

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

**CITY AND COUNTY OF DENVER, COLORADO  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

**\$108,735,000  
AIRPORT SYSTEM REVENUE BONDS  
SERIES 2016B (INDEX RATE) (NON-AMT)**

**Dated: Date of Delivery**

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

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

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

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

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

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

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

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

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

The Series 2016B Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Hogan Lovells US LLP, Denver, Colorado, Bond Counsel to the City, and Becker Stowe Partners LLC, Denver, Colorado, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kristin M. Bronson, Esq., City Attorney, and Ballard Spahr LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriter by Sherman & Howard L.L.C., Denver, Colorado. It is expected that delivery of the Series 2016B Bonds will be made through the facilities of DTC on or about December 13, 2016.

**BofA Merrill Lynch**

Dated: December 6, 2016

**SUMMARY OF OFFERING**  
**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**  
**\$108,735,000**  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2016B (INDEX RATE)**  
**(NON-AMT)**

<b>Maturity Date:</b>	<b>November 15, 2031</b>
<b>Price:</b>	<b>100%</b>
<b>Authorized Denominations:</b>	<b>\$5,000 or any integral multiple thereof</b>
<b>Interest Rate Determination Method:<sup>1</sup></b>	<b>Index Rate</b>
<b>Index Rate Index:<sup>2</sup></b>	<b>70% of One-month LIBOR</b>
<b>Applicable Spread:</b>	<b>0.86%</b>
<b>Purchase Date Following End of Initial Index Rate Period:<sup>3</sup></b>	<b>November 15, 2019</b>
<b>First Optional Redemption Date:</b>	<b>May 15, 2019</b>
<b>Stepped Rate:<sup>4</sup></b>	<b>1) From Failed Tender Date through 89<sup>th</sup> day: SIFMA Swap Index + 2.50%</b> <b>2) From 90<sup>th</sup> day through 179<sup>th</sup> day: the greater of: (i) SIFMA Swap Index + 5.00%; or (ii) 7.50%</b> <b>3) From 180<sup>th</sup> day and thereafter: 12.00%<sup>5</sup></b>
<b>Interest Payment Dates:</b>	<b>First Business Day of each month, commencing January 3, 2017</b>
<b>Record Date for Interest Payments:</b>	<b>Business Day next preceding an Interest Payment Date</b>
<b>Remarketing Agent:</b>	<b>To be appointed by the City prior to the end of the initial Index Rate Period</b>
<b>CUSIP:<sup>6</sup></b>	<b>249182 KA3</b>

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

<sup>2</sup> The initial Index Rate from the date of issuance to the day immediately prior to the first Interest Payment Date on January 3, 2017 is 1.31%.

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

<sup>4</sup> If there are insufficient funds to purchase the Series 2016B Bonds on the Purchase Date following the end of the initial Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will bear interest at the Stepped Rate. See "THE SERIES 2016B Bonds – Insufficient Funds; Stepped Rate" and "APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE."

<sup>5</sup> Pursuant to the Series 2016B Supplemental Ordinance, the Stepped Rate may not be less than the rate of interest applicable to the Series 2016B Bonds on the Business Day prior to the Failed Tender Date. In no event may the Index Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum. See "THE SERIES 2016B Bonds – Insufficient Funds; Stepped Rate" and "APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE."

<sup>6</sup> A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services managed by Standard & Poor's Capital IQ on behalf of The American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the City, the Department or the Underwriter takes responsibility for the accuracy of such CUSIP numbers now or at any time in the future. The CUSIP number for any maturity of the Series 2016B Bonds may be changed after the issuance of the Series 2016B Bonds as the result of various subsequent actions, including, without limitation, a refunding of all or a portion of such maturity or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016B Bonds.

## SELECTED CITY OFFICIALS AND CONSULTANTS

### Mayor

Michael B. Hancock

### City Council

Albus Brooks, President

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

### Auditor

Timothy M. O'Brien

### Cabinet Officials

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

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

Debra Johnson

### Department of Aviation

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

### Airport Consultant

WJ Advisors LLC  
Denver, Colorado

### Financial Consultants

Frasca & Associates, LLC  
New York, NY

### Bond Counsel

Hogan Lovells US LLP	Becker Stowe Partners LLC
Denver, Colorado	Denver, Colorado

### Special Counsel

Ballard Spahr LLP  
Denver, Colorado

## PRELIMINARY NOTICES

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

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2016B Bonds is made only by means of this entire Official Statement.

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

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

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

## FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “anticipate,” “intend,” “expect,” “plan,” “projected” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain such risks and possible variations in results, see “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

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**OFFICIAL STATEMENT**

**RELATING TO**

**CITY AND COUNTY OF DENVER, COLORADO  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

**\$108,735,000**

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

**INTRODUCTION**

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

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

**The Issuer**

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

**Denver International Airport**

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

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

With a few exceptions, the Airport has experienced continual growth in both passenger traffic and associated revenues since opening. The Airport served approximately 27.0 million enplaned passengers (passengers embarking on airplanes) in 2015, constituting an approximately 1.1% increase compared to 2014, and approximately 26.7 million enplaned passengers in 2014, constituting an approximately 1.7% increase compared to 2013. In 2015, the Airport experienced the highest number of annual enplaned passengers since it opened in 1995. Approximately 64% of passengers originated their travel at the

Airport in 2015, compared to approximately 61% in 2014. Approximately 36% of passengers made connecting flights at the Airport in 2015, compared to approximately 39% in 2014. For the first nine months of 2016, the Airport served approximately 21.8 million enplaned passengers compared to 20.1 million enplaned passengers for the first nine months of 2015, constituting an approximately 8.2% increase.

For the nine month period ended September 30, 2016, as compared to the nine months ended September 30, 2015, operating revenues at the Airport were \$553.3 million, an increase of \$38.0 million (7.4%). The increase in revenue was primarily due to the operations of the Airport Hotel, which opened in November 2015 (a \$32.8 million increase), as well as an 8.2% increase in passenger traffic and enplanements during the first nine months of 2016, which caused a \$4.5 million increase (10.2%) in retail concession sales. For the nine month period ended September 30, 2016, as compared to the nine months ended September 30, 2015, operating expenses at the Airport, exclusive of depreciation and amortization, were \$328.9 million, an increase of \$27.2 million (9.0%). The increase in expenses was primarily related to the operations of the new Airport Hotel (a \$20.2 million increase), as well as an increase in contractual services of \$12.3 million primarily caused by increased snow removal expenses during the first two quarters of 2016 compared to the first two quarters of 2015. For a discussion of operating revenues and expenses for 2015 compared to 2014 and additional information regarding the nine month period ended September 30, 2016 as compared to the nine months ended September 30, 2015, see “FINANCIAL INFORMATION — Management’s Discussion and Analysis of Financial Performance.”

