEIGH-DURHAM AIRPORT AUTHORITY
DEBT SERVICE SCHEDULE
with Irrevocable PFC Offsets (as committed)

RDU BONDS ISSUES	FY 2023/2024	FY 2022/2023	FY 2021/2022	FY 2020/2021	FY 2019/2020	FY 2018/2019	FY 2017/2018	FY 2016/2017	FY 2015/2016	FY 2014/2015
2005 A (Non-AMT) - \$39.805 mill (4.66%)										
Principal (May Only)	\$ 3,205,000	\$ 3,050,000	\$ 2,900,000	\$ 2,760,000	\$ 490,000	n/a	n/a	n/a	n/a	n/a
Interest (May)	753,344	829,594	902,094	971,094	980,894	980,894	980,894	980,894	980,894	980,894
Interest (November)	673,219	753,344	829,594	902,094	971,094	980,894	980,894	980,894	980,894	980,894
Total	\$ 4,631,563	\$ 4,632,938	\$ 4,631,688	\$ 4,633,188	\$ 2,441,988	\$ 1,961,788	\$ 1,961,788	\$ 1,961,788	\$ 1,961,788	\$ 1,961,788
2005 B (AMT) - \$85.49 mill (4.66%)										
Principal (May Only) PFC Application of Funds	\$ 3,270,000	\$ 3,120,000	\$ 2,965,000	\$ 2,820,000	\$ 4,820,000	\$ 5,055,000	\$ 4,810,000	\$ 4,575,000	\$ 4,355,000	\$ 4,150,000
Interest (May) PFC Application of Funds	613,806	691,806	765,931	836,431	956,931	1,083,306	1,203,556	1,317,931	1,420,156	1,522,656
Interest (November) PFC Application of Funds	540,231	613,806	691,806	765,931	836,431	956,931	1,083,306	1,203,556	1,317,931	1,420,156
Total	\$ 4,424,038	\$ 4,425,613	\$ 4,422,738	\$ 4,422,363	\$ 6,613,363	\$ 7,095,238	\$ 7,096,863	\$ 7,096,488	\$ 7,093,088	\$ 7,092,813
2007 (AMT) - \$152.070 mill (4.75%)										
Principal (May Only) PFC Application of Funds	\$ 5,000,000	\$ 4,755,000	\$ 4,525,000	\$ 4,305,000	\$ 4,095,000	\$ 3,895,000	\$ 3,705,000	\$ 3,525,000	\$ 3,355,000	\$ 3,190,000
Interest (May) PFC Application of Funds	2,642,138	2,761,013	2,874,138	2,981,763	3,084,138	3,181,513	3,274,138	3,362,263	3,445,138	3,524,888
Interest (November) PFC Application of Funds	2,517,138	2,642,138	2,761,013	2,874,138	2,981,763	3,084,138	3,181,513	3,274,138	3,362,263	3,445,138
Total	\$ 10,159,275	\$ 10,158,150	\$ 10,160,150	\$ 10,160,900	\$ 10,160,900	\$ 10,160,650	\$ 10,160,650	\$ 10,161,400	\$ 10,162,400	\$ 10,160,025
2008 C (Non-AMT) - \$72.295 mill Variable rate										
Principal (May Only) PFC Application of Funds	2,550,000	2,440,000	\$ 2,330,000	\$ 2,220,000	\$ 2,120,000	\$ 2,020,000	\$ 1,925,000	\$ 1,840,000	\$ 1,750,000	\$ 1,670,000
Interest (12 Monthly Payments) PFC Application of Funds	\$1,883,100	1,984,733	2,081,967	2,174,800	2,263,267	2,347,733	2,428,217	2,504,933	2,578,233	2,647,967
Total	\$ 4,433,100	\$ 4,424,733	\$ 4,411,967	\$ 4,394,800	\$ 4,383,267	\$ 4,367,733	\$ 4,353,217	\$ 4,344,933	\$ 4,328,233	\$ 4,317,967
2010A (Non-AMT) - \$242.365 mill (4.11%) Fixed Rate										
Principal (May Only)	\$ 8,520,000	\$ 8,105,000	\$ 7,710,000	\$ 7,330,000	\$ 6,975,000	\$ 6,635,000	\$ 6,310,000	\$ 6,005,000	\$ 5,740,000	\$ 5,510,000
Interest (May)	4,066,506	4,269,131	4,461,881	4,645,131	4,819,506	4,985,381	5,143,131	5,293,256	5,408,056	5,518,256
Interest (November)	3,853,506	4,066,506	4,269,131	4,461,881	4,645,131	4,819,506	4,985,381	5,143,131	5,293,256	5,408,056
Total	\$ 16,440,013	\$ 16,440,638	\$ 16,441,013	\$ 16,437,013	\$ 16,439,638	\$ 16,439,888	\$ 16,438,513	\$ 16,441,388	\$ 16,441,313	\$ 16,436,313
2010B - (Non-AMT) - \$94.08 mill. (4.11%) Fixed Rate										
Principal (November Only)	\$ 6,395,000	\$ 6,090,000	\$ 5,805,000	\$ 5,630,000	\$ 5,365,000	\$ 5,110,000	\$ 4,865,000	\$ 4,725,000	\$ 4,540,000	\$ 4,370,000
Interest (May)	883,625	1,035,875	1,181,000	1,265,450	1,399,575	1,527,325	1,648,950	1,719,825	1,810,625	1,898,025
Interest (November)	883,625	1,035,875	1,181,000	1,265,450	1,399,575	1,527,325	1,648,950	1,719,825	1,810,625	1,898,025
Total	\$ 8,162,250	\$ 8,161,750	\$ 8,167,000	\$ 8,160,900	\$ 8,164,150	\$ 8,164,650	\$ 8,162,900	\$ 8,164,650	\$ 8,161,250	\$ 8,166,050
2010B-1 (Non-AMT) - \$38.235 mill (4.18%) Fixed Rate										
Principal (November Only)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Interest (May)	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550
Interest (November)	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550	851,550
Total	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100	\$ 1,703,100
FY Principal Total	\$ 28,940,000	\$ 27,560,000	\$ 26,235,000	\$ 25,065,000	\$ 23,865,000	\$ 22,715,000	\$ 21,615,000	\$ 20,670,000	\$ 19,740,000	\$ 18,890,000
FY Interest Total	21,013,338	22,386,921	23,702,655	24,847,263	26,041,405	27,178,046	28,262,030	29,203,746	30,111,171	30,948,055
Total Principal and Interest	\$ 49,953,338	\$ 49,946,921	\$ 49,937,655	\$ 49,912,263	\$ 49,906,405	\$ 49,893,046	\$ 49,877,030	\$ 49,873,746	\$ 49,851,171	\$ 49,838,055
Total Principal Outstanding at end of FY	\$ 425,610,000	\$ 454,550,000	\$ 482,110,000	\$ 508,345,000	\$ 533,410,000	\$ 557,275,000	\$ 579,990,000	\$ 601,605,000	\$ 622,275,000	\$ 642,015,000
PFC Offsets to Annual Debt Service										
Irrevocable Commitment of PFC's									5,001,000	5,001,000
DEBT SERVICE P & I NET OF PFC OFFSET	\$ 49,953,338	\$ 49,946,921	\$ 49,937,655	\$ 49,912,263	\$ 49,906,405	\$ 49,893,046	\$ 49,877,030	\$ 49,873,746	\$ 44,850,171	\$ 44,837,055

Notes:

1 This schedule represents Cashflow Scheduled Debt Service. Accrual Basis interest expense will differ slightly.

2 2008 interest costs are based on estimated weekly variable rates of 4.0%. The actual average variable rates for FY 2012-2013 was 16 basis points or .16%. This interest cost excludes program costs such as liquidity and remarketing fees which total 77.5 basis pts.

RALEIGH-DURHAM AIRPORT AUTHORITY
DEBT PROFILE
3/31/2013 & 3/31/2014

Type of Debt	Series	Original Term	Tax Exempt Status	Use of Funds	Original Issue Size	3/31/2013 Debt Amount Outstanding	Principal Payments made FY 13/14	3/31/2014 Debt Amount Outstanding	
General Airport Revenue Bonds (GARBs):									
Fixed Rate	Series 2001A	30	Non-AMT	Parking Garage 4 (Defeased by 2010B,B-1 refunding)	\$ 156,975,000	\$ -		\$ -	
Fixed Rate	Series 2001B	13	Non-AMT	Refunded Parking Rev Bonds (Cash defeased March 2011)	47,570,000	-		-	
Variable Rate	Series 2002	15	AMT	Term C Lease Buyout (Paid off in August 2008)	30,000,000	-		-	
Bond Anticipation Notes	Series 2002B	1	-	Terminal 2 Bond Anticipation Notes (Paid off with 2005 Bonds)	35,000,000	-		-	
Bond Anticipation Notes	Series 2003	1	-	Terminal 2 Bond Anticipation Notes (Paid off with 2005 Bonds)	35,000,000	-		-	
Fixed Rate	Series 2005A	25	Non-AMT	Operation Center, G/A Term, 75% of Taxiway D	39,805,000	39,805,000	\$ -	39,805,000	
Fixed Rate	Series 2005B	25	AMT	Terminal 2 Project, 25% of Taxiway D	85,490,000	67,005,000	\$ 3,950,000	63,055,000	
Variable Rate swapped to Fixed	Series 2006ABCDE	30	AMT	Terminal 2 Project - New Money (Refunded by 2008ABC)	300,000,000	-		-	
Fixed Rate	Series 2007	30	AMT	Terminal 2 Project - New Money	152,070,000	146,430,000	\$ 3,035,000	143,395,000	
Variable Rate swapped to Fixed	Series 2008A	28	AMT	Refunded 2006 ABCDE Bonds	125,000,000	-		-	
Variable Rate swapped to Fixed	Series 2008B	28	AMT	Refunded 2006 ABCDE Bonds	100,000,000	-		-	
Variable Rate swapped to Fixed	Series 2008C	28	AMT	Refunded 2006 ABCDE Bonds	75,000,000	-		-	
Variable Rate	Series 2008C	27	Non-AMT	Refunded 2008C Variable Bonds to to Non-AMT	73,680,000	69,325,000	\$ 1,595,000	67,730,000	
Fixed Rate	Series 2010A	26	Non-AMT	Refunded 2008AB bonds to fixed rate and Terminate Swaps	242,365,000	232,160,000	\$ 5,320,000	226,840,000	
Fixed Rate	Series 2010B	16	Non-AMT	Refunded 2001A-Parking Garage Bonds for PV savings	94,080,000	86,045,000	\$ 4,200,000	81,845,000	
Fixed Rate	Series 2010B-1	21	Non-AMT	Refunded 2001A-Parking Garage Bonds for PV savings	38,235,000	38,235,000	\$ -	38,235,000	
Total Debt Issued					\$ 1,630,270,000				
Total Outstanding Debt						\$ 679,005,000	\$ 18,100,000	\$ 660,905,000	
Fixed versus Variable Debt									
Fixed Rate Debt						89.8%	\$ 609,680,000	89.8%	\$ 593,175,000
Variable Rate Debt (2008C bonds)						10.2%	\$ 69,325,000	10.2%	\$ 67,730,000
Total Outstanding Debt						100.0%		100.0%	\$ 660,905,000
Weighted Average Rates of Debt Portfolio at 3/31/14									
					<u>Current Rates</u>		<u>Current Wgt. Avg. Rates</u>		
Series 2005A	\$			39,805,000	4.66%		0.28%		
Series 2005B	\$			63,055,000	4.66%		0.44%		
Series 2007	\$			143,395,000	4.75%		1.03%		
Series 2008C	\$			67,730,000	0.05%	*1,*2	0.01%		
Series 2010A	\$			226,840,000	4.11%		1.41%		
Series 2010B	\$			81,845,000	4.11%		0.51%		
Series 2010B-1	\$			38,235,000	4.18%		0.24%		
					660,905,000				
Weighted Average Rate of Debt at March 31, 2014							3.92%		

*1 Excludes Program Costs such as LOC and Remarketing Fees.
*2 Weekly rate for variable bonds at March 31, 2014

**RALEIGH-DURHAM AIRPORT AUTHORITY
RDU DEMOGRAPHIC INFORMATION
2013, 2012, and 2011 (\$ in thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Population*	1,910	1,860	1,830
Median Household Income**	Unavailable	\$60.3	\$60.7
Per Capita Income***	Unavailable	\$41.4	\$40.2
Personal Income***	Unavailable	\$82,840,886	\$72,197,502
Median Age****	35.4	35.1	34.4
Unemployment Rate*****	6.4	7.7	8.6

Sources:

*CAFR Demographic and Economic Statistics for City of Raleigh, Wake County, City of Durham, and Durham County

**U.S. Census Bureau, 2010-2011 American Community Survey for Durham MSA and Raleigh-Cary MSA

***U.S. Department of Commerce, Bureau of Economic Analysis

****U.S. Census Bureau, American Fact Finder

*****U.S. Department of Labor, Bureau of Labor Statistics

Raleigh-Durham Airport Authority
Raleigh-Durham Triangle Top Employers
Current year and Nine years Ago

The Authority primarily serves the Research Triangle; officially named the Raleigh-Durham-Cary CSA (combined statistical area). Major employers of the region include:

	2013			2004		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Duke University	34,863	1	4.31%	19,205	3	3.66%
State of North Carolina	24,083	2	2.98%	23,639	2	4.51%
International Business Machines	20,000	3	2.48%	27,000	1	5.15%
Wake County Public Schools	17,572	4	2.17%	12,997	4	2.48%
Glaxosmithkline	7,840	5	0.97%	9,800	5	1.87%
N C State University at Raleigh	8,080	6	1.00%	7,787	6	1.48%
Wake Med	8,423	7	1.04%	5,000	8	0.95%
Rex Healthcare	5,400	8	0.67%	3,779		0.72%
SAS Institute, Inc.	5,159	9	0.64%	4,300	10	0.82%
Cisco Systems, Inc.	5,500	10	0.68%	0		0.00%
Durham Public Schools	4,600		0.57%	4,500	9	0.86%
Nortel Networks, Inc.	-		-	7,100	7	1.35%
Total	141,520		17.52%	125,107		23.87%