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

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

***Major Air Carriers Operating at the Airport.*** The principal air carrier operating at the Airport is United Airlines, together with its United Express regional commuter affiliates (“United” or the “United Group”), accounting for 42.3% of passenger enplanements at the Airport in 2015 and 41.9% of passenger enplanements at the Airport for the first nine months of 2016. The Airport is a primary connecting hub in United’s route system both in terms of passengers and flight operations. Under a Use and Lease Agreement with the City (the “United Use and Lease Agreement”), United currently leases 52 full-service contact gates and 14 ground loading positions.

Southwest Airlines (“Southwest”) had the second largest market share at the Airport in 2015. Southwest commenced service at the Airport in January 2006 and since that time has had strong and continued growth in airline service, accounting for 29.4% of passenger enplanements at the Airport in 2015 and 29.3% of passenger enplanements at the Airport for the first nine months of 2016. The Airport completed an expansion of Concourse C in November 2014 that added additional gates for Southwest to



utilize. Southwest currently leases 23 gates at the Airport under a Use and Lease Agreement with the City.

Frontier Airlines Inc. and its affiliates (“Frontier” or the “Frontier Group”) had the third largest market share at the Airport in 2015, accounting for 12.4% of passenger enplanements at the Airport in 2015 and 12.2% of passenger enplanements at the Airport for the first nine months of 2016. The Airport is presently Frontier’s only hub and in 2015 was the busiest airport in the Frontier system. Frontier currently leases 8 gates at the Airport under a Use and Lease Agreement with the City. In November 2013, Frontier was acquired by Indigo Partners LLC from Republic Holdings and transformed its business model from a low-cost carrier to an ultra-low-cost carrier in 2015.

In December 2013, American Airlines and US Airways announced the completion of a merger to form the American Airlines Group (“American”). American received a single FAA operating certificate in April 2015. With no connecting enplaned passenger traffic, American does not use the Airport as a hub, accounting for 6.1% of passenger enplanements at the Airport in 2015 and 5.8% of passenger enplanements at the Airport for the first nine months of 2016.

Except for the United Group, Southwest, Frontier and American, no single airline accounted for more than 5% of passenger enplanements at the Airport in 2015 or more than 5% of any of the airline rentals, fees and charges component of the Airport System’s operating revenues or the Airport System’s Gross Revenues in 2015.

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

***The Airport Capital Program.*** The Airport is in the process of developing a new capital program for the years 2017 through 2021 (the “Preliminary 2017-2021 Capital Program”). For a description of projects expected to be included in the Preliminary 2017-2021 Capital Program, see “CAPITAL PROGRAM.” The Airport’s last adopted capital program was developed in 2012-2013 for the period 2013-2018. Major projects completed in the 2013-2018 Capital Program include the Hotel and Transit Center, the expansion of Concourse C to add gates, construction of a new parking garage, and airfield pavement rehabilitation and lighting projects. See also “DENVER INTERNATIONAL AIRPORT — Hotel and Transit Center.”

## **The Series 2016B Bonds**

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

PAYMENT — Proposed Amendments to the Senior Bond Ordinance,” “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE,” and “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

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

***Maturity, Principal and Interest.*** The Series 2016B Bonds will be issued in the aggregate principal amount, bear interest at the rates per annum (computed on the basis of a 365/366-day year and actual days elapsed) and mature on the date and in the principal amount set forth in “SUMMARY OF OFFERING” on the inside cover page hereof. Upon issuance and during the initial Index Rate Period, the Series 2016B Bonds will bear interest from their date of issuance at the Index Rate Index plus the Applicable Spread of 0.86%. Interest on the Series 2016B Bonds while bearing interest at an Index Rate will be payable on the first Business Day of each calendar month (each an “Interest Payment Date”) during the Index Rate Period. The first Interest Payment Date for the Series 2016B Bonds is January 3, 2017. The initial Index Rate with respect to the Series 2016B Bonds will be the Index Rate in effect as of the date of issuance of 1.31% and will apply for the period from and including the date of issuance to and including the day immediately prior to the first Interest Payment Date. Until the end of the Index Rate Period, the Index Rate for the Series 2016B Bonds will be calculated by the Series 2016B Paying Agent, acting as index agent (the “Index Agent”), as described in “THE SERIES 2016B BONDS — Interest Rate Determination Methods.”

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

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

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

statutory limitation of the City or the State. See “SECURITY AND SOURCES OF PAYMENT — Pledge of Net Revenues.”

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

**Further Information.** For further information regarding the Series 2016B Bonds, see generally “THE SERIES 2016B BONDS,” “FINANCIAL INFORMATION,” “APPENDIX A — GLOSSARY OF TERMS,” “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” and “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

### **Tax Matters**

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

### **Series 2016A Bonds**

On December 1, 2016, the City issued its Airport System Revenue Bonds, Series 2016A in an aggregate principal amount of \$256,810,000 (the “Series 2016A Bonds”) in order to provide funds, together with other available Airport System moneys, to (i) current refund and redeem all of the Airport System Revenue Bonds, Series 2006A (the “Series 2006A Bonds”), (ii) advance refund, defease and redeem all of the Airport System Revenue Bonds, Series 2007B (the “Series 2007B Bonds”) and Airport System Revenue Bonds, Series 2007E (the “Series 2007E Bonds”), and (iii) pay the costs of issuing the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT — Additional Parity Bonds” herein. The Series 2016A Bonds were issued as Senior Bonds and were offered pursuant to a separate Official Statement dated November 17, 2016.

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

Upon the issuance of the Series 2016B Bonds and the refunding of the Series 2014A Bonds, there will be \$2,995,940,000 aggregate principal amount of Senior Bonds Outstanding. The City, for and on behalf of the Department, has entered into various Credit Facility Obligations in connection with certain outstanding Senior Bonds. See “FINANCIAL INFORMATION — Outstanding Senior Bonds” for a description of outstanding Credit Facility Obligations.

The City, for and on behalf of the Department, has previously issued various series of Subordinate Bonds. The Series 2013A-B Subordinate Bonds are outstanding in the aggregate principal

amount of \$705,615,000 and the Series 2015A Subordinate Bonds are outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. The City does not currently maintain a Commercial Paper facility and no Subordinate Commercial Paper Notes are currently outstanding. The City has also entered into various Subordinate Hedge Facility Obligations relating to Senior Bonds that are secured by a pledge of the Net Revenues that is subordinate to that of the Senior Bonds. See “FINANCIAL INFORMATION — Outstanding Subordinate Bonds, — Other Subordinate Obligations, — Subordinate Commercial Paper Notes, and — Master Derivatives Policy.”

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

The City, for and on behalf of the Department, may issue additional Senior Bonds and enter into additional Senior Obligations upon the satisfaction of certain conditions set forth in the Senior Bond Ordinance, and may issue additional Subordinate Bonds and enter into Subordinate Obligations upon the satisfaction of certain conditions set forth in the Subordinate Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT — Additional Parity Bonds, — Subordinate Bonds and Other Subordinate Obligations,” and “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

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

Purchasers of Beneficial Ownership Interests in the Series 2016B Bonds will be deemed to have consented to the Proposed Amendments to the Senior Bond Ordinance proposed by the City as discussed in “SECURITY AND SOURCES OF PAYMENT — Proposed Amendments to the Senior Bond Ordinance.” The Proposed Amendments are set forth in “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

### **Continuing Disclosure**

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

### **Additional Information**

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

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

### **Investment Considerations**

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

### **Forward Looking Statements**

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the Federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. See “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Forward Looking Statements.”

### **Miscellaneous**

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

Information contained in this Official Statement has been obtained from officers, employees and records of the City and the Department and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the City, the Department or the Airport System since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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

## **REFUNDING PLAN**

### **Purpose of the Series 2016B Bonds**

The Series 2016B Bonds, together with other available Airport System moneys, will be used to current refund all of the Series 2014A Bonds currently outstanding in the aggregate principal amount of \$108,275,000 and pay the costs of issuance of the Series 2016B Bonds.

On December 1, 2016, the City issued the Series 2016A Bonds in order to provide funds, together with other available Airport System moneys, to (i) current refund and redeem all of the Series 2006A Bonds, (ii) advance refund, defease and redeem all of the Series 2007B Bonds and the Series 2007E

Bonds, and (iii) pay the costs of issuing the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT — Additional Parity Bonds” herein. The Series 2016A Bonds were offered pursuant to an Official Statement dated November 17, 2016.

**Estimated Sources and Uses of Funds**

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

**Sources:**

Principal amount of the Series 2016B Bonds .....	\$ 108,735,000.00
Other available Airport System moneys.....	<u>309,399.02</u>
	<u>\$109,044,399.02</u>

**Uses:**

Refunding of the Series 2014A Bonds .....	\$ 108,299,968.22
Costs of Issuance <sup>1</sup> .....	<u>744,430.80</u>
	<u>\$109,044,399.02</u>

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

**THE SERIES 2016B BONDS**

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

Upon satisfaction of conditions set forth in the Series 2016B Supplemental Ordinance, including mandatory tender and remarketing, the Series 2016B Bonds may be changed at the election of the City to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate). See also “APPENDIX A — GLOSSARY OF TERMS” and “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

Reference is hereby made to the Senior Bond Ordinance in its entirety for the detailed provisions pertaining to the Series 2016B Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system. See “APPENDIX A — GLOSSARY OF TERMS,” “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” and “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE” for a summary of certain provisions of the Senior Bond Ordinance and the Proposed Amendments, including, without limitation, provisions relating to other Interest Rate Modes and conversion among Interest Rate Modes, certain covenants of the City, the rights and remedies of the Owners of the Series 2016B Bonds upon an Event of Default (as defined herein) under the Senior Bond

Ordinance, provisions relating to amendments of the Senior Bond Ordinance, and procedures for defeasance of the Series 2016B Bonds.

### **Authorization**

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

Pursuant to the City Charter, the City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution. The Department is owned by the City and the Chief Executive Officer of the Department of Aviation (the “Manager”) is the governing body of the Department. See “MANAGEMENT OF THE AIRPORT SYSTEM.” The Department has the authority to issue its own revenue bonds or other financial obligations in the name of the City payable solely from revenues of the Airport System, as authorized by ordinance after approval and authorization by the Manager. The assets of the Airport System are owned by the City and operated by the Department as a self-sustaining business activity. The Department is not authorized to levy any taxes in connection with the Airport System.

The Series 2016B Bonds will be issued pursuant to the Senior Bond Ordinance, including the Series 2016B Supplemental Ordinance to be approved by the City Council prior to the issuance of the Series 2016B Bonds and any Proposed Amendments that may be adopted after issuance of the Series 2016B Bonds. See “SECURITY AND SOURCES OF PAYMENT — Proposed Amendments to the Senior Bond Ordinance,” “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE,” “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE,” and “APPENDIX C — PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

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

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

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

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

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

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

Interest on the Series 2016B Bonds while bearing interest at an Index Rate will be payable on the first Business Day of each calendar month during the Index Rate Period and on the final maturity date or redemption date of the Series 2016B Bonds. The first Interest Payment Date for the Series 2016B Bonds is January 3, 2017. Interest on the Series 2016B Bonds bearing interest at an Index Rate will be computed on the basis of a 365/366-day year and actual days elapsed. The Record Date for the Series 2016B Bonds while bearing interest at the Index Rate will be the Business Day next preceding each Interest Payment Date. The Series 2016B Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Other Interest Payment Dates for the Series 2016B Bonds are each Conversion Date and the final maturity date or any redemption date. See “APPENDIX A — GLOSSARY OF TERMS,” AND “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

The Index Rate for the Series 2016B Bonds will be equal to the sum of: (A) the Index Rate Index (defined below) then in effect, as determined by the Index Agent, and (B) the Applicable Spread of 0.86%. The initial Index Rate with respect to the Series 2016B Bonds will be 1.31% in effect as of the date of issuance and will apply for the period from and including the date of issuance to and including the day immediately prior to the first Interest Payment Date. Until the end of the Index Rate Period, the Index Rate for the Series 2016B Bonds will be calculated by the Series 2016B Paying Agent, acting as index agent (the “Index Agent”), as described below under “— Interest Rate Determination Methods.” In no event may the Index Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum. See “APPENDIX A — GLOSSARY OF TERMS.”