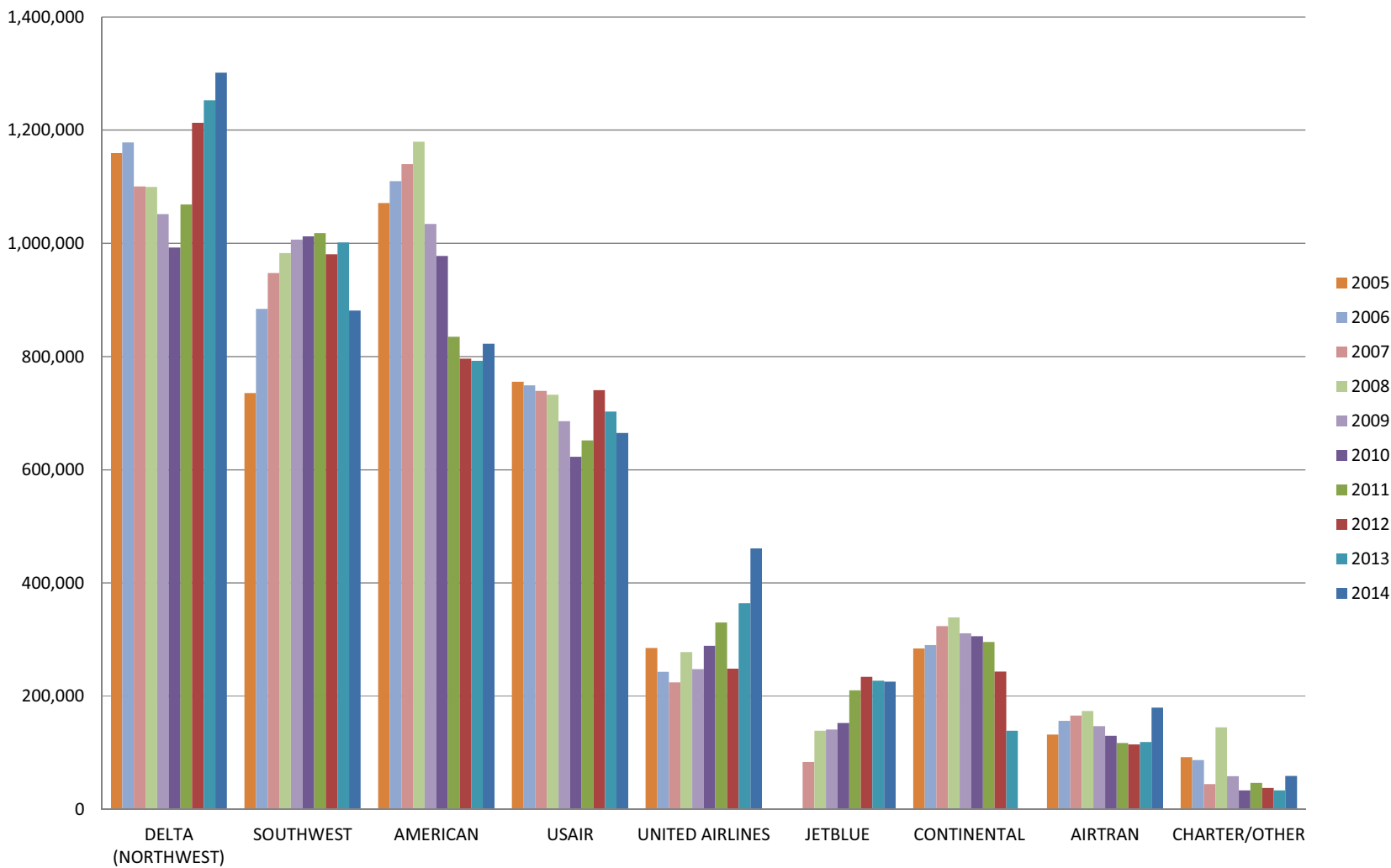
Source - Wake County 2013 CAFR - Greater Raleigh Chamber of Commerce
Durham County 2013 CAFR - Durham Chamber of Commerce

RALEIGH-DURHAM AIRPORT AUTHORITY
ACTIVITY STATISTICS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Passengers</u>	<u>Aircraft Operations</u>	<u>Cargo Volume (lbs)</u>
2014	9,165,624	184,893	165,745,265
2013	9,234,825	184,370	170,671,119
2012	9,199,631	194,895	170,616,488
2011	9,147,426	195,051	191,632,110
2010	9,001,247	199,483	198,545,086
2009	9,367,703	221,676	211,264,605
2008	10,110,183	252,051	237,097,547
2007	9,543,800	246,557	230,839,499
2006	9,280,471	245,615	240,313,100
2005	8,929,913	253,563	236,196,270
2004	7,964,067	227,140	212,777,512

Source: Raleigh Durham Airport Authority Activity Reports
Aircraft operations represents the total number of take-offs and landings passe

Enplaned Passengers by Airline



RALEIGH-DURHAM AIRPORT AUTHORITY
ENPLANED PASSENGERS BY AIRLINE
Last Ten fiscal Years

	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
DELTA (NORTHWEST)	1,301,608	28.3%	1,252,801	27.0%	1,213,745	26.3%	1,068,655	23.4%	992,524	22.0%	1,051,656	22.4%	1,099,792	21.7%	1,100,558	23.1%	1,178,088	25.1%	1,159,475	25.7%
SOUTHWEST	881,332	19.2%	1,001,494	21.6%	980,621	21.3%	1,018,029	22.3%	1,012,673	22.4%	1,006,841	21.5%	982,935	19.4%	947,658	19.9%	884,222	18.8%	735,767	16.3%
AMERICAN	822,556	17.9%	792,398	17.1%	796,502	17.3%	835,120	18.3%	977,895	21.6%	1,034,070	22.1%	1,179,470	23.3%	1,139,890	23.9%	1,110,052	23.6%	1,071,109	23.7%
USAIR	665,133	14.5%	702,779	15.2%	740,900	16.1%	652,031	14.3%	623,142	13.8%	685,798	14.6%	732,835	14.5%	739,632	15.5%	749,050	15.9%	755,734	16.7%
UNITED AIRLINES	461,097	10.0%	364,127	7.9%	248,920	5.4%	330,210	7.2%	289,275	6.4%	247,776	5.3%	277,971	5.5%	224,345	4.7%	243,139	5.2%	285,439	6.3%
JETBLUE	225,960	4.9%	227,676	4.9%	234,131	5.1%	210,642	4.6%	152,583	3.4%	141,066	3.0%	139,057	2.7%	83,762	1.8%	-	0.0%	-	0.0%
CONTINENTAL	0	0.0%	139,311	3.0%	243,467	5.3%	295,864	6.5%	306,178	6.8%	311,410	6.6%	339,065	6.7%	323,886	6.8%	290,413	6.2%	284,350	6.3%
AIRTRAN	179,787	3.9%	119,079	2.6%	115,128	2.5%	117,280	2.6%	130,365	2.9%	147,364	3.1%	173,880	3.4%	166,071	3.5%	156,488	3.3%	132,538	2.9%
CHARTER/OTHER	59,425	1.3%	33,619	0.7%	38,071	0.8%	46,946	1.0%	33,687	0.7%	58,717	1.3%	144,989	2.9%	44,996	0.9%	87,470	1.9%	92,387	2.0%
TOTAL	4,596,898		4,633,284		4,611,485		4,574,777		4,518,322		4,684,698		5,069,994		4,770,798		4,698,922		4,516,799	

RALEIGH-DURHAM AIRPORT AUTHORITY
ENPLANED PASSENGERS BY MONTH
Last Ten Fiscal Years

	Avg %	Monthly	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
		Avg										
April	8.37%	390,802	384,101	394,240	385,934	378,833	386,257	418,666	418,819	392,703	380,756	367,706
May	8.95%	417,569	417,581	411,004	415,626	400,240	395,931	449,221	448,600	417,233	433,395	386,862
June	9.24%	431,321	426,151	428,277	422,735	421,754	413,735	462,195	476,806	434,149	437,868	389,541
July	9.25%	431,536	410,540	414,839	427,336	427,675	429,806	454,330	469,881	425,489	434,254	421,211
August	8.76%	408,761	396,153	411,880	391,839	399,923	399,927	422,091	463,413	414,456	408,259	379,669
September	7.80%	364,166	359,375	369,095	369,392	365,295	354,093	354,490	391,222	365,120	367,430	346,150
October	8.84%	412,617	406,059	406,522	412,907	411,232	403,843	410,727	437,609	414,758	415,225	407,289
November	8.36%	390,414	374,721	392,065	389,412	393,364	374,480	364,782	423,622	412,364	398,876	380,453
December	8.48%	395,688	414,239	383,896	383,279	391,540	386,585	394,997	408,355	411,925	389,339	392,727
January	6.86%	320,072	317,903	323,135	314,555	312,767	309,391	301,606	344,556	344,263	322,342	310,198
February	6.67%	311,320	293,120	311,865	313,715	299,202	291,670	298,697	356,028	329,166	309,689	310,045
March	8.43%	393,332	396,955	386,466	384,755	372,952	372,604	352,896	431,083	409,172	401,489	424,948
TOTAL		4,667,598	4,596,898	4,633,284	4,611,485	4,574,777	4,518,322	4,684,698	5,069,994	4,770,798	4,698,922	4,516,799
Increase (Decrease) over Prior Period			-0.79%	0.47%	0.80%	1.25%	-3.55%	-7.60%	6.27%	1.53%	4.03%	-15.52%

C-15

RALEIGH-DURHAM AIRPORT AUTHORITY
LANDED WEIGHTS BY AIRLINE (in 000's)
Last Ten Fiscal Years

C-16

	2014		2013		2012		2011		2010		2009		2008		2007		2006		2005			
Airlines																						
AIRTRAN	215,944.00	3.6%	138,728.00	2.4%	145,040.00	2.4%	138,872.00	2.3%	151,096.00	2.6%	180,448.00	2.8%	205,139.50	2.9%	198,704.40	3.0%	187,720.00	2.8%	173,347.00	2.5%		
AMERICAN	986,670.96	16.5%	919,158.66	15.6%	945,195.49	15.5%	1,015,421.03	16.9%	1,199,345.76	20.2%	1,379,141.10	21.3%	1,607,897.87	22.6%	1,523,329.49	22.8%	1,505,417.37	22.7%	1,645,876.05	23.9%		
CONTINENTAL	-	0.0%	162,017.87	2.7%	270,259.18	4.4%	325,660.65	5.4%	340,284.20	5.7%	373,257.38	5.8%	384,852.43	5.4%	362,923.19	5.4%	344,040.62	5.2%	385,542.22	5.6%		
DELTA (NORTHWEST)	1,641,585.56	27.4%	1,503,386.91	25.5%	1,453,246.74	23.8%	1,281,754.58	21.4%	1,161,039.90	19.6%	1,003,810.20	15.5%	1,359,023.24	19.1%	1,375,437.80	20.6%	1,516,711.35	22.8%	1,573,666.02	22.8%		
FRONTIER	28,369.50	0.5%	-	0.0%	21,676.26	0.4%	44,847.02	0.7%														
JAZZ AIR	46,540.00	0.8%	50,752.20	0.9%	60,363.90	1.0%	53,752.30	0.9%	45,646.20	0.8%	53,016.00	0.8%	56,440.20	0.8%	50,440.00	0.8%	47,199.10	0.7%	50,937.60	0.7%		
JETBLUE	266,986.60	4.5%	256,642.70	4.4%	269,025.40	4.4%	249,735.30	4.2%	190,769.30	3.2%	191,153.00	3.0%	181,688.29	2.6%	111,472.05	1.7%	-	0.0%	-	0.0%		
SOUTHWEST	1,058,200.00	17.7%	1,239,454.00	21.0%	1,226,814.00	20.1%	1,205,886.00	20.1%	1,237,984.00	20.9%	1,347,980.00	20.8%	1,341,806.00	18.8%	1,252,454.00	18.7%	1,153,776.00	17.4%	961,466.00	14.0%		
UNITED AIRLINES	517,664.64	8.6%	396,819.39	6.7%	516,571.08	8.5%	484,409.56	8.1%	473,476.75	8.0%	338,950.28	5.2%	500,564.32	7.0%	277,076.37	4.1%	302,447.09	4.6%	326,738.88	4.7%		
USAIR	797,467.20	13.3%	818,145.79	13.9%	752,766.08	12.3%	716,733.08	12.0%	658,321.50	11.1%	1,089,778.74	16.9%	916,638.79	12.9%	979,503.06	14.7%	934,136.28	14.1%	1,022,003.89	14.8%		
CHARTER/OTHER	20,016.10	0.3%	17,455.00	0.3%	24,926.00	0.4%	16,968.50	0.3%	17,939.83	0.3%	18,950.42	0.3%	52,098.00	0.7%	17,555.00	0.3%	76,643.00	1.2%	161,340.60	2.3%		
Cargo																						
UPS	137,312.21	2.3%	132,418.44	2.2%	133,429.52	2.2%	134,900.60	2.3%	131,023.68	2.2%	134,318.30	2.1%	135,892.78	1.9%	137,229.12	2.1%	141,256.62	2.1%	132,010.20	1.9%		
FEDERAL EXPRESS	269,512.50	4.5%	251,156.00	4.3%	244,371.30	4.0%	250,699.30	4.2%	239,169.60	4.0%	237,093.50	3.7%	248,939.35	3.5%	255,424.55	3.8%	253,415.45	3.8%	234,744.70	3.4%		
OTHERS		0.0%	8,286.66	0.1%	33,463.32	0.5%	75,258.66	1.3%	79,123.00	1.3%	118,319.30	1.8%	129,820.35	1.8%	139,504.31	2.1%	182,545.56	2.7%	222,102.00	3.2%		
TOTAL	5,986,269.27	100.0%	5,894,421.62	100.0%	6,097,148.27	100.0%	5,994,898.58	100.0%	5,925,219.72	100.0%	6,466,216.22	100.0%	7,120,801.12	100.0%	6,681,053.34	100.0%	6,645,308.44	100.0%	6,889,775.16	100.0%		

Raleigh-Durham Airport Authority Capital Assets and Other Airport Information

About the Airport: Raleigh-Durham International Airport (the Airport or RDU) is owned and operated by the Raleigh-Durham Airport Authority (the Authority). The General Assembly of North Carolina enacted legislation on March 9, 1939 enabling the Cities of Raleigh and Durham, and the Counties of Wake and Durham to jointly establish, operate and maintain an airport and to appoint members to a board to be known as the "Aeronautics Authority for the City of Raleigh, City of Durham, County of Durham and County of Wake". The enabling act further authorized the Aeronautics Authority to "act in an administrative capacity and be vested with the Authority to control, lease, maintain, improve, operate, and regulate the joint airport or landing field." In 1941, the name of the Aeronautics Authority was changed to the "Raleigh-Durham Airport Authority." Amendments to the Authority's enabling legislation have been enacted from time to time to define and expand the Authority's powers to operate the Airport.