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

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

“One Month LIBOR Index Rate” means a per annum rate of interest established on each Index Rate Determination Date equal to the product of (i) the One Month LIBOR Index multiplied by (ii) the Applicable Factor. The Applicable Factor for the initial Index Rate Period is 70%. If such index is not



published or otherwise made available, the Index Rate Index to which the Applicable Spread will be applied shall be an index or rate agreed upon by the City and the Remarketing Agent, but in no event in excess of the Maximum Interest Rate.

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

“Purchase Date” means any date on which any Series 2016B Bond is purchased pursuant to the provisions of the Series 2016B Supplemental Ordinance.

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

**The Series 2016B Bonds will be subject to mandatory tender and remarketing on November 15, 2019, as shown in the “SUMMARY OF OFFERING” on the inside cover page hereof, which is the Purchase Date following the end of the initial Index Rate Period that begins on the delivery date for the Series 2016B Bonds. The City expects to apply funds from such remarketing to pay the Purchase Price of the Series 2016B Bonds. The City is not obligated to provide any other funds for the purchase of the Series 2016B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Purchase Price of the Series 2016B Bonds upon such mandatory tender. If there are insufficient funds to purchase the Series 2016B Bonds at the end of any Index Rate Period, the Owners of such Series 2016B Bonds will retain such Series 2016B Bonds and such Series 2016B Bonds will bear interest at the Stepped Rate. See “— Insufficient Funds; Stepped Rate” below and “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”**

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

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

Upon satisfaction of conditions set forth in the Series 2016B Supplemental Ordinance, including mandatory tender and remarketing, the Series 2016B Bonds may be changed at the election of the City to another Interest Rate Mode calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate). See “— Conversion of Interest Rate Determination Method” below and “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

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

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

*Optional Redemption.* The Series 2016B Bonds bearing interest at the Index Rate are subject to redemption at the option of the City in whole or in part, in Authorized Denominations, on: (1) the day following the last day of any Index Rate Period, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium; and (2) any day designated by the City in the Pricing Notice relating to the initial Index Rate Period, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, with premium, if any, as designated by the City in the Pricing Notice. In its Pricing Notice for the Series 2016B Bonds, the City designated any date on or after May 15, 2019 as a date the Series 2016B Bonds may be redeemed at the option of the City at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest, if any, without premium. See “SUMMARY OF OFFERING” on the inside cover page hereof for specific redemption dates of the Series 2016B Bonds.

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

**Series 2016B Bonds**

Redemption Date (November 15)	Sinking Fund Installment	Redemption Date (November 15)	Sinking Fund Installment
2017	\$ 3,915,000	2028	\$15,665,000
2018	12,430,000	2029	15,770,000
2019	10,920,000	2030	14,360,000
2026	15,390,000	2031	4,820,000 <sup>1</sup>
2027	15,465,000		

<sup>1</sup> Final Maturity

**Purchase In Lieu of Redemption**

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

**General Redemption Provisions**

*Selection for Redemption.* The City shall designate which subseries and maturities of such Series 2016B Bonds are to be called for optional redemption pursuant to the Series 2016B Supplemental Ordinance; provided that, prior to the successful remarketing of the Series 2016B Bonds and division

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

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

***Conditional Notice of Redemption; Rescission.*** Any notice of optional redemption of the Series 2016B Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice is to be of no force and effect and the City will not be required to redeem such Series 2016B Bonds and the redemption will not be made. The Series 2016B Paying Agent is required within a reasonable time thereafter to give notice to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. In addition, the City may, at its option, on or prior to the date fixed for redemption in any notice of redemption of the Series 2016B Bonds, rescind and cancel such notice of redemption by written request of the City to the Series 2016B Paying Agent, and the Series 2016B Paying Agent is required to mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

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

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

## **Interest Rate Determination Methods**

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

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

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

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

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

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

**Index Rate Continuation.** On any date the Series 2016B Bonds in an Index Rate Period are subject to optional redemption, or as of the Purchase Date of any Series 2016B Bonds in an Index Rate

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

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

The first day of such new Index Rate Period shall be a Purchase Date on which such Series 2016B Bonds are subject to optional redemption or to mandatory tender pursuant to the applicable provisions of the Series 2016B Supplemental Ordinance. The Series 2016B Bonds will be subject to mandatory tender on the first day of such new Index Rate Period for purchase at its Purchase Price. No new Index Rate Period shall become effective unless an Opinion of Bond Counsel delivered on (and as of) the first day of the new Index Rate Period and unless all such Outstanding Series 2016B Bonds are successfully remarketed in the new Index Rate Period. **Unsuccessful attempts to remarket to a new Index Rate Period prior to the end of the initial Index Rate Period do not result in a change in the Index Rate or Index Rate Period and the Owners of the Series 2016B Bonds will continue to hold such Series 2016B Bonds at the existing Index Rate until the end of the existing Index Rate Period.**

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

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

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

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

For any Series 2016B Bonds bearing interest in an Index Rate Period and not supported by a Series 2016B Liquidity Instrument, if sufficient funds are not available for the purchase of all Series 2016B Bonds tendered or deemed tendered and required to be purchased on any Purchase Date following the end of the applicable Index Rate Period, all Series 2016B Bonds shall automatically convert to a Weekly Rate Period and bear interest at a rate of interest equal to the Stepped Rate (defined below) from the date of such failed purchase (the “Failed Tender Date”) until all such Series 2016B Bonds are purchased, such rate to be determined in accordance with the Series 2016B Supplemental Ordinance, and all tendered Series 2016B Bonds are required to be returned to their respective Owners. Notwithstanding anything to the contrary in the Series 2016B Supplemental Ordinance, such Series 2016B Bonds bearing interest in a Weekly Rate Period at the Stepped Rate shall not be subject to optional tender by the Owners thereof. Interest on the Series 2016B Bonds while in the Weekly Rate Period bearing interest at the Stepped Rate will be payable on the first Business Day of each month following the Failed Tender Date and the Record Date for such payment of interest will be the Business Day next preceding such Interest Payment Date. No Opinion of Bond Counsel is required in connection with this automatic conversion to a Weekly Rate Period. Such failed purchase and return do not constitute an Event of Default. In addition, the Remarketing Agent shall remain obligated to remarket the Series 2016B Bonds and such Series 2016B Bonds remain subject to optional and mandatory redemption, mandatory tender for purchase, and Conversion as provided in the Series 2016B Supplemental Ordinance. **None of the Series 2016B Bonds will be supported by a Series 2016B Liquidity Instrument during the initial Index Rate Period.**

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

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

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

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

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

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

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

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

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

***Right of Conversion.*** The Interest Rate Determination Method for the Series 2016B Bonds is subject to conversion from one Interest Rate Determination Method to another from time to time at the option of the City, with such right to be exercised by delivery of a Conversion Notice to the Series 2016B Paying Agent, the Index Agent, if any, and the Remarketing Agent for the Series 2016B Bonds to be converted. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Series 2016B Paying Agent is to give notice by first-class mail to the Owners of the Series 2016B Bonds in accordance with

the Series 2016B Supplemental Ordinance. See “APPENDIX A — GLOSSARY OF TERMS” and “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

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

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

The Series 2016B Supplemental Ordinance provides that the City may rescind a Conversion Notice by giving written notice thereof to the Series 2016B Paying Agent and the Remarketing Agent on or prior to such proposed Conversion Date. If the Series 2016B Paying Agent receives notice of such rescission prior to the time the Series 2016B Paying Agent has given notice to the Owners of the Series 2016B Bonds, then the Conversion Notice previously delivered by the City shall be of no force and effect. If the Series 2016B Paying Agent receives notice from the City of rescission of the Conversion Notice after the Series 2016B Paying Agent has given notice to the Owners of the Series 2016B Bonds, then there will be no purchase or Conversion. See “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

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

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



failed Conversions on the day following the end of an Index Rate Period, any Series 2016B Bonds not remarketed will bear interest at the Stepped Rate. See “Insufficient Funds; Stepped Rate” above.

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

### **Mandatory Tender Provisions**

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

With respect to a Series 2016B Bonds in an Index Rate Period, the Series 2016B Paying Agent shall give notice by first-class mail, not later than the thirtieth (30th) day prior to the date on which such Series 2016B Bonds are subject to mandatory tender pursuant to the Series 2016B Supplemental Ordinance, which notice shall state that such Series 2016B Bonds are subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which Purchase Price shall be specified in such notice).

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2016B Bonds will be governed by arrangements among them, and the City and the Series 2016B Paying Agent will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2016B Bonds.

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

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

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

If such remarketing of the Series 2016B Bonds is not successful, the City may, in its sole discretion, apply other potential sources of payment to the payment of the Purchase Price of any Series 2016B Bonds. Principal of and accrued and unpaid interest on the Series 2016B Bonds are payable from Net Revenues on a parity with all other outstanding Senior Bonds (including Senior Obligations).

See “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — Additional Parity Bonds.”

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

The mechanics and timing of delivery and payment for Series 2016B Bonds tendered for purchase are addressed in the Series 2016B Supplemental Ordinance. See “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

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

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

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

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

obtained by dividing the principal amount of such Series 2016B Bond by the minimum Authorized Denomination for the Series 2016B Bonds.

If all Outstanding Series 2016B Bonds bearing interest in an Index Rate Period are purchased by the City pursuant to the Series 2016B Supplemental Ordinance, then, notwithstanding anything to the contrary in the Series 2016B Supplemental Ordinance, (i) the date of such purchase by the City will be deemed to be the Purchase Date for such Series 2016B Bonds, and (ii) the Index Rate will be deemed to have expired on the day immediately preceding such Purchase Date.

## **SECURITY AND SOURCES OF PAYMENT**

### **Pledge of Net Revenues**

The Series 2016B Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a senior pledge of the Net Revenues on a parity with all other outstanding Senior Bonds (including Senior Obligations). The Series 2016B Bonds are also payable under certain circumstances from the Bond Reserve Fund as discussed in “— Bond Reserve Fund” below. The City has irrevocably pledged the Net Revenues and funds on deposit in the Bond Fund and the Bond Reserve Fund to the payment of the Series 2016B Bonds and other Senior Bonds. The Series 2016B Bonds do not constitute general obligations of the City, the State or any other political subdivision or agency of the State, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016B Bonds. None of the properties of the Airport System has been pledged or mortgaged to secure payment of the Series 2016B Bonds.

Upon the issuance of the Series 2016B Bonds and the refunding of the Series 2014A Bonds, the aggregate principal amount of all outstanding Senior Bonds and Subordinate Bonds will be \$2,995,940,000 and \$894,955,000, respectively. The City, for and on behalf of the Department, also has entered into a Subordinate Credit Facility Obligation and various Subordinate Hedge Facility Obligations that have a lien on the Net Revenues on a parity with the lien of the Subordinate Bonds. See “FINANCIAL INFORMATION — Outstanding Senior Bonds, — Outstanding Subordinate Bonds, and — Other Subordinate Obligations.”