RDU serves 9.2 million passengers on 7 major airlines and serves 39 international and nonstop destinations with an average of 180 daily flights. In the fiscal year 2013-14 98% of all passengers at the airport enplaned on domestic flights and 2% enplaned on international flights.

Location: The Airport is located midway between the cities of Raleigh and Durham, primarily in Wake County, approximately 11 miles southeast of Durham and 11 miles northwest of Raleigh. The Airport encompasses approximately 5,100 acres, of which approximately 2,075 acres are developed.

Terminals: Passenger terminal facilities at the Airport are located in two separate buildings known as Terminal 1 and Terminal 2. Terminal 1 (previously called Terminal A) includes an area once known as "Terminal B," which was the site of the passenger terminal originally opened in October 1955.

Terminal 1 was placed in service in January 1982 and consisted of approximately 296,000 square feet of floor space and had provided 23 contact gates served by loading bridges. The Authority completed a project to renovate and modernize Terminal 1. Construction on this \$68 million project is completed on April 13, 2014. Terminal 1 is home to Southwest Airlines and AirTran Airways. The terminal operates with 9 gates.

Terminal 2 (replacement for Terminal C), is a \$573 million state-of-the-art, common use, passenger terminal that opened on October 26, 2008. The second phase of the Terminal, the South Concourse, opened January 23, 2011. The completed Terminal consists of approximately 920,000 square feet, with a total of 36 gates. Terminal 2 currently serves Air Canada, American Airlines, Continental Airlines, Delta Airlines, JetBlue Airways, United Airlines, US Airways and Charter Express.

Runways: RDU has two primary runways and one secondary runway.

Runway One: 5L/23R 10,000' L, 150' W; CAT II (5L), CAT III (23R)

Runway Two: 5R/23L 7,500' L, 150' W; CAT I (5R), CAT II (23L)

Runway Three: 14/32 3,550' L, 100' W; not equipped to handle most commercial aircraft.

Parking Spaces: The airports total parking capacity is approximately 20,350 vehicles.

4 - Parking Garages	11,000 spaces approximately
4 - Park & Ride Parking Lots	9,100 spaces approximately
General Aviation Parking Lot	250 spaces approximately

RALEIGH-DURHAM AIRPORT AUTHORITY
GRANT AWARDS HISTORY
 Last Ten Fiscal Years

PURPOSE OF GRANT			
Fiscal			
Year	<u>Security</u>	<u>Construction</u>	<u>Total</u>
2014	\$ 325,375	\$ 10,566,576	\$ 10,891,951
2013	389,704	5,286,908	\$ 5,676,612
2012	552,148	594,240	1,146,388
2011	573,561	6,619,348	7,192,909
2010	540,492	11,468,926	12,009,418
2009	688,069	5,627,385	6,315,454
2008	751,336	-	751,336
2007	740,696	2,235,672	2,976,368
2006	723,438	19,774,665	20,498,103
2005	675,532	17,510,647	18,186,179
Total	<u>\$ 5,960,351</u>	<u>\$ 79,684,367</u>	<u>\$ 85,644,719</u>

Source: Schedule of Expenditures of Federal Awards

Raleigh-Durham Airport Authority
Employee Headcount
Last Ten Fiscal Years

<u>Year Ending</u>	<u>Number of employees</u>
2014	273
2013	270
2012	273
2011	271
2010	271
2009	273
2008	261
2007	233
2006	236
2005	228

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APPENDIX D

**SUMMARIES OF THE MASTER TRUST INDENTURE AND THE TWELFTH
SUPPLEMENTAL TRUST INDENTURE**

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APPENDIX D

SUMMARIES OF THE MASTER TRUST INDENTURE AND THE TWELFTH SUPPLEMENTAL TRUST INDENTURE

Definitions

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Trust Indenture and the Twelfth Supplemental Trust Indenture.

“Accreted Value” shall mean, with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond.

“Act” shall mean The State and Local Government Revenue Bond Act, constituting Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended from time to time.

“Aggregate Annual Debt Service” shall mean for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Bonds and Unissued Program Bonds. For purposes of calculating Aggregate Annual Debt Service the following components of debt service shall be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment shall (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds and Unissued Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent paragraph (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Bonds shall be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Bonds or Unissued Program Bonds constitute Balloon Indebtedness (excluding Program Bonds or Unissued Program Bonds to which paragraph (f) applies), then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless paragraph (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a period of 20 years (or the actual number of years over which such Balloon Indebtedness is to be amortized, if greater than 20 years, but in no event greater 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 Indebtedness was issued, and extending not later than the stated or deemed, as the case may be, final maturity of such Balloon Indebtedness, but in no event later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation shall be that rate equal to the current market rate for a similar obligation with such assumed amortization as set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the interest rate or rates at which the Authority could reasonably expect to borrow the

same 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, Unissued Program Bonds or Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable and, with respect to any Series of Bonds, Unissued Program Bonds or Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in paragraph (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date and paragraph (b) above shall not apply thereto unless there is delivered to the person making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Authority Representative annexing a letter evidencing a binding commitment of an institutional lender or municipal underwriting firm to provide financing to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness 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 Aggregate Annual Debt Service, provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (b) above and shall be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Bonds (including Program Bonds) or any Bonds which are then proposed to be issued constitute Tender Indebtedness (but excluding Program Bonds or Bonds as to which a Qualified Swap is in effect and to which paragraph (a) or (h) applies), then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Bonds were to be amortized over the stated term of such Tender Indebtedness but in any case not more than 30 years commencing in the year in which such Tender Indebtedness is first subject to tender and with substantially level Annual Debt Service payments and extending not later than the actual final maturity date of such Tender Indebtedness but in any case not more than 30 years from the date such Tender Indebtedness was originally issued; the interest rate used for such computation shall be a rate equal to the current market rate for a similar obligation with such assumed amortization as set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the interest rate at which the Authority could reasonably expect to borrow the same by incurring indebtedness with the same terms 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; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in paragraph (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in paragraph (e) or (f) below, as appropriate;

(e) if any Outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in subparagraph (h)(ii) below to the extent it applies (except to the extent paragraph (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness or

subparagraph (h)(i) below relating to Synthetic Fixed Rate Debt applies), the interest rate on such Variable Rate Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect and the principal amount of such Variable Rate Indebtedness Outstanding) for the most recent twelve (12) month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve (12) month period), except that with respect to new Variable Rate Indebtedness proposed to be incurred, the interest rate for such Variable Rate Indebtedness shall be a rate equal to the current market rate for a similar obligation of a corresponding term as set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the interest rate at which the Authority could reasonably expect to borrow the same by incurring indebtedness with the same terms 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;

(f) with respect to any Program Bonds or Unissued Program Bonds, it shall be assumed that the full principal amount of such Unissued Program Bonds will be amortized over a term certified by an Authorized Authority Representative at the time the initial Program Bonds of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date the initial Program Bonds of such Program are issued and it shall be assumed that debt service shall be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation shall be a rate equal to the current market rate for a similar obligation with such assumed amortization as set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the interest rate at which the Authority could reasonably expect to borrow the same by incurring indebtedness with the same terms 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;

(g) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, shall be calculated as provided in the Indenture;

(h) (i) for purposes of computing the Aggregate Annual Debt Service of Bonds that constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the Authority elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Authority fails so to elect, then it shall be deemed to be a rate equal to the current market rate for a fixed rate obligation with the same amortization and terms as such Bonds that constitute Synthetic Fixed Rate Debt as set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the interest rate at which the Authority could reasonably expect to borrow the same by incurring indebtedness with the same terms as assumed above;

(ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Swap has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds shall elects, be the sum of that rate as determined in

accordance with paragraph (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Aggregate Annual Debt Service; and

(j) if Passenger Facility Charges or federal or state grants or other moneys have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest, then the principal and/or interest to be paid from such Passenger Facility Charges or federal or state grants or other moneys or from earnings thereon shall be disregarded (unless such Passenger Facility Charges are included in the definition of Revenues) and not included in calculating Aggregate Annual Debt Service.

“Aggregate Annual Debt Service For Reserve Requirement” shall mean the computation of Aggregate Annual Debt Service for a Debt Service Reserve Fund with respect to all Outstanding Bonds participating in an identified Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Aggregate Annual Debt Service For Reserve Requirement for the respective Debt Service Reserve Fund, if any, for a Series of Bonds, the Annual Debt Service with respect to any Variable Rate Indebtedness shall, upon the issuance of such Series participating in a Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in paragraph (e) of the definition of Aggregate Annual Debt Service, and the amount so determined shall not require adjustment thereafter except as appropriate to reflect reductions in the Outstanding principal amount of such Series. For purposes of the Aggregate Annual Debt Service For Reserve Requirement, the Annual Debt Service requirements assumed at the time of issuance of a Series of Bonds containing Balloon Indebtedness or Tender Indebtedness shall not, with respect to such Series, require subsequent increases. In addition, the Twelfth Supplemental Indenture provides that for purposes of computing the Reserve Requirement of the Parity Reserve Fund, the adjustment set forth in subsection (j) of the definition of Aggregate Annual Debt Service (relating to the exclusion from Aggregate Annual Debt Service of PFCs and certain federal or state grants under the terms set forth therein) shall be disregarded in computing the Aggregate Annual Debt Service for Reserve Requirement.

“Airport Director” shall mean the person at a given time who is the executive director of the Authority or such other title as the Authority may from time to time assign for such position and the officer or officers succeeding to such position as certified to the Trustee by the Authority.

“Airport Facilities” or *“Airport Facility”* shall mean a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

“Airport System” shall mean all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including the Raleigh-Durham International Airport and any area of land or water which is designated for the landing and taking off of aircraft, whether or not facilities are provided for the shelter, servicing or repairing of aircraft, or for receiving or discharging passengers or cargo and all appurtenant areas used or suitable for airport buildings or other airport facilities and all appurtenant rights-of-way, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such

location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control.

“Annual Budget” shall mean the Authority’s budget for a Fiscal Year adopted pursuant to the provisions of the Local Government Budget and Fiscal Control Act.

“Annual Debt Service” shall mean, with respect to any Bond, the aggregate amount of Revenues required to be set aside in the respective Debt Service Fund during the Fiscal Year to satisfy the funding requirements for future payments of principal and interest, plus, if a Qualified Swap is in effect for any Bond, the amount payable by the Authority (or the Trustee) under the Qualified Swap calculated in accordance with the principles and assumptions set forth in the definition of Aggregate Annual Debt Service, less any amount to be received by the Authority from the Qualified Swap Provider pursuant to the Qualified Swap.

“Authority” shall mean the Raleigh-Durham Airport Authority, created under provisions of Chapter 168, Public Local Laws of 1939 of the State of North Carolina, as amended from time to time, and any successor to its functions. Any action required or authorized to be taken by the Authority in the Indenture may be taken by the Authorized Authority Representative with such formal approvals by the Authority as are required by the policies and practices of the Authority and applicable laws provided, however, that any action taken by the Authorized Authority Representative in accordance with the provisions of the Indenture shall conclusively be deemed by the Trustee and the Owners to be the act of the Authority without further evidence of the authorization thereof by the Authority.

“Authority General Counsel” shall mean the general counsel to the Authority who is responsible for representing the Authority on legal matters.

“Authorized Amount” shall mean, when used with respect to Bonds, including Bonds issued pursuant to a Program, the maximum Principal Amount of Bonds which is then authorized by a resolution or Supplemental Indenture adopted by the Authority pursuant to the Indenture to be Outstanding at any one time under the terms of such Program or Supplemental Indenture. If the maximum Principal Amount of Bonds or Program Bonds authorized by a preliminary resolution or form of Supplemental Indenture approved by the Authority pursuant to the Indenture exceeds the maximum Principal Amount of Bonds set forth in the final definitive Supplemental Indenture executed and delivered by the Authority pursuant to which such Bonds are issued or such Program is established, the Principal Amount of such Bonds or Program Bonds as is set forth in said final definitive Supplemental Indenture as executed and delivered by the Authority shall be deemed to be the “Authorized Amount.”

“Authorized Authority Representative” shall mean the Airport Director or such other officer or employee of the Authority or other person, which other officer, employee or person has been designated by the Airport Director as an Authorized Authority Representative by written notice delivered by the Airport Director to the Trustee.

“Balloon Indebtedness” shall mean, with respect to any Series of Bonds (other than Commercial Paper, Revenue Bond Anticipation Notes or other short-term paper), fifty percent (50%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“*Bond*” or “*Bonds*” shall mean any indebtedness of the Authority secured by a senior lien upon Net Revenues, including taxable or tax-exempt obligations issued under and in accordance with the provisions of the Indenture. The term “*Bond*” or “*Bonds*” does not include any Subordinated Obligation; provided, however, that the Authority may provide in a Supplemental Indenture to the Indenture that Subordinated Obligations may be thenceforth issued pursuant to the Indenture having the terms applicable to the Bonds, except that such Subordinated Obligations shall be junior and subordinate in payment of such Subordinated Obligations from the Net Revenues.

“*Bond Counsel*” shall mean a firm or firms of attorneys that are nationally recognized as experts in the area of municipal finance and that are familiar with the transactions contemplated under the Indenture and that are acceptable to the Authority.

“*Bondholder*,” “*holder*,” “*Owner*,” “*owner*” or “*registered owner*” shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and shall include any Credit Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of the Indenture.

“*Business Day*” shall mean a day on which banks located in New York, New York, in Raleigh, North Carolina and in the city in which the principal corporate trust office of the Trustee is located are open.

“*Capital Appreciation Bonds*” shall mean Bonds, all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capital Improvements Budget*” shall mean the budget for capital improvements for a Fiscal Year adopted by the Authority in accordance with the Indenture.

“*Capitalized Interest*” shall mean the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee in the Debt Service Fund as shall be described in a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*Chairman*” shall mean the chairman of the Authority or such other title as the Authority may from time to time assign for such position.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto,

“*Commercial Paper*” shall mean notes of the Authority with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Authority,

“*Commercial Paper Program*” shall mean a Program authorized by the Authority pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Construction Fund*” shall mean any of the Construction Funds authorized to be created as provided by the Indenture.