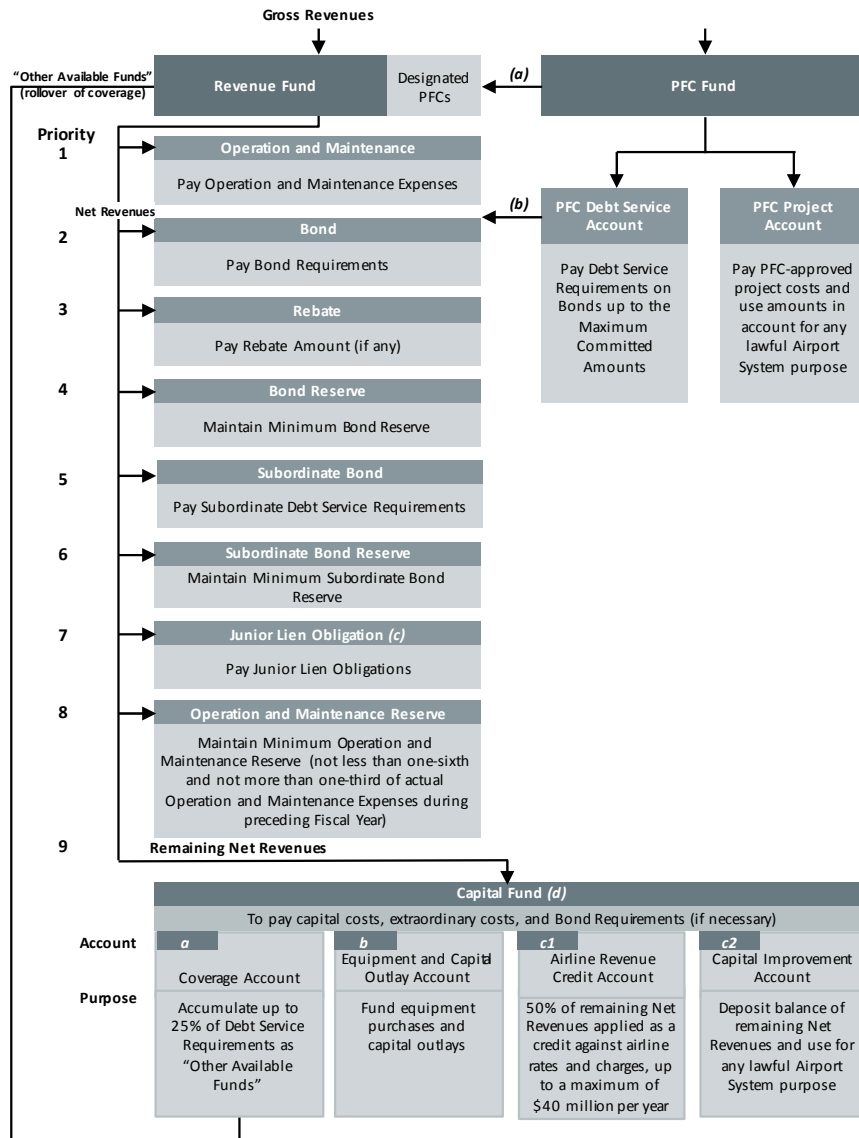
“Net Revenues” is defined in the Senior Bond Ordinance to mean Gross Revenues of the Airport System remaining after the deduction of Operation and Maintenance Expenses. “Gross Revenues” generally constitute any income and revenue lawfully derived directly or indirectly by the City from the operation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

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

The application of Gross Revenues is governed by the provisions of the Senior Bond Ordinance and the Subordinate Bond Ordinance. The Senior Bond Ordinance creates the “City and County of Denver, Airport System Fund” (the “Airport System Fund”), and within the Airport System Fund a special fund designated the “City and County of Denver, Airport System Gross Revenue Fund” (the “Revenue Fund”). See “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — The Airport System Fund.” The City is required to set aside in the Revenue Fund all Gross Revenues upon receipt. Moneys held in the Revenue Fund are then to be applied and deposited to various other funds and accounts established pursuant to the Senior Bond Ordinance and the Subordinate Bond Ordinance. Gross Revenues in the Revenue Fund are to be applied first to Operation and Maintenance Expenses, then to the Debt Service Requirements on the Senior Bonds, then to pay any required rebate amount, then to maintain the Minimum Bond Reserve in the Bond Reserve Fund for Senior Bonds, and then to the Subordinate Debt Service Requirements. See also “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — Application of Revenues” for a further description of the application of Gross Revenues. The flow of funds under the Senior Bond Ordinance and the Subordinate Bond Ordinance is illustrated in the following diagram.

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



- (a) Designated Passenger Facility Charges: Represents one-third of the PFCs received by the City (currently \$1.50 of the \$4.50 PFC) that will be considered Gross Revenues under the Senior Bond Ordinance through 2018, and will continue as part of Gross Revenues until the City determines that such PFCs shall no longer be included in Gross Revenues for purposes of the Senior Bond Ordinance. See "FINANCIAL INFORMATION — Passenger Facility Charges — Designated Passenger Facility Charges."
- (b) Committed Passenger Facility Charges: Two-thirds of the PFCs received by the City (currently \$3.00 of the \$4.50 PFC) are irrevocably committed through 2018 to the payment of Debt Service Requirements on Senior Bonds, and may continue to be committed thereafter as determined by the City. See "FINANCIAL INFORMATION — Passenger Facility Charges — Irrevocable Commitment of Certain PFCs to Debt Service Requirements for Senior Bonds."
- (c) Pursuant to Ordinance No. 15-0774, Series of 2015, the City created the "City and County of Denver, Colorado, Airport System Junior Lien Obligations Fund" in connection with the operation of the Airport Hotel. See "DENVER INTERNATIONAL AIRPORT — Hotel and Transit Center."
- (d) The account structure for the Capital Fund may be established by the City as necessary for accounting purposes. The accounts are not required by the Senior Bond Ordinance and the Subordinate Bond Ordinance.

## **Bond Reserve Fund**

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

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

## **Additional Parity Bonds**

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

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

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

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

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

The Series 2013A-B Subordinate Bonds are outstanding in the aggregate principal amount of \$705,615,000 and the Series 2015A Subordinate Bonds are outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. The City, for and on behalf of the Department, has entered into a Subordinate Credit Facility to secure the Series 2015A Subordinate Bonds. The City’s obligation to the financial institution providing such Subordinate Credit Facility constitutes a Subordinate Credit Facility Obligation under the Subordinate Bond Ordinance. See “FINANCIAL INFORMATION — Outstanding Subordinate Bonds and — Other Subordinate Obligations.”

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

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

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

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

	<b>Fiscal Year Ended December 31</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross Revenues, not including Designated Passenger Facility Charges <sup>1,7</sup>	\$670,753	\$679,008	\$708,846	\$751,428 <sup>7</sup>	\$754,688 <sup>7</sup>
Designated Passenger Facility Charges <sup>2</sup>	<u>34,950</u>	<u>34,271</u>	34,255	34,977	35,328
Gross Revenues <sup>1,7</sup>	705,703	713,279	743,101	786,405	790,016
Operation and Maintenance Expenses <sup>1</sup>	<u>(312,278)</u>	<u>(318,394)</u>	<u>(349,987)</u>	<u>(355,769)</u>	<u>(377,199)</u>
Net Revenues	393,425	394,885	393,114	430,636	412,817
Other Available Funds <sup>3</sup>	<u>48,045</u>	<u>51,685</u>	<u>50,409</u>	<u>54,833</u>	<u>50,320</u>
Total Amount Available for Debt Service	\$441,470	\$446,570	\$443,524	\$485,469	\$463,137
Senior Bond Debt Service <sup>4</sup>	\$267,321	\$278,063	\$271,268	\$289,287	\$271,935
Committed Passenger Facility Charges <sup>5</sup>	<u>( 69,899)</u>	<u>( 68,543)</u>	<u>( 68,510)</u>	<u>( 69,953)</u>	<u>( 70,656)</u>
Debt Service Requirements for the Senior Bonds	\$197,421	\$209,520	\$202,758	\$219,334	\$201,279
Debt Service Coverage for the Senior Bonds	224%	213%	219%	221%	230%
Subordinate Debt Service Requirements <sup>6</sup>	\$ 37,935	\$ 38,043	\$40,059	\$49,088	\$61,233
Debt Service Requirements for the Senior Bonds	<u>197,421</u>	<u>209,520</u>	<u>202,758</u>	<u>219,334</u>	<u>201,279</u>
Aggregate Debt Service Requirements for the Senior Bonds and Subordinate Debt Service Requirements	\$235,356	\$247,562	\$242,817	\$268,422	\$262,512
Aggregate Debt Service Coverage for the Senior Bonds and Subordinate Debt Service Requirements	188%	180%	183%	181%	176%

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

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

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

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

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

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

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

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

**PFC Fund and PFC Debt Service Account**

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



agreed to deposit a portion of the PFC revenues (generally two-thirds of the PFC revenues received by the City from time to time) in the PFC Debt Service Account and has irrevocably committed a maximum amount of PFCs, to the extent credited to the PFC Debt Service Account, to the payment of Debt Service Requirements on Senior Bonds through Fiscal Year 2018, as further discussed in “— Rate Maintenance Covenant” below in this section and “FINANCIAL INFORMATION — Passenger Facility Charges — Irrevocable Commitment of Certain PFCs to Debt Service Requirements.” See also “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — PFC Fund.”

### **Capital Fund**

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

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

### **Rate Maintenance Covenant**

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

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

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

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

The term “Debt Service Requirements” in the Senior Bond Ordinance provides that, in any computation required by the Rate Maintenance Covenant, there is to be excluded from Debt Service Requirements amounts that have been irrevocably committed to make such payments. See “APPENDIX A — GLOSSARY OF TERMS.” As described in “— PFC Fund and PFC Debt Service Account” above, the City has irrevocably committed a portion of the moneys (currently the revenues derived from \$3.00 portion of the \$4.50 PFC) collected from PFCs to the payment of Debt Service Requirements on the Senior Bonds through Fiscal Year 2018. This irrevocable commitment means that for purposes of determining compliance with the Rate Maintenance Covenant, the debt service to be paid from irrevocably committed PFCs is treated as a reduction in the Debt Service Requirements of Senior Bonds in each Fiscal Year through 2018. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS,” “FINANCIAL INFORMATION — Outstanding Senior Bonds, — Passenger Facility Charges,” and “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

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

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

## **RISKS AND OTHER INVESTMENT CONSIDERATIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Current Economic Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the condition of the U.S. economy and levels of real disposable income. Previous recessions and periods of stagnant economic conditions in the U.S., Colorado and Denver metropolitan area contributed to reduced passenger traffic at the Airport. Further, the 2008-2009 recession and associated high unemployment and reduced discretionary income contributed to reduced airline travel demand at the Airport in 2009. For economic and demographic information with respect to the Denver metropolitan area, see “APPENDIX I — ECONOMIC AND DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA.”

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

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

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

the operations of the Airport. See also “Dependence on Levels of Airline Traffic and Activity, — Current Economic Conditions, — Cost, Availability and Price Volatility of Aviation Fuel, and — Risk of Airline Bankruptcies” in this section and “AVIATION ACTIVITY AND AIRLINES” below.

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

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

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

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

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

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

Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires, and others, and/or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Airline Lease

Agreements acknowledge the existence of the rate covenant under the Senior Bond Ordinance and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

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

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

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

The Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, the TSA, Customs and Border Protection and the U.S. Department of Health. The City is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airport.

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

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Airport and on the airlines operating at the Airport. The United States Environmental Protection Agency (the “EPA”) has taken steps towards regulation of greenhouse gas (“GHG”) emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On June 10, 2015, the EPA proposed to find that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. The endangerment finding and a related cause/contribute finding were finalized on July 25, 2016 as the EPA Administrator found that GHGs emitted from certain classes of engines used in certain aircraft

are contributing to air pollution that endangers public health and welfare. While the EPA has still not proposed or finalized aircraft engine GHG emissions standards, during the prior litigation, the EPA admitted that once such an endangerment finding and a related cause/contribute finding has been made, the mandatory language of section 231 of the Clean Air Act requires EPA to regulate. The EPA proposed regulation is expected in 2017 and final regulations are expected in 2018.