“*Consultant*” shall mean any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Authority to perform acts and carry out the duties provided for such consultant in the Indenture.

“*Costs*” or “*Costs of a Project*” shall mean all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Authority or Independent Consultant; (d) costs of the Authority properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Capitalized Interest, a Debt Service Reserve Fund, if any and Trustee’s, Registrar’s and Paying Agent’s fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds; and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Authority. Costs or Costs of a Project shall not be deemed to include any costs related to the payment of any sales tax by the Authority.

“*Costs of Issuance*” shall mean all costs and expenses incurred by the Authority in connection with the issuance and sale of the Series 2015 Bonds, including, but not limited to, legal expenses incurred by the Authority, underwriter’s fees and expenses, costs and expenses of printing and copying documents, cost of preparation of the official statement, the feasibility report and the Series 2015 Bonds.

“*Credit Facility*” shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on or the purchase price of Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Authority fails to do so,

“*Credit Provider*” shall mean the party obligated to make payment of principal of and/or interest on or the purchase price of the Bonds under a Credit Facility; provided, however, that the Credit Provider may not be the Trustee unless an arrangement satisfactory to the Local Government Commission has been established including, but not limited to, designating a co-trustee or separate trustee for the purpose of drawing on the Credit Facility. If and to the extent permitted by law and with the prior approval of the Local Government Commission (unless all Outstanding Bonds have received a rating of AA or better by at least one of the Rating Agencies the Authority has asked to maintain a rating, in which case such approval of the Local Government Commission shall not be required), the Authority may be a Credit Provider only for the purpose of providing liquidity support.

“Debt Service Fund” or *“Debt Service Funds”* shall mean a Debt Service Fund or any of the Debt Service Funds required to be created as provided by the Indenture.

“Debt Service Reserve Fund” shall mean any Debt Service Reserve Fund created by the Authority pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of the Indenture and as specified in any Supplemental Indenture.

“Debt Service Reserve Fund Surety Policy” shall mean an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Debt Service Reserve Fund created for one or more Series of Outstanding Bonds in lieu of or in partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy shall be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

“Deputy Director for Finance, Business and Administration” shall mean the person at a given time who is the deputy airport director of the Authority or such other title as the Authority may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Trustee by the Authority.

“Designated Debt” shall mean a specific indebtedness, designated by the Authority, in which such debt shall be offset with a Swap, such specific indebtedness to include all or any part of a Series of Bonds or multiple Series of Bonds.

“Director of Finance” shall mean the person at a given time who is the director of finance of the Authority or such other title as the Authority may from time to time assign for such position and the officer or officers succeeding to such position as certified to the Trustee by the Authority.

“Event of Default” shall mean any occurrence or event specified in the Indenture.

“FAA” means the Federal Aviation Administration or any successor organization or entity succeeding to the Federal Aviation Administrator’s principal functions.

“Facilities Construction Credit” and *“Facilities Construction Credits”* shall mean the amounts further described in the Indenture resulting from an arrangement embodied in a written agreement of the Authority and another person or entity pursuant to which the Authority permits such person or entity to make a payment or payments to the Authority which is reduced by the amount owed by the Authority to such person or entity under such agreement, resulting in a net payment to the Authority by such person or entity. The *“Facilities Construction Credit”* shall be deemed to be the amount owed by the Authority under such agreement which is “netted” against the payment of such person or entity to the Authority.

“Fifth Supplemental Indenture” shall mean the Fifth Supplemental Trust Indenture, dated as of March 1, 2005, between the Authority and the Trustee, as supplemented and amended from time to time.

“First Supplemental Indenture” shall mean the First Supplemental Trust Indenture, dated as of February 1, 2001, between the Authority and the Trustee, which sets forth the terms of the Series 2001 Bonds, as supplemented and amended from time to time.

“Fiscal Year” shall mean the period of time beginning on April 1 of each year and ending on March 31 of the following year, or such other similar period as the Authority designates as its fiscal year.

“*Fitch*” shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Fitch*” shall be deemed to refer to any nationally recognized rating agency designated by the Authority.

“*Government Obligations*” shall mean (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to calling or redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds, and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Bonds to be defeased have determined to be permitted defeasance securities.

“*Indenture*” shall mean the Master Trust Indenture, dated as of February 1, 2001, between the Authority and the Trustee, as amended, together with all Supplemental Indentures.

“*Independent*” shall mean, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Authority, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Authority as an official, officer or employee.

“*Initial Bonds*” or “*Series 2001 Bonds*” shall mean the Raleigh-Durham Airport Authority Airport Revenue Bonds, Series 2001A and the Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2001B.

“*Interest Account*” shall mean the account with that name established within the Series 2015 Debt Service Fund pursuant to the Twelfth Supplemental Indenture.

“*Interest Payment Date*” shall mean May 1 and November 1, commencing November 1, 2015, the dates upon which interest on the Series 2015 Bonds become due and payable.

“*Local Government Budget and Fiscal Control Act*” shall mean Article 3 of Chapter 159 of the General Statutes of North Carolina, as amended from time to time.

“*Local Government Commission*” shall mean the Local Government Commission of North Carolina, a division of the Department of State Treasurer, established by Section 159-3 of the General Statutes of North Carolina, and any successor or successors thereto. When the consent or approval of the Local Government Commission is required by the terms of the Indenture, such consent or approval may be obtained from the Local Government Commission, the Executive Committee of the Local Government Commission or any authorized representative of the Local Government Commission.

“*Mail*” shall mean first-class United States mail, postage prepaid.

“Maintenance and Operation Expenses of the Authority” shall mean, for any given period, the total maintenance and operation expenses of the Authority as modified from time to time, excluding depreciation expenses, allowances for any amortization of financing expenses and maintenance and operation expenses of any Special Facilities for so long as any Special Facility Obligations are outstanding.

For purposes of testing compliance with the rate covenant set forth in the Indenture and the limitations on additional Bonds described in the Indenture, Maintenance and Operation Expenses of the Authority will be calculated based upon generally accepted accounting principles, except that such calculation will include and exclude those items specifically included and excluded above.

“Master Subordinated Trust Indenture” shall mean a separate trust indenture entered into by the Authority with the Subordinated Obligation Trustee which provides for the issuance or incurrence of Subordinated Obligations.

“Maximum Aggregate Annual Debt Service” shall mean the maximum amount of Aggregate Annual Debt Service with respect to all Bonds, Unissued Program Bonds and the Authorized Amount of all Bonds then proposed to be issued in the then current or any future Fiscal Year.

“Maximum Aggregate Annual Debt Service For Reserve Requirement” shall mean the computation of the maximum Aggregate Annual Debt Service for a Debt Service Reserve Fund with respect to all Outstanding Bonds participating in an identified Debt Service Reserve Fund in the then current or any future Fiscal Year.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer be performing the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the Authority.

“Net Proceeds” shall mean (a) insurance proceeds received as a result of damage to or destruction of Airport Facilities (other than a Special Facility or Special Facilities so long as Special Facility Obligations are outstanding) plus (b) any condemnation award or amounts received by the Authority from the sale of Airport Facilities under the threat of condemnation (other than a Special Facility or Special Facilities so long as Special Facility Obligations are outstanding) less (c) expenses (including attorneys’ fees and expenses and any fees and expenses of the Trustee) incurred in the collection of such proceeds or award.

“Net Revenues” shall mean, for any given period, the Revenues for such period less, for such period, the Maintenance and Operation Expenses of the Authority.

“Non-Qualified Swap” shall mean any Swap which is not a Qualified Swap.

“Original Issue Discount Bonds” shall mean Bonds which are sold at an initial public offering price of less than face value,

“Outstanding” when used with respect to Bonds shall mean all Bonds which have been authenticated and delivered under the Indenture, except:

- (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

- (b) Bonds deemed to be paid in accordance with the Indenture;
- (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;
- (e) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Repayment Obligations deemed to be Bonds under the Indenture to the extent such Repayment Obligation arose under the terms of a Credit Facility and are secured by a pledge of Outstanding Bonds acquired by the Credit Provider; and
- (g) For purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Indenture, Bonds held by or for the account of the Authority or by any person controlling, controlled by or under common control with the Authority, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Parity Reserve Fund*” shall mean the Debt Service Reserve Fund established in the First Supplemental Indenture as the “Series 2001 Reserve Fund” and renamed the “Parity Reserve Fund” in the Fifth Supplemental Indenture, which secures the Series 2007 Bonds, the Series 2010 Bonds, the Series 2015 Bonds and any additional Bonds that may hereafter be secured by the Parity Reserve Fund on a *pari passu* basis.

“*Passenger Facility Charges*” shall mean charges collected by the Authority pursuant to 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 System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” or “*Paying Agents*” shall mean, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Indenture or a resolution of the Authority as the place where such Bonds shall be payable. “*Paying Agent*” shall mean, with respect to the Series 2015 Bonds, the Trustee.

“*Payment Date*” shall mean, with respect to any Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

“*Permitted Investments*” shall mean the following investments, but only to the extent such investments are permitted by § 159-30 of the General Statutes of North Carolina, as amended from time to time:

- (a) Government Obligations;
- (b) Obligations of the Federal Financing Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration;

(c) Obligations of the State rated in one of the two highest rating categories by Moody's and S&P;

(d) Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;

(e) savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State or by any federal bank or savings and loan association having its principal office in the State; provided, however that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations described in (a) or (b) above;

(f) prime quality commercial paper bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;

(g) participating shares in the cash portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;

(h) repurchase agreements with respect to Government Obligations if (1) entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, as amended, which is a dealer recognized as a primary dealer by a Federal Reserve bank with a short-term rating of not less than "P-1" from Moody's and not less than "A-1" from S&P, or any commercial bank, trust company or national banking association rated "A" or better by Moody's and S&P, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof, or (2) the repurchase agreement constitutes a "repurchase agreement" within the meaning of the United States Bankruptcy Code, if:

1. such obligations that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the Authority, or any financial institution serving either as trustee for the Authority or as fiscal agent for the Authority or are supported by a safekeeping receipt issued by a depository satisfactory to the Authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the Authority holding the obligations subject to a repurchase agreement or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;
2. a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the Authority, have been established for the benefit of the Authority or its assignee;

3. such securities are free and clear of any adverse third-party claims;
 4. such repurchase agreement is in a form satisfactory to the Authority; and
- (i) any other investment now or hereafter permitted for investment of funds by the Authority by the General Statutes of North Carolina.

“*PFC*” or “*PFCs*” shall mean passenger facility fees authorized under 49 U.S.C. §40117, or any predecessor or successor law, and approved by the FAA from time to time, or such other similar charge or fee imposed by the Authority on passengers enplaned within the Airport System.

“*PFC Eligible Bonds*” shall mean Bonds, issued under the Indenture the payment of principal of, premium, if any, and interest on which may be made from PFC Revenues pursuant to applicable rules and regulations of the FAA.

“*PFC Revenues*” shall mean revenues collected by the Authority from the imposition of PFCs.

“*PFC Revenue Fund*” shall mean the fund created and designated as the Raleigh-Durham Airport Authority Airport PFC Revenue Fund by the Fifth Supplemental Indenture.

“*Principal Amount*” or “*principal amount*” shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest) except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, in which case “Principal Amount” means the initial principal amount of a Capital Appreciation Bond (the difference between the Accreted Value and the initial principal amount being deemed interest), (b) with respect to any Original Issue Discount Bond, the principal amount thereof, unless the Supplemental Indenture under which such Bond was issued shall specify a different amount, in which case, the terms of the Supplemental Indenture shall control, and (c) with respect to any other Bonds, the principal amount of such Bond payable at maturity or in satisfaction of a sinking fund requirement, if any.

“*Program*” shall mean a financing program identified in a Supplemental Indenture including but not limited to, a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Authority and as to which the items required under the Indenture have been filed with the Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes including, but not limited to, Commercial Paper or other indebtedness in an Authorized Amount, and (c) the Authorized Amount of which has met the additional Bonds test set forth in the Indenture and the outstanding amount of which may vary from time to time, but may not exceed the Authorized Amount.

“*Program Bonds*” shall mean Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Bonds.

“*Project*” shall mean any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Bonds.

“*Qualified Self-Insurance*” is defined in the Indenture.

“*Qualified Swap*” shall mean any Swap (a) whose Designated Debt is all or part of a particular Series or multiple Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60-day period preceding the date on which the calculation of Annual

Debt Service or Average Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Bonds.

“Qualified Swap Provider” shall mean a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap, are (i) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations are rated at least “A1”, in the case of Moody’s and “A+”, in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (ii) fully secured by obligations described in items (a) or (b) of the definitions of Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien on behalf of the Trustee, and (D) free and clear from all third-party liens.

“Rating Agency” and *“Rating Agencies”* shall mean Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations acceptable to the Local Government Commission, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

“Rating Category” and *“Rating Categories”* shall mean (a) with respect to any long-term rating category, 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 (b) with respect to any short-term or commercial paper rating category, 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 Fund” shall mean any fund created by the Authority pursuant to a Supplemental Indenture in connection with the issuance of the Bonds or any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for, and payment of, amounts to the United States of America.

“Record Date” shall mean, with respect to any Series of Bonds, the record date as specified in the Supplemental Indenture which provides for the issuance of such Series. *“Record Date”* shall mean, with respect to the Series 2015 Bonds, the fifteenth day of the month preceding each Interest Payment Date, regardless of whether such fifteenth day is or is not a Business Day.

“Redemption Account” shall mean the account with that name established within the Series 2015 Debt Service Fund pursuant to the Twelfth Supplemental Indenture.

“Refunding Bonds” shall mean any Bonds issued pursuant to the Indenture to refund or defease all or a portion of any Series of Outstanding Bonds or any Subordinated Obligations.

“Registrar” shall mean, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Indenture or a resolution of the Authority to perform the function of Registrar under the Indenture or any Supplemental Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Indenture. *“Registrar”* shall mean, for purposes of the Twelfth Supplemental Indenture, the Trustee.

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

“*Released Revenues*” shall mean revenues of the Authority in respect of which the following have been filed with the Trustee:

(a) a written request of the Airport Director to release such category of Revenues, accompanied by a written certificate of the Airport Director and the Finance Manager certifying the Authority is in compliance with all requirements of the Indenture;

(b) a report of an Independent certified public accountant to the effect that Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for each of the two audited Fiscal Years prior to the date of such report were equal to at least 150% of the Maximum Aggregate Annual Debt Service;

(c) a certificate of a Consultant retained by the Authority to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of Revenues proposed to become Released Revenues, for the current Fiscal year will be equal to at least 150% of Maximum Aggregate Annual Debt Service;

(d) Rating Agency confirmation that the ratings then assigned to any Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of Released Revenues; and

(e) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Revenues and from the pledge, charge and lien of the Indenture will not in and of itself cause the interest on any Outstanding Bond issued as tax-exempt securities to be included in gross income for purposes of federal income tax.

“*Repayment Obligation*” shall mean an obligation arising under a written agreement of the Authority and a Credit Provider pursuant to which the Authority agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on or the purchase price of any Bonds.

“*Reserve Requirement*” shall mean an amount equal to the least of (a) Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Debt Service Reserve Fund, (b) ten percent (10%) of the principal amount of the Series of Bonds that have been issued and are participating in the Debt Service Reserve Fund, less the amount of original issue discount with respect to such Series of Bonds if such original issue discount exceeded 2% of such Series of Bonds at the time of their original sale and (c) 125% of the average Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Debt Service Reserve Fund. The Reserve Requirement may be composed of cash, Permitted Investments or a Debt Service Reserve Fund Surety Policy, or any combination of the foregoing, as the Authority may determine; provided, however, that the consent of the Local Government Commission is required before a Debt Service Reserve Fund Surety Policy may be used to satisfy all or a portion of the Reserve Requirement.

“*Responsible Officer*” shall mean an officer or assistant officer of the Trustee assigned by the Trustee to administer the Indenture.

“*Revenue Bond Anticipation Notes*” shall mean any revenue bond anticipation notes issued by the Authority in compliance with the provisions of the Indenture.

“*Revenue Fund*” shall mean the Revenue Fund established by the Authority and held and maintained by the Authority in compliance with the provisions of the Indenture.

“*Revenues*” shall mean, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, rental or business interruption insurance proceeds received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, “*Revenues*” shall include all income, receipts and earnings from the investment of amounts held in the Revenue Fund, any Debt Service Fund (except Capitalized Interest on deposit therein), any Debt Service Reserve Fund and the Construction Fund (except any earnings allowed by the terms of a Supplemental Indenture to be used to fund the Construction Fund), the income and gains realized upon the maturity or sale of securities held by or on behalf of the Authority (except any income and gains allowed by the terms of a Supplemental Indenture to be used to fund the Construction Fund) and such additional revenues, if any, as are designated as “*Revenues*” under the terms of any Supplemental Indenture. The following, including any investment earnings thereon, are specifically excluded from *Revenues*: (i) gifts, grants and other income otherwise included in this definition of “*Revenues*” which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, (ii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds (except to the extent Net Proceeds are utilized to pay Maintenance and Operating Expenses of the Airport System), (iii) any Transfer, (iv) any Special Facility Revenue, (v) any gain or loss from the sale, exchange or other disposition of capital assets of the Authority, (vi) any Released Revenues and (vii) any unrealized gains or losses on securities held for investment by or on behalf of the Authority. In addition, the following, including any investment earnings thereon, are specifically excluded from “*Revenues*,” unless designated as “*Revenues*” under the terms of a Supplemental Indenture or pursuant to a resolution of the Authority: (i) any Swap Termination Payments paid to the Authority pursuant to a Qualified Swap, (ii) Facilities Construction Credits, (iii) Passenger Facility Charges, (iv) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Bonds, (v) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (vi) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Indenture are specifically excluded from “*Revenues*,” unless otherwise provided for in such Supplemental Indenture.

For purposes of testing compliance with the rate covenant set forth in the Indenture and the limitations on additional Bonds described in the Indenture, *Revenues* will be calculated based upon generally accepted accounting principles, except that such calculation will include and exclude those items specifically included or excluded above.

“*Serial Bonds*” shall mean Bonds for which no sinking fund installment payments are provided.

“*Series*” shall mean Bonds designated as a separate Series by a Supplemental Indenture and, with respect to Program Bonds or a Commercial Paper Program, shall mean the full Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Indenture, designated as separate Series.

“*Series 2001 Bonds*” shall mean the Authority’s Airport Revenue Bonds, Series 2001A and Airport Revenue Bonds, Series 2001B, each dated February 27, 2001.

“*Series 2007 Bonds*” shall mean the Authority’s Airport Revenue Bonds, Series 2007 (AMT), each dated May 31, 2007.

“*Series 2010 Bonds*” shall mean, collectively, the Bonds issued under the Indenture and the Eleventh Supplemental Indenture and designated the “Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2010A (Non-AMT),” the “Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2010B (Non-AMT)” and the “Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2010B (Non-AMT).”

“*Series 2015 Bonds*” shall mean, collectively, the Series 2015A Bonds and the Series 2015B Bonds.

“*Series 2015A Bonds*” shall mean the Bonds issued under the Indenture and the Twelfth Supplemental Indenture and designated “Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2015A (AMT).

“*Series 2015A Debt Service Fund*” shall mean the Debt Service Fund of such designation established in the Twelfth Supplemental Indenture and into which money is to be deposited to pay debt service on the Series 2015A Bonds.

“*Series 2015B Bonds*” shall mean the Bonds issued under the Indenture and the Twelfth Supplemental Indenture and designated “Raleigh-Durham Airport Authority Airport Revenue Refunding Bonds, Series 2015B (Non-AMT).

“*Series 2015B Debt Service Fund*” shall mean the Debt Service Fund of such designation established in the Twelfth Supplemental Indenture and into which money is to be deposited to pay debt service on the Series 2015B Bonds.

“*Significant Portion*” shall mean, for purposes of the Indenture, any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Authority at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition, would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Authority directly attributable to such Airport Facilities. The Authority shall notify each of the Rating Agencies from whom the Authority has requested ratings and who are then maintaining a rating on any of the Bonds prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

“*S&P*” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., which is a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“*Special Facilities*” or “*Special Facility*” shall mean a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the Indenture.

“*Special Facility Obligations*” shall mean bonds or other debt instruments issued pursuant to an indenture other than the Indenture to finance Special Facilities and which are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

“Special Facility Revenue” shall mean the contractual payments and all other revenues derived by the Authority from a Special Facility which are pledged to secure Special Facility Obligations.

“Specified Project” shall mean a Project or a group of alternative Projects which are described in a certificate of an Authorized Authority Representative delivered to the Consultant preparing the certificate described in the Indenture, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate under the Indenture.

“State” shall mean the State of North Carolina.

“Subordinated Obligation” shall mean any bond, note or other debt instrument, issued or otherwise entered into by the Authority which ranks junior and subordinate to the Bonds and which 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, redemption or acceleration have been paid in full and the Authority is current on all payments, if any, required to be made to replenish all Debt Service Reserve Funds. “Subordinated Obligations” are not Bonds for purposes of the Indenture; provided, however, that the Authority may henceforth by Supplemental Indenture elect to have the provisions of the Indenture applicable to the Bonds apply to the Subordinated Obligations issued thereunder, except that in all cases such Subordinated Obligations shall 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 or other instrument of indebtedness shall be deemed to be a “Subordinated Obligation” for purposes of the Indenture and payable on a subordinated basis from Net Revenues unless specifically designated by the Authority as a “Subordinated Obligation” in a Supplemental Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in effect, the term “Subordinated Obligation” includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Authority under each such Swap, as the context requires. The term “Subordinated Obligations” also includes a Swap or the obligations of the Authority under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Bonds with respect to which a Qualified Swap is in effect or proposed to be in effect, the term “Subordinated Obligation” includes any Swap Termination Payment if designated as a Subordinated Obligation in a Supplemental Indenture. In addition to the foregoing, obligations of the Authority under the District Financing Agreement are “Subordinated Obligations” for purposes of the Indenture.

“Subordinated Obligation Debt Service Reserve Fund” shall mean any Debt Service Reserve Fund created by the Authority pursuant to a Supplemental Indenture in connection with the issuance of any Subordinated Obligation and that is required to be funded for the purpose of providing additional security for such Subordinated Obligation and under certain circumstances to provide additional security for such other designated Subordinated Obligation issued pursuant to the terms of the Indenture and as specified in the Master Subordinated Trust Indenture or any Supplemental Indenture.

“Subordinated Obligation Trustee” shall mean the entity named and serving as the trustee under the Master Subordinated Trust Indenture, until a successor replaces it and, thereafter, shall mean such successor.

“Supplemental Indenture” shall mean any document supplementing or amending the Indenture or providing for the issuance of Bonds and entered into as provided in the Indenture.

“Surplus Fund” shall mean the Surplus Fund created by the Authority pursuant to the Indenture.

“*Swap*” shall mean any financial arrangement between the Authority and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

“*Swap Provider*” shall mean a party to a Swap with the Authority.

“*Swap Termination Payment*” shall mean an amount payable by the Authority or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tax Certificate*” shall mean the certificate of the Authority prepared by Bond Counsel and delivered by the Authority at the time of issuance and delivery of any Series of Bonds, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the Authority as to the status of such Bonds under the Code.

“*Tender Indebtedness*” shall mean any fixed rate Bond or Variable Rate Indebtedness which by its terms entitles or requires a holder to tender all or a portion of such Bonds or Variable Rate Indebtedness to the Authority, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Bonds or Variable Rate Indebtedness or portions thereof be purchased if properly presented.

“*Term Bonds*” shall mean Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Indenture for such Series for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

“*Transfer*” shall mean (a) the amount in the Surplus Fund on the last Business Day of a Fiscal Year plus (b) any amounts withdrawn from the Surplus Fund during such Fiscal Year to pay Maintenance and Operation Expenses of the Authority and to make any required payments or deposits to pay or secure the payment of the principal, purchase price or redemption premium of and interest on the Outstanding Bonds less (c) any amounts credited to the Surplus Fund from the Revenue Fund as of the last Business Day of such Fiscal Year; provided, however, that the amount of any Transfer shall not exceed 25% of Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

“*Trustee*” shall mean the entity named as such in the heading of the Indenture until a successor replaces it and, thereafter, shall mean such successor.

“*Twelfth Supplemental Indenture*” shall mean the Twelfth Supplemental Trust Indenture, dated as of June 1, 2015, between the Authority and the Trustee, which sets forth the terms of the Series 2015 Bonds, as supplemented and amended from time to time.

“*Unissued Program Bonds*” shall mean the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and secured by a senior lien on Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the Authority pursuant to a resolution adopted by the Authority and with respect to which Program the items described in the Indenture have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

“*United States Bankruptcy Code*” shall mean Title 11 U.S.C., Section 101 *et seq.*, as amended or supplemented from time to time, or any successor federal act.

“*United States Obligations*” shall mean direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “*United States Obligations*” shall include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“*Variable Rate Indebtedness*” shall mean any Bond the interest rate on which is not, at the time in question, fixed to maturity excluding any Commercial Paper whether or not issued as part of a Commercial Paper Program.

THE MASTER TRUST INDENTURE

In addition to certain information contained under the captions “THE 2015 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS” and “OUTSTANDING INDEBTEDNESS AND DEBT SERVICE SCHEDULE” in the Official Statement, the following is a summary of certain provisions of the Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Indenture.

Grant to Secure Bonds; Pledge of Net Revenues

To secure the payment of the interest, principal and premium, if any, on the Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Indenture or contained in the Bonds, the Authority pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the Authority in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Indenture, and to the extent provided in any Supplemental Indenture moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on

amounts included in provisions (a) and (b) above (except to the extent excluded from the definition of Revenues by the Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by the Granting Clause, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds. Any Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security or Credit Facility provided for specific Bonds, a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, Series of Bonds or one or more Series of Bonds and, therefore, shall not be included as security for all Bonds under the Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities held in trust as provided in the Indenture exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under the Indenture shall be held solely for the payment of such specific Bonds.

Form, Execution, Delivery and Registration of Bonds

Additional Bonds. The Authority shall not issue additional Bonds unless the requirements of paragraph (a) below are satisfied, or, in the case such additional Bonds are Refunding Bonds, unless the requirements of paragraphs (b) or (c) below are satisfied.

(a) The Authority has provided to the Trustee the following: (i) the Authority's most recent audited financial statements, and its unaudited statements for the period, if any, from the date of such audited statements through the most recently completed Fiscal Year quarter; (ii) either evidence indicating that, as of the date of issuance of such additional Bonds, the Authority is in compliance with the rate covenant as described in the Indenture, or, if applicable, evidence of compliance with the rate covenant including the Airport Consultant's recommendation and documentation of measures taken to revise the schedule of rentals, rates, fees and charges; and (iii) either

(A) a Consultant retained by the Authority has provided to the Trustee a certificate stating that, based upon reasonable assumptions, projected Net Revenues will be sufficient to satisfy the rate covenant set forth in Section 5.04 (disregarding any Bonds or Subordinated Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the additional Bonds proposed to be issued) for each of the next five full Fiscal Years following issuance of the additional Bonds, or each full Fiscal Year from issuance of the additional Bonds through two full Fiscal Years following completion of the Projects financed by the additional Bonds proposed to be issued, whichever is later; provided, that if Capitalized Interest on any Bonds and proposed additional Bonds is to be applied in the last Fiscal Year of the period described in this sentence, the Consultant shall extend the test through the first full Fiscal Year for which there is no longer Capitalized interest, or

(B) an Authorized Authority Representative has provided to the Trustee a certificate stating that Net Revenues for the most recent Fiscal Year preceding the date of issuance of the proposed Series of Bonds were no less than 125% of Maximum Aggregate Annual Debt Service on all Bonds that would be Outstanding after the issuance of the additional Bonds proposed to be issued.

(b) With respect to additional Bonds proposed to be issued to refund Outstanding Bonds, either the requirement set forth in (a) (as the same may be amended from time to time) is satisfied or the Authority has provided to the Trustee evidence that following the proposed issuance of the refunding Bonds and application of the proceeds thereof, the Aggregate Annual Debt Service in each Fiscal Year on all Bonds Outstanding shall not be more than one hundred ten percent (110%) of the Aggregate Annual Debt Service of all Outstanding Bonds as scheduled for such Fiscal Year prior to the proposed refunding.

(c) With respect to additional Bonds proposed to be issued to refund outstanding Subordinated Obligations, the requirement set forth in paragraph (a) above is satisfied.

For purposes of (a)(iii)(A) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport Facilities 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 have been approved by the Authority and will be in effect during the period for which the estimates are provided or (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Maintenance and Operation Expenses of the Authority, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Maintenance and Operation Expenses of the Authority, (ii) Maintenance and Operation Expenses of the Authority associated with the Projects and any other new Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Authority, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service or Maximum Aggregate Annual Debt Service, which calculations may be based upon information provided by the Authority or another Consultant.

For purposes of (a)(iii)(B) above, no Transfer shall be taken into account in the computation of Revenues by the Authorized Authority Representative.

In addition, for purposes of (a)(iii)(B) above, the Authority shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Series of Bonds but which, during the last completed Fiscal Year or 12-month period, was not in effect for the entire Fiscal Year or 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole of the last completed Fiscal Year or 12-month period, as shown by the certificate or opinion of a Consultant retained by the Authority.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Authority Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles.

Neither of the certificates described under (a)(iii)(A) or (a)(iii)(B) above shall be required if the proceeds of Bonds being issued will be used to pay costs of completing a Project for which Bonds have previously been issued and the Principal Amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the Principal Amount of the Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the Trustee (i) a Consultant's certificate

stating that the nature and purpose of such Project has not materially changed and (ii) a certificate of an Authorized Authority Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (B) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose).

If a Credit Provider makes payment of principal or interest on a Bond or advances funds to pay or provide for the purchase price of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under the Indenture, and, if afforded such status, the Credit Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the issuance of the original Bond for which the Credit Facility was provided and will not be subject to the provisions of the Indenture regarding issuance of additional Bonds. The payment terms of the thus-deemed Bond held by the Credit Provider under the Indenture shall be the stated terms of the Repayment Obligation (unless otherwise provided in the Supplemental Indenture pursuant to which the Bonds are issued). Any amount which comes due on the Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be a Subordinated Obligation of the Authority. This provision shall not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under the Indenture.

Revenue Bond Anticipation Notes. Revenue Bond Anticipation Notes may be issued by the Authority from time to time for any purpose for which Bonds may be issued under the Indenture.

Revenues and Funds

Bonds Secured by a Pledge of and Lien on Net Revenues. The Bonds authorized and issued under the provisions of the Indenture shall be secured as provided in the Granting Clauses of the Indenture. The Authority represents and states that it has not previously created any pledge, charge or lien on or any security interest in the Revenues or the Net Revenues and the Authority covenants that, until all the Bonds authorized and issued under the provisions of the Indenture and the interest thereon shall have been paid or are deemed to have been paid, it will not, except as otherwise provided under the Indenture, grant any prior or parity pledge of or any security interest in the Net Revenues or any of the other security which is pledged pursuant to the Granting Clauses of the Indenture or create or permit to be created any pledge, charge or lien thereon or any security interest therein ranking prior to or on a parity with the pledge, charge or lien of the Bonds from time to time Outstanding under the Indenture. The Authority may, as provided in and as limited by the Indenture, grant a lien on or security interest in the Net Revenues to secure Subordinated Obligations.

Receipt, Deposit and Use of Revenues—Revenue Fund. The Authority covenants and agrees that commencing on the day of the delivery of the Initial Bonds all Revenues when and as received, shall be deposited by the Authority in the Revenue Fund. So long as no Event of Default exists and is continuing, the Revenue Fund shall remain in the possession of the Authority. If an Event of Default has occurred and is continuing, or if the Authority shall fail to comply with the rate covenant set forth in the Indenture, the Authority shall (i) endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and deliver such endorsed instruments daily to the Trustee; (ii) notify any and all account debtors of the Authority to pay any

amounts representing Revenues, when due and owing, directly to the Trustee, as Trustee, at the address set forth in the Indenture and (iii) deliver to the Trustee all money and Permitted Investments then held by the Authority in the Revenue Fund. The Authority shall comply with all the requirements of the next preceding sentence until the Trustee is satisfied that the Event of Default or non-compliance with the rate covenant set forth in the Indenture has been cured. Notwithstanding anything contained in the Indenture or in any Supplemental Indenture to the contrary, during such period of default or non-compliance with the rate covenant set forth in the Indenture, the Trustee shall, in its sole discretion, dispose of the Revenues pursuant to the terms of the Indenture and the Authority shall not be entitled to use or withdraw any of the Revenues unless and to the extent that the Trustee in its sole discretion so directs for the payment of current or past due Maintenance and Operation Expenses of the Authority.

As long as there are any Outstanding Bonds, all Revenues on deposit in the Revenue Fund shall be reflected on the books of the Authority as set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

Maintenance and Operation Expenses of the Authority. A sufficient amount of Revenues shall be set aside from time to time in the Revenue Fund to be used to pay the current Maintenance and Operation Expenses of the Authority.

Debt Service Funds. A sufficient amount of Revenues shall be transferred by the Authority to the Debt Service Funds at the times and in the manner provided in the Indenture, to provide for the payment of principal and interest becoming due on the Authority's Outstanding Bonds.

Debt Service Reserve Fund. A sufficient amount of Revenues shall be transferred by the Authority to any Debt Service Reserve Fund, as specified in a Supplemental Indenture to be used in the manner provided in the Indenture.

Subordinated Obligation Debt Service Fund. A sufficient amount of Revenues shall be transferred by the Authority to the Subordinated Obligation Trustee or Paying Agent in such amounts and at such times as are sufficient to pay the principal and interest becoming due on any Subordinated Obligations in the manner set forth in the District Financing Agreement or any Supplemental Indenture providing for the issuance thereof.

Subordinated Obligation Debt Service Reserve Fund. A sufficient amount of Revenues shall be transferred by the Authority to the Subordinated Obligation Debt Service Reserve Fund, if any, as specified in a Supplemental Indenture to be used in the manner provided in the Indenture.

Moneys on deposit in the Revenue Fund may be used from time to time to pay the cost of any additions, improvements, repairs, renewals or replacements to the Airport System set forth in the Capital Improvements Budget; provided, however, that the use of such moneys shall not impair the Authority's ability to make the payments required to be made to the funds listed above.

Funding of Debt Service Funds. The Trustee shall, at least fifteen (15) Business Days prior to each Payment Date on any Bond, give the Authority notice by telephone, promptly confirmed in writing, of the amount after taking into account any Capitalized Interest on deposit in the Debt Service Fund, required to be deposited with the Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Bonds, the Supplemental Indenture under which such Bonds are issued may provide for different times and methods of notifying the Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Indenture shall control.

On any day on which the Trustee receives funds from the Authority to be used to pay principal of or interest on Bonds, the Trustee shall, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Debt Service Funds for the Series of Bonds for which such payments were made and any excess shall be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Funds (without regard to any amounts which may be available from Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Bonds and, if the amount available shall not be sufficient to pay in full all interest on the Bonds then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Bonds.

If a Debt Service Reserve Fund or Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) has been used to make payments on Bonds secured thereby and thereafter the amount on deposit in the Debt Service Reserve Fund is less than 100% of the applicable Reserve Requirement, then the Authority shall replenish such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full, (b) the required payments to replenish any such Debt Service Reserve Fund or reimburse the Credit Provider shall be due in no more than twelve (12) substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Trustee for such purpose shall be allocated among the various Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Bonds secured thereby.

Beginning on the 25th day of the month following a valuation made in accordance with the section of the Indenture, in which the amount on deposit in any Debt Service Reserve Funds is less than ninety percent (90%) of the Reserve Requirement due to a loss realized or unrealized resulting from a decline in the value of Permitted Investments held for the credit of the Debt Service Reserve Funds, the Authority shall replenish such Debt Service Reserve Funds provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full, (b) the required payments to replenish any such Debt Service Reserve Funds shall be due in no more than six (6) substantially equal monthly installments aggregating in the amount by which the Reserve Requirement exceeds such balance until the amount on deposit to the credit of the Debt Service Reserve Funds is equal to the Reserve Requirement and (c) if the total amount of payments due on any date to replenish the Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Trustee for such purpose shall be allocated among the various Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Bonds secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Indenture authorizing such Series of Bonds, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on such Bonds depending upon the terms of such Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Debt Service Fund created for the Series of Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Bonds, the Authority may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into the Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Creation of Construction Fund. Proceeds of each Series of Bonds which are to be used to pay Costs of the Projects shall be deposited into a fund created for such Series of Bonds which shall be designated “Raleigh-Durham Airport Authority Airport Revenue Bonds Series ____ Construction Fund” (each, respectively, a “Construction Fund”) which may be held either by the Authority or the Trustee or part by the Authority and part by the Trustee, all as provided by the Indenture, a Supplemental Indenture or Supplemental Indentures. All moneys in each Construction Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created. Notwithstanding this provision, no Construction Fund shall be required for a given Series of Bonds if all of the proceeds thereof (except those deposited into a Debt Service Reserve Fund or a Debt Service Fund) are spent at the time of issuance of such Series or are used to refund Bonds.

Creation of Debt Service Funds. The Authority shall, at the time of issuance of each Series of Bonds create a Debt Service Fund for such Series, which Debt Service Fund shall be held by the Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Trustee, shall be deposited therein and used for such purpose. Accounts and subaccounts shall be created in the various Debt Service Funds and shall be held by the Trustee as shall be provided by Supplemental Indenture.

The moneys in the Debt Service Fund shall be held in trust and applied as provided in the Supplemental Indenture with regard to each such fund, and pending such application on the arrival of the Payment Date for such amounts shall be subject to a lien on and security interest in favor of the holders of the Bonds issued and Outstanding under the Indenture,

Creation of Debt Service Reserve Funds; Additional Funds and Accounts. The Authority may, at the time of issuance of any Series of Bonds, provide by Supplemental Indenture for the creation of a Debt Service Reserve Fund as security for such Series, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Debt Service Reserve Fund or provide that such Series of Bonds participate in a Debt Service Reserve Fund previously created for an Outstanding Series of Bonds. Any Debt Service Reserve Fund established under a Supplemental Indenture shall be funded in an amount equal to the Reserve Requirement. The Authority shall, by such Supplemental Indenture, provide for the manner of funding and replenishing of such Debt Service Reserve Fund and shall establish such other terms with respect to such Debt Service Reserve Fund as the Authority may deem to be appropriate, including providing a Credit Facility in lieu thereof. In addition, the Authority may, by Supplemental Indenture, create additional funds and accounts for such purposes as the Authority deems appropriate, including separate funds available only for specified Bonds or Series of Bonds.

Creation of Subordinated Obligation Debt Service Funds. The Authority shall, at the time of issuance of any Subordinated Obligation create a Debt Service Fund for such Subordinated Obligation, which Subordinated Obligation Debt Service Fund shall be held by the Trustee, and amounts to be used to pay principal of and interest on such Subordinated Obligations, as received by the Trustee, shall be deposited therein and used for such purpose. Accounts and subaccounts shall be created in the various Subordinated Obligation Debt Service Funds and shall be held by the Trustee as shall be provided by Supplemental Indenture or other indenture or instrument providing for the issuance of such Subordinated Obligations.

Creation of Subordinated Obligation Debt Service Reserve Funds. The Authority may, at the time of issuance of any Subordinated Obligation, provide by Supplemental Indenture or other indenture or

instrument for the creation of a Subordinated Obligation Debt Service Reserve Fund as security for such Subordinated Obligation, and in its discretion reserving the right to allow a future issue of Subordinated Obligations to participate in such Subordinated Obligation Debt Service Reserve Fund or provide that such Subordinate Obligations participate in a Subordinated Obligation Debt Service Reserve Fund previously created for an Outstanding Subordinated Obligation. Any Subordinated Obligation Debt Service Reserve Fund established under a Supplemental Indenture or other indenture or instrument shall be funded in an amount required thereby. The Authority shall, by such Supplemental Indenture or other indenture or instrument, provide for the manner of funding and replenishing of such Subordinated Obligation Debt Service Reserve Fund as the Authority may deem to be appropriate, including providing a Credit Facility in lieu thereof. In addition, the Authority may, by Supplemental Indenture or other indenture or instrument, create additional funds and accounts for such purposes as the Authority deems appropriate, including separate funds available only for specified Subordinated Obligations.

Creation of Surplus Fund Moneys Held in Trust for Matured Bonds; Unclaimed Moneys. (a) The Authority shall create a special fund to be designated the “Surplus Fund.” As of the last Business Day of each Fiscal Year, subject to and in the manner provided in the Indenture, moneys in the Revenue Fund may be credited to the Surplus Fund. Moneys in the Surplus Fund shall be held free of the lien of the Indenture and may be used for any lawful purpose. In addition, the Authority may from time to time credit to the Surplus Fund all or a portion of the Authority’s legally available, unencumbered general fund balances and (b) all moneys that the Trustee shall have withdrawn from the Debt Service Fund and Debt Service Reserve Fund or shall have received from any other source and set aside, or deposited with the Trustee, for the purpose of paying any of the Bonds secured under the Indenture, either at the maturity thereof or upon call for redemption shall be held in trust for the respective holders of such Bonds. If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the redemption date, and if funds sufficient to pay such Bond and the interest thereon shall have been made available to and are held by the Trustee in the Debt Service Fund for the benefit of the owner thereof on the date of maturity or of any such redemption, all liability of the Authority to the owner thereof for the payment of such Bond, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for any future interest thereon, for the benefit of the owner of such Bond for a period of five (5) years after such principal and premium, if any, or interest has become due and payable, at which time such monies shall be treated as abandoned property pursuant to the provisions of Section 116B-53 of the North Carolina General Statutes, and the Trustee shall report and remit this property to the Escheat Fund of the State of North Carolina according to the requirements of the North Carolina Unclaimed Property Act. Thereafter the owners of such Bonds shall look only to the Escheat Fund for payment and then only to the extent of the amount so received, without any interest thereon. Neither the Trustee, nor the Authority nor any Paying Agent thereafter shall have any responsibility with respect to such funds.

Additional Security. The pledge of Net Revenues and the other security provided in the Granting Clauses of the Indenture, secure all Bonds issued under the terms of the Indenture on an equal and ratable basis, except as to the timing of such payments. The Authority may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Covenants of the Authority

Payment of Principal and Interest. The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner in the Indenture, in the Supplemental Indentures and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Indenture

and in the Bonds contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Bonds shall be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Indenture and any other source which the Authority may specifically provide for such purpose and no Bondholder shall have any right to enforce payment from any other funds of the Authority.

Senior Lien Obligations Prohibited. The Authority agrees that so long as any Bonds are Outstanding under the Indenture, it (i) will not adopt a resolution determining that Revenues be used to pay any new revenue bonds of the Authority on a senior lien basis, and (ii) will not issue any additional bonds or other obligations with a lien on or security interest granted in Net Revenues that is senior to the Bonds and (iii) it will not issue any additional bonds pursuant to the provisions of such resolution,

Rate Covenant. The Authority covenants to fulfill the following requirements:

(a) The Authority shall, while any of the Bonds remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the sum of the following amounts:

- (i) the Aggregate Annual Debt Service on any Outstanding Bonds in such Fiscal Year as required by the Indenture or any Supplemental Indenture with respect to the Outstanding Bonds;
- (ii) the required deposits to any Debt Service Reserve Fund which may be established by the Indenture or any Supplemental Indenture;
- (iii) the reimbursement owed to any Credit Provider as required by a Supplemental Indenture;
- (iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year for Subordinated Obligations; and
- (v) payments of any reserve requirement for debt service for any Subordinated Obligations.

(b) The Authority further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues, together with any Transfer, will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Bonds. For purposes of this paragraph (b), the amount of any Transfer taken into account shall not exceed 25% of Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

(c) The Authority covenants that if Net Revenues, together with any Transfer (only as applied in (b) above), in any Fiscal Year are less than the amount specified above in paragraph (a) or (b), the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Authority shall take all lawful measures to measures to comply with the recommendations of the Consultant as to revisions of the Authority's business operations and the schedule of rentals, rates, fees and charges as may be necessary to produce Net

Revenues, together with any Transfer (only as applied in paragraph (b) above), in the amount specified in paragraph (a) or (b) in the next Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the Authority promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to comply with the recommendations of the Consultant as to revisions of the Authority's business operations and the schedule of rentals, rates, fees and charges as required by paragraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the Indenture. Nevertheless, if after taking the measures required by paragraph (c) above to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amount specified in paragraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the Indenture.

Budgets and Covenants as to Capital Expenditures. The Authority covenants to adopt an Annual Budget for each Fiscal Year in accordance with the Local Government Budget and Fiscal Control Act. The Authority shall prepare its Annual Budget so that it will be possible to determine from such Annual Budget the current expenses of the Airport System and the amounts to be deposited to the credit of the various funds, accounts and subaccounts created by the Indenture or any Supplemental Indenture.

The Authority covenants to adopt a Capital Improvements Budget for the Airport System for each Fiscal Year which will show, in addition to such other matters as the Authority may determine to include, the amounts, if any, to be expended during such Fiscal Year for identified capital improvements to the Airport System and the sources of such amounts. The Capital Improvements Budget may be part of the Authority's Annual Budget.

The Authority covenants to file copies of its Capital Improvements Budget and its Annual Budget promptly upon availability with the Trustee.

If the Authority determines to amend its Capital Improvements Budget to pay from Revenues any unbudgeted expenditure, the Authority shall, as a condition to making such amendment, file a certificate of an Authorized Authority Representative with the Trustee demonstrating that payment from Revenues of such unbudgeted expenditure will not impair the Authority's ability to comply with the rate covenant set forth in the Indenture.

Subordinated Obligations. The Authority may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in the Indenture, referred to as Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Authority shall determine, provided that:

(a) Any Supplemental Indenture or other indenture or instrument authorizing the issuance of any Subordinated Obligations shall specifically state that such lien on or security interest granted in the Net Revenues, if any, is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds; and

(b) Payment of principal of and interest on such Subordinated Obligations shall be permitted, provided that all deposits required to be made pursuant to and in accordance with the provisions of the Indenture.

Special Facilities and Special Facility Obligations. The Authority shall be permitted to designate new or existing Airport Facilities as Special Facilities. The Authority may, from time to time, designate a separately identifiable existing facility or planned facility as a “Special Facility,” (a) pursuant to an indenture other than the Indenture and without a pledge of any Net Revenues, incur debt for the purpose of acquiring, constructing, renovating, or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (b) provide that certain of the contractual payments derived from such Special Facility, together with other income and revenues available to the Authority from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be “Special Facility Revenue” and not included as Revenues or Net Revenues, and (c) provide that the debt so incurred shall be a “Special Facility Obligation” and the principal of and interest thereon shall be payable solely from the Special Facility Revenue. The Authority may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest solely from Special Facility Revenue, which shall include contractual payments derived by the Authority under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Authority and another person, firm or corporation, either public or private, as shall undertake the operation of a Special Facility.

No Special Facility Obligations shall be issued by the Authority unless there shall have been filed with the Trustee a certificate of an Authorized Authority Representative stating that:

(i) the estimated Special Facility Revenue 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 Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and

(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 Facility Revenue, will be sufficient so that the Authority will be in compliance with the rate covenant set forth in the Indenture; and

(iii) the issuance of such Special Facility Obligations will not result in the ratings on any Bond being suspended or downgraded below “investment grade” by any Rating Agency then rating bonds; and

(iv) no Event of Default then exists under the Indenture,

To the extent Special Facility Revenue received by the Authority during any Fiscal Year shall exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facility Revenue, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

Notwithstanding any other provision of the Indenture regarding Special Facilities and Special Facilities Obligations, 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 Authority from such facility shall be included as Revenues.

Maintenance and Operation of Airport System. Subject to the transfer of any Airport Facilities, the Authority covenants that the Airport System shall at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with (provided the Authority shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System shall be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System shall be made, subject to sound business judgment. Subject to the transfer of any Airport Facilities, the Authority will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Authority, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues or Net Revenues, when the same shall become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds.

(a) Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(i) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System 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 Authority, 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; and

(ii) the Authority will place on file with the Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and Qualified Self Insurance programs then in effect with respect to the Airport System and the operations of the Authority. The Trustee may conclusively rely upon such certificate and shall not be responsible for the sufficiency or adequacy of any insurance required by the Indenture or obtained by the Authority.

(b) “Qualified Self Insurance” shall mean insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority 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 shall be reviewed at least once every 12 months by a Consultant who shall deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he shall make a recommendation as to the amount of reserves that should be established and maintained, and the Authority shall 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 Authority.

(c) If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Authority shall create within the Revenue Fund a special account and shall credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds shall, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) pay or redeem Bonds, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the provisions of the Indenture governing defeasance; provided, however, that if the Authority uses the proceeds to pay or redeem Bonds, the Authority shall first deliver to the Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the payment or redemption of such specified Bonds, the test set forth in the section of the Indenture governing the rate covenant would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities. The Authority shall not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. Any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, shall not, for so long as the Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities. The Authority may, to the extent permitted by law transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Fund to be used as described below and the Authority believes that such disposal will not prevent it from fulfilling its obligations under the Indenture; or

(c) The Authority has furnished evidence (including, but not limited to, a certificate of an Authorized Authority Representative) reasonably satisfactory to the Trustee and the Local Government Commission that (i) the removal of such Significant Portion from the Airport System would not result in the ratings on any Bond being suspended or downgraded below “investment grade” by any Rating Agency then rating the Bonds and (ii) such disposition of such Significant Portion would be for a consideration not less than fair market value; or

(d) The Authority has furnished evidence reasonably satisfactory to the Local Government Commission and the Trustee that (i) a Consultant has certified to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Authority will be in compliance with the rate covenant set forth in the Indenture during each of the five Fiscal Years immediately following such disposition and (ii) the removal of such Significant Portion from the Airport System would not result in the ratings on any Bond being suspended or downgraded below “investment grade” by any Rating Agency then rating the Bonds.

Proceeds of the disposition of assets under paragraph (b), (c) and (d) above shall be deposited into the Revenue Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide

additional revenue-producing Airport Facilities, (ii) pay or redeem Bonds or (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of, except under the terms of paragraph (a) above, unless the Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition shall be made which would cause the Authority to be in default of any other covenant contained in the Indenture.

Maintenance and Operations Reserves Policy. The Authority will promptly notify the Rating Agencies if there is any material change to the Authority's policy of reserving moneys budgeted for operating and maintenance expenses.

Investments

Moneys held by the Trustee in the funds and accounts created in the Indenture and under any Supplemental Indenture shall be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Indenture and such Supplemental Indenture and subject to the investment restrictions imposed upon the Authority by the laws of the State, including, but not limited to, Section 159-30 of the North Carolina General Statutes. The Authority shall direct such investments by written certificate, including electronic mail (upon which the Trustee may conclusively rely) of an Authorized Authority Representative; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Permitted Investments specified in item (g) of the definition thereof, which includes a money market fund comprised of United States Obligations.

The Trustee shall not be liable for any loss resulting from following the written directions of the Authority or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held. The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates') investment department.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Indenture except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Bonds under the Indenture shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Indenture, shall execute, acknowledge and deliver to the Authority such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the Authority any property and revenues at the time subject to the Indenture which may then be in the Trustee's possession, except funds

or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond shall be deemed to be paid when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bonds and the Indenture or (b) shall have been provided for by depositing with the Trustee or Paying Agent in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. As a condition precedent to the determination that any Bonds shall be deemed paid, the Authority shall deliver to the Trustee an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and an opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Bonds. At such times as Bonds shall be deemed to be paid under the Indenture, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment from such moneys or Government Obligations.

Defaults and Remedies

Events of Default. Each of the following events shall constitute and is referred to in the Indenture as an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that is to be observed or performed by the Authority and which is contained in the Indenture or a Supplemental Indenture, which failure, except for a violation under the provisions of the Indenture governing the rate covenant which shall be controlled by the provisions set forth therein, shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the

relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

If, on any date on which payment of principal of or interest on the Bonds is due and sufficient moneys are not on deposit with the Trustee or Paying Agent to make such payment, the Trustee shall give telephone notice of such insufficiency to the Authority.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Trustee shall, in accordance with the provisions of the Indenture, receive and dispose of all Revenues, and in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Indenture;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

(c) In no event, upon the occurrence and continuation of an Event of Default shall the Trustee, the Bondholders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

Bondholders' Right to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Indenture and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right to Institute Proceedings. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture,

or any other remedy under the Indenture or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default as provided in the Indenture and unless also holders of 25% or more of the Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under the Indenture shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner provided in the Indenture, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Bondholders.

The Trustee

Standard of Care and Duties. If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee shall perform the duties set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee.

Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of the Indenture.

The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; and the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Authority.

The Trustee shall not, by any provision of the Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Bonds, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Authority is required before such events will become Events of Default, such notice has been given, then the Trustee shall promptly, after obtaining such notice, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Bonds, the

Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Trustee. The Indenture shall always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority is of good standing and has (together with its corporate parent) a combined capital surplus and undivided profits aggregating not less than \$100 million as set forth in its most recent published annual report of condition.

Co-Trustee. At any time, but subject to compliance with all applicable regulations, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the trust estate may at the time be located, the Authority and the Trustee shall have power to appoint an additional institution or individual as a co-trustee or separate trustee, and upon the request of the Trustee or of 10% in aggregate principal amount of Bonds then Outstanding the Authority shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint such institution or individual to act as co-trustee jointly with the Trustee or as a separate trustee of all or any part of the trust estate, and to vest in such person or institution, in such capacity, such title to the trust estate, or any part thereof, and such rights, powers, duties, trusts or obligations as the Authority and the Trustee may consider necessary or desirable, subject to the remaining provisions of this section.

If the Authority shall not have made such appointment within 30 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have the power to make such appointment.

The Trustee and the Authority shall execute, acknowledge and deliver all such instruments as may be reasonably required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) Bonds shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by the Indenture conferred upon the Trustee in respect of the custody, control or management of money, papers, securities and other personal property shall be exercised solely by the Trustee;

(b) all rights, powers, trusts, duties and obligations conferred or imposed upon the Trustee by the Indenture shall be conferred or imposed upon or exercised or performed by the Trustee, or by the Trustee and such co-trustee, or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or separate trustee;

(c) any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action under the Indenture shall be sufficient warrant for the taking or the refraining from taking of such action by such co-trustee or separate trustee;

(d) any co-trustee or separate trustee to the extent permitted by law may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise;

(e) the Trustee at any time by an instrument in writing with the concurrence of the Authority may accept the resignation of or remove any co-trustee or separate trustee appointed under this section and in case an event of default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of or remove any such co-trustee or separate trustee without the concurrence of the Authority, and upon the request of the Trustee, the Authority shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in the Indenture;

(f) no Trustee under the Indenture shall be personally liable by reason of any act or omission of any other trustee under the Indenture;

(g) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Owners and Holders of Bonds and delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee; and

(h) any money, papers, securities or other items of personal property received by any such co-trustee or separate trustee under the Indenture shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment, any such co-trustee or separate trustee shall be vested with such title to the trust estate or any part thereof, and with such rights, powers, duties, trusts or obligations as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of the Indenture. Every such acceptance shall be filed with the Trustee and the Authority.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the trust estate and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner in the Indenture provided.

Replacement of Trustee. The Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. So long as no Event of Default has occurred and is continuing, and with the prior written consent of the Local Government Commission, the Authority may remove the Trustee, by notice in writing delivered to the Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the Authority. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under the

Indenture. If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Indenture, the Authority shall promptly appoint a successor Trustee.

If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Trustee, the Authority or the holders of a majority in Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Indenture, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, Paying Agent or Registrar.

Modification of Trust Indenture

Supplemental Indenture Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Indenture or any Supplemental Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Indenture regarding Issuance of a Series of Bonds and Supplemental Indentures and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Indenture or any Supplemental Indenture, provided such supplement or amendment is not in the opinion of the Trustee, materially adverse to the Bondholders;
- (c) to add to the covenants and agreements of the Authority in the Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment is not, in the opinion of the Trustee, materially adverse to the Bondholders;
- (d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;
- (e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;
- (g) to modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect which is not, in the opinion of the Trustee, materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility for specific Bonds or a specific Series of Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Authority shall execute any Supplemental Indenture, there shall have been delivered to the Authority, the Local Government Commission and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not cause interest on any of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Indenture Requiring Consent of Bondholders. Except for any Supplemental Indenture described above and any amendments described in the following paragraph, the holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following paragraph is applicable, nothing in the Indenture contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds or (ii) a reduction in the Principal Amount or redemption price of any Outstanding Bonds or the rate of interest thereon, and provided that nothing in the Indenture contained, including the provisions of the following paragraph, shall, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Indenture) upon or pledge of the Net Revenues created by the Indenture, ranking prior to or on a parity with the claim created by the Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses of the Indenture, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing in the Indenture contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized in the Indenture,

including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

The Authority may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in the above section regarding amendments without consent of bondholders, no notice to or consent of the Bondholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and the above section regarding amendments without consent of bondholders is not applicable, then this paragraph rather than the paragraph above shall control and, subject to the terms and provisions contained in this paragraph and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing in the Indenture contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the Indenture, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized in the Indenture, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

THE TWELFTH SUPPLEMENTAL TRUST INDENTURE

In addition to certain information contained under the captions “THE 2015 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS” in the front part of the Official Statement, the following is a summary of certain provisions of the Twelfth Supplemental Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Twelfth Supplemental Indenture.

Terms of the Series 2015 Bonds

The Twelfth Supplemental Indenture sets forth the terms of the Series 2015 Bonds, most of which terms are described earlier in this Official Statement under “THE 2015 BONDS.”

Establishment of Funds and Accounts

The Twelfth Supplemental Indenture establishes the following funds and accounts:

- Raleigh-Durham Airport Authority Airport Revenue Bond Series 2015A Debt Service Fund and therein an Interest Account, a Principal Account and a Redemption Account; and
- Raleigh-Durham Airport Authority Airport Revenue Bond Series 2015B Debt Service Fund and therein an Interest Account, a Principal Account and a Redemption Account.

Series 2015 Debt Service Fund. The Trustee shall make deposits into each of the Series 2015A Debt Service Fund and the Series 2015B Debt Service Fund, respectively, as follows:

Interest Account. On the third (3rd) Business Day prior to each Interest Payment Date, the Authority shall transfer to the Trustee from the Revenue Fund pursuant to the Indenture, the amount necessary, after taking into account any amounts transferred from the PFC Revenue Fund, to pay interest on the Series 2015 Bonds on such Interest Payment Date. The Trustee shall deposit the amount transferred from the Revenue Fund to pay interest on the Series 2015A Bonds to the credit of the Interest Account of the Series 2015A Debt Service Fund and the amount transferred from the Revenue Fund to pay interest on the Series 2015B Bonds to the credit of the Interest Account of the Series 2015B Debt Service Fund. The Trustee shall also deposit into the Interest Accounts any other amounts deposited with the Trustee for deposit in an Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in an Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the corresponding Series of Series 2015 Bonds in accordance with their terms. Amounts in the Interest Accounts shall be applied to pay interest on the corresponding Series of Series 2015 Bonds on the Interest Payment Date in accordance with the Indenture.

Earnings on the Interest Account shall be transferred as received to the Revenue Fund.

Principal Account. On the third (3rd) Business Day prior to each date on which principal of the Series 2015 Bonds shall be due and payable, whether by maturity or mandatory sinking fund redemption, the Authority shall transfer to the Trustee from the Revenue Fund pursuant to the Indenture, the amount necessary, after taking into account any amounts transferred from the PFC Revenue Fund to the Principal Account in accordance with the Twelfth Supplemental Indenture, to pay principal of the Series 2015 Bonds on such date, whether at maturity or by mandatory sinking fund redemption as provided in the Twelfth Supplemental Indenture. The Trustee shall deposit the amount so transferred from the Revenue Fund to pay principal on the Series 2015A Bonds to the credit of the Principal Account of the Series 2015A Debt Service Fund and the amount transferred from the Revenue Fund to pay principal on the Series 2015B Bonds to the credit of the Principal Account of the Series 2015B Debt Service Fund. The Trustee shall also deposit into the Principal Accounts any other amounts deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Amounts in the Principal Accounts shall be applied to pay principal on the corresponding Series of Series 2015 Bonds on the date such principal is due and payable, whether by maturity or mandatory sinking fund redemption in accordance with the Indenture.

Redemption Account. The Trustee shall deposit into the Redemption Account, after taking into account any money transferred from the PFC Revenue Fund to the Redemption Account in accordance with the Twelfth Supplemental Indenture, amounts received from the Authority or from other sources to be used to pay the principal of and premium, if any, on Series 2015 Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of the mandatory sinking fund under the Twelfth Supplemental Indenture, which amounts shall be deposited into the Principal Account). The Trustee shall deposit the amount so transferred to pay the redemption price of the Series 2015A Bonds to the credit of the Redemption Account of the Series 2015A Debt Service Fund and the amount transferred to pay the redemption price of the Series 2015B Bonds to the credit of the Redemption Account of the Series 2015B Debt Service Fund. Earnings on amounts from time to time deposited into the Redemption Accounts shall be retained in such account or paid to the Authority for deposit into the Revenue Fund in accordance with instructions given to the Trustee by an Authorized Authority Representative at the time of such deposit. Earnings on the Redemption Accounts shall be transferred to the Revenue Fund.

The Series 2015 Debt Service Funds shall be invested and reinvested in Permitted Investments as directed in writing by the Authority.

Parity Reserve Fund. Following the issuance of the Series 2015 Bonds, the Series 2007 Bonds, the Series 2010 Bonds and the Series 2015 Bonds will be secured by the Parity Reserve Fund. Moneys held in the Parity Reserve Fund shall be used for the purpose of paying principal of and interest on the Bonds participating in the Parity Reserve Fund if, on any date on which principal is due and payable or any Interest Payment Date of any the amounts in the respective Debt Service Fund for any such Series of Bonds are insufficient to pay in full the amount then due on such Series of Bonds. The Authority reserves the right to provide that a future Series of Bonds participate in the Parity Reserve Fund on a parity basis with the Series 2007 Bonds, the Series 2010 Bonds and the Series 2015 Bonds; provided that there is deposited in the Parity Reserve Fund an additional amount of money or a Debt Service Reserve Fund Surety Policy, or a combination thereof, to bring the Reserve Requirement to an amount equal to the Reserve Requirement on all Bonds participating in the Parity Reserve Fund on the date of issuance of such new Series of Bonds. For purposes of computing the Reserve Requirement of the Parity Reserve Fund, the adjustment set forth in subsection (j) of the definition of Aggregate Annual Debt Service (relating to the exclusion from Aggregate Annual Debt Service of PFCs and certain federal or state grants under the terms set forth therein) shall be disregarded.

In addition to the cash and investments on deposit in the Parity Reserve Fund, there is also on deposit to the credit of the Parity Reserve Policy of FGIC in the amount of \$3,597,371.51 with a stated termination date of November 1, 2031. At the time of delivery of the Parity Reserve Policy, FGIC met the requirements under the Indenture for the provider of a Debt Service Reserve Fund Surety Policy that such provider “be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.” As of the date of delivery hereof, FGIC would not meet that requirement. In order to assure that an amount equal to the Reserve Requirement is available in the Parity Reserve Fund for the purposes provided by the Indenture, the Authority deposited cash in the amount of that the Parity Reserve Fund would be fully funded with cash and investments on deposit in the Parity Reserve Fund in addition to the coverage provided by the Parity Reserve Policy. The Authority has maintained the full funding of the Parity Reserve Fund with cash and investments since that time, although the Parity Reserve Policy remains in effect.

If, upon any valuation, the value of the Parity Reserve Fund exceeds the Reserve Requirement, the excess amount, including investment earnings, shall be withdrawn and deposited by the Trustee into the Revenue Fund, unless otherwise directed by the Authority.

Sources of Payment of Series 2015 Bonds; Application of PFC Revenues. The Series 2015 Bonds will be secured by and payable from the Net Revenues as provided in the Indenture. The Series 2015 Bonds shall additionally be secured by and payable from moneys and other interests held by the Trustee in the Parity Reserve Fund. To the extent permitted by law, the Authority may, but is not obligated to, provide for payment of principal of and interest on the Series 2015 Bonds from any other source or from any other funds of the Authority.

Pursuant to the Fifth Supplemental Indenture, the Authority created the PFC Revenue Fund and pursuant to the Fifth Supplemental Indenture and subsequent Supplemental Indentures, the Authority has made irrevocable commitments of PFC Revenues, to the extent received, to the payment of principal and interest due on PFC Eligible Bonds. Pursuant to the Twelfth Supplemental Indenture, the Authority ratifies and confirms the provisions of each of such Supplemental Indentures with respect to PFC Revenues and confirms that PFCs will be used to pay debt service with respect to the Series 2015 Bonds to the extent the Series 2015 Bonds are PFC Eligible Bonds.

In the Twelfth Supplemental Indenture, the Authority will ratify and confirm the provisions of each of such Supplemental Indentures with respect to PFC Revenues and will confirm that PFCs will be used to pay debt service with respect to the Series 2015 Bonds to the extent the Series 2015 Bonds are PFC Eligible Bonds.

Tax Covenant. The Authority covenants to do and perform all acts and things permitted by law in order to assure that interest paid on the Series 2015 Bonds which was excludable from the gross income of their owners thereof for purposes of federal income taxation on the date of issuance of the Series 2015 Bonds shall continue to be so excludable.

Interested Parties. Nothing in the Twelfth Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Registrar, the Paying Agent and the registered owners of the Series 2015 Bonds, any right, remedy or claim under or by reason of the Twelfth Supplemental Indenture or any covenant, condition or stipulation in the Twelfth Supplemental Indenture, and all covenants, stipulations, promises and agreements in the Twelfth Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Registrar, the Paying Agent, and the registered owners of the Series 2015 Bonds.

APPENDIX E

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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APPENDIX E

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of the local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. All general obligation issues are customarily sold on the basis of formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults

on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put in effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[Proposed Opinion of Bond Counsel]

June __, 2015

Raleigh-Durham Airport Authority
Wake County, North Carolina

We have examined, as bond counsel to the Raleigh-Durham Airport Authority (the “Authority”), (a) the Constitution and laws of the State of North Carolina, including The State and Local Government Revenue Bond Act, as amended (the “Act”), (b) certified copies of proceedings of the Authority evidencing the adoption of a bond order authorizing the issuance by the Authority of its \$34,060,000 Airport Revenue Refunding Bonds, Series 2015A (Non-AMT) (the “Series 2015A Bonds”) and \$48,685,000 Airport Revenue Refunding Bonds, Series 2015B (AMT) (the “Series 2015B Bonds,” and, collectively with the Series 2015A Bonds, the “Series 2015 Bonds”) and (c) other proofs submitted relative to the issuance and sale of the Series 2015 Bonds. The Series 2015 Bonds are being issued under and pursuant to a Master Trust Indenture, dated as of February 1, 2001, as amended (the “Trust Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and a Twelfth Supplemental Trust Indenture, dated as of June 1, 2015 (the “Twelfth Supplemental Indenture”) between the Authority and the Trustee.

The Series 2015 Bonds are dated the date hereof, bear interest from their date and mature, subject to redemption prior to their stated maturity, as provided in the Twelfth Supplemental Indenture. The Series 2015 Bonds are subject to optional and mandatory redemption at such times, under such circumstances and upon the terms and conditions set forth in the Twelfth Supplemental Indenture.

The Series 2015A Bonds are being issued to provide funds, together with other available funds, to (i) currently refund certain of the Authority’s Airport Revenue Bonds, Series 2005A (Non-AMT) previously issued under the Trust Indenture and (ii) pay the costs of issuance relating to the Series 2015A Bonds. The Series 2015B Bonds are being issued to provide funds, together with other available funds, to (i) currently refund certain of the Authority’s Airport Revenue Bonds, Series 2005B (AMT) previously issued under the Trust Indenture and (ii) pay the costs of issuance relating to the Series 2015B Bonds. The Bonds being refunded were issued by the Authority to provide funds, together with other available funds, to finance the costs of certain improvements to the Raleigh-Durham International Airport or to refund certain other obligations issued by the Authority under the Trust Indenture for that purpose.

The Authority has heretofore issued Bonds (as defined in the Trust Indenture) pursuant to the Trust Indenture. The Trust Indenture provides for the issuance, under the conditions, limitations and restrictions therein set forth, of additional Bonds. The Bonds previously issued, the Series 2015 Bonds and any additional Bonds are secured on a parity as to the pledge of Net Revenues (as defined in the Trust Indenture) with the outstanding Bonds. The Trust Indenture

also permits the incurrence of Subordinated Obligations (as defined in the Trust Indenture) under the conditions, restrictions and limitations therein set forth.

As to matters of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination and other examinations, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2015 Bonds have been duly authorized, executed and delivered.
2. The Trust Indenture and the Twelfth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, are valid and binding obligations of the Authority enforceable in accordance with their respective terms.
3. The Series 2015 Bonds, together with the outstanding Bonds and any additional Bonds hereafter issued by the Authority under the Trust Indenture are, to the extent provided in the Trust Indenture, secured by a pledge, charge and lien upon the Net Revenues of the Airport System (as defined in the Twelfth Supplemental Indenture).
4. The Series 2015 Bonds are valid and binding special obligations of the Authority secured by a pledge, charge and lien upon, and the principal of, and the premium, if any, and interest on which are payable from, the funds and the income from the investment thereof in the Funds and Accounts created under the Trust Indenture to the extent provided therein. The Series 2015 Bonds are also secured by the funds on deposit or otherwise available in the Parity Reserve Fund.
5. The Authority is not obligated to pay the principal of, premium, if any, or the interest on the Series 2015 Bonds except as provided in the Trust Indenture and the Twelfth Supplemental Indenture. The principal of and interest on the Series 2015 Bonds are not payable from the general funds of the Authority, nor do the Series 2015 Bonds constitute a legal or equitable pledge, charge, lien or encumbrance upon the income, receipts or revenues of the Authority except for the Net Revenues and the amounts referenced in paragraph 4 above, in each case to the extent provided in the Trust Indenture and the Twelfth Supplemental Indenture. Neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof, including the Authority, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds, and no holder of the Series 2015 Bonds has the right to compel the exercise of the taxing power by the State of North Carolina or any political subdivision thereof, or the forfeiture of their respective property, other than the Net Revenues, in connection with any default with respect to the Series 2015 Bonds. The Authority has no taxing power.
6. Assuming continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of proceeds of the Series

2015A Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Series 2015A Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Series 2015A Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals, however, such interest is includable in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations.

7. Assuming continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of proceeds of the Series 2015B Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Series 2015B Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation except for interest on any Series 2015B Bond for any period during which such Series 2015B Bond is held by a person who is a "substantial user" of the facilities refinanced with the proceeds of the 2015B Bonds or a "related person" of such a "substantial user," as such terms are defined in the Code. Interest on the Series 2015B Bonds is a specific preference item for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals.

8. Interest on the Series 2015 Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 2015 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Series 2015 Bonds and the enforceability thereof and of the Trust Indenture and the Twelfth Supplemental Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2015 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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