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

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

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

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

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

A substantial portion of Gross Revenues available for payment of debt service is derived from rentals, fees and charges imposed upon the Signatory Airlines under the Use and Lease Agreements. Pursuant to the Use and Lease Agreements, each Signatory Airline has agreed to pay the rates and charges for its use of the Airport. The United Use and Lease Agreement expires in February 2035 and the other existing Use and Lease Agreements expire in December 31, 2016. Amendments to the Use and Lease Agreements extending the term of such agreements to December 31, 2018, with the option (available only to the City) to extend such agreements until December 31, 2020 (the “Use and Lease Agreement Amendments”), are expected to be approved by City Council prior to December 31, 2016. Any of such Use and Lease Agreements may be terminated by the City or by a Signatory Airline, including United,

under certain circumstances. No representations are made herein regarding whether additional Use and Lease Agreements will be executed or with respect to extensions or terminations thereof or that challenges will not be made by airlines to the rates and charges established by the City or its method of allocating particular costs. See “— Risk of Airline Bankruptcies” below and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

Upon the expiration or termination of a Use and Lease Agreement, an airline is required to surrender the leased premises to the City. Holding over by an Airline following the expiration of the term of a Use and Lease Agreement or any extension thereof, without an express agreement as to such holding over, is deemed to be a periodic tenancy on a month-to-month basis. In such case, an Airline is subject to all the terms and conditions of the Use and Lease Agreement. Rent, fees, and charges for each month of such holding over are required to be paid by the airline to the City in an amount that is generally equal to the monthly rental, fees, and charges required for the month prior to the end of the term of such agreement. The City may encounter significant expenses, delays and potentially nonpayment of amounts owed by the airline following the expiration or termination of the related Use and Lease Agreement should the City be required to pursue legal action to enforce the Use and Lease Agreements.

### **Risk of Airline Bankruptcies**

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

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

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



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

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

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

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

### **Availability of PFCs**

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

The Airport's receipt of PFC revenues is subject to several risks. First, the Airport's current PFC authorization expires on February 1, 2029. Second, the amount of PFCs received by the Airport in future years depends on the actual number of PFC-eligible passenger enplanements at the Airport. If enplanements decline so will the Airport's PFC revenues. Third, the Airport's authority to impose PFCs

may be terminated (subject to procedural safeguards) for various reasons, including for a failure by the Airport to observe FAA requirements regarding use of these revenues. See “FINANCIAL INFORMATION — Passenger Facility Charges.”

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

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

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

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

See “CAPITAL PROGRAM,” “FINANCIAL INFORMATION — Outstanding Senior Bonds, — Outstanding Subordinate Bonds, — Other Subordinate Obligations, — Subordinate Commercial Paper Notes, — Installment Purchase Agreements, — Capital Fund, and — Federal Grants and Other Funding; Financial and Performance Audits.”

### **Airport Hotel Risks**

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

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

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

### **Additional Rights of Certain Bond Owners**

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

An event of default under a reimbursement agreement could result in an event of default under the Senior Bond Ordinance. Under the Senior Bond Ordinance, the consent of the owners of not less than 10% in principal amount of the Senior Bonds is required to accelerate payment of the Senior Bonds upon an event of default. See "APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — Remedies of Owners of Bonds."

### **Credit Risk of Swap Counterparties**

The City has entered into interest rate swap agreements with various financial institutions. See "FINANCIAL INFORMATION — Other Subordinate Obligations." During and following the recent U.S. recession in 2008-2009, each of the Rating Agencies downgraded the claims-paying ability and financial strength ratings of many commercial banks and other financial institutions, though many of the institutions have subsequently been upgraded. The Rating Agencies could announce downgrades of these entities in the future, which could have a material adverse effect on the Airport, including significant increases in its debt service costs.

The occurrence of certain events, including non-payment or a ratings downgrade of the applicable swap providers if not cured, could give the other party to the swap agreement the ability to cause a termination thereof (or might result in automatic termination in the case of a bankruptcy). The amount due in connection with any such termination could be owed by, or to, the Airport depending on interest rate conditions at the time of termination regardless of fault. The amount owed may be substantial, and any such termination could leave the parties unhedged. A termination may be avoided by novating the swap to another party, or the burden of the Airport having to pay any such termination payment may be

alleviated by entering into a replacement swap on the same terms as the terminating swap but with the new swap provider's payment of an upfront fee which could be used to pay all or a portion of the termination payment. The availability of such options would depend on the applicable termination events, and the parties' creditworthiness and market conditions at the time. See "FINANCIAL INFORMATION — Other Subordinate Obligations."

### **Future Tax Developments**

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

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

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

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

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

**Eric Hiraga** was appointed by Mayor Michael B. Hancock to the position of Executive Vice President and Chief of Staff of the Airport on January 1, 2012, after serving as Strategic Advisor in the Manager's Office since 2009. In this capacity, he manages the Airport's External Affairs Business Unit

and is responsible for overseeing the Airport's Executive Office, Air Service Development, Global Communications, Government Affairs, and the Executive Office administrated sections. Since joining the Airport in 2009 as Strategic Advisor, Mr. Hiraga has served in several "acting" capacities. Acting posts include Director of Business Management Services, Manager of Capital Improvement Program, and Director of Financial Planning and Analysis. Prior to joining the Airport, Mr. Hiraga worked as Vice President of Development and Finance for a local real estate development firm and held several positions for the City including Debt Administrator for the Department of Finance and Economic Development Specialist for the Mayor's Office of Economic Development and International Trade.

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

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

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

**Patrick Heck** returned to the Airport in 2016 as Chief Commercial Officer and Executive Vice President for Global Development after serving five years as the Airport's Chief Financial Officer from 2009 to 2014. Mr. Heck is responsible for all Airport commercial revenue programs including the retail, food and beverage, commercial property, car rental, parking and ground transportation businesses. He is

also in charge of airline affairs and air service development. Prior to his return to the Airport, Mr. Heck served as the Vice President of Commercial for Manchester Airports Group USA, leading the parking and public-private partnership aspects of the business. Prior to that position, he was the Chief Financial Officer for Continuum Partners, a Denver-based real estate development firm. Mr. Heck began his nearly 20-year aviation career at United Airlines, holding several positions in finance, operations and sales and marketing. Mr. Heck holds a Master of Public Policy from the University of Chicago and a Bachelor of Arts in public policy and music from the University of Denver.

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

## **DENVER INTERNATIONAL AIRPORT**

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

### **Airfield**

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

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

### **Terminal Complex**

The passenger terminal complex consists of (1) a landside terminal, (2) three airside concourses currently having a total of 107 full-service contact gates and 42 ground loading positions, (3) the Airport Office Building, and (4) the Hotel and Transit Center (described below). The terminal and concourses are

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

Two multi-level parking structures adjacent to the landside terminal provide in excess of 16,000 public parking spaces, and both close-in and remote surface parking lots provide in excess of 27,000 additional parking spaces.

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

### **Hotel and Transit Center**

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

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

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

operating year. In the event of a termination, Westin (or any other Hotel Manager) is required to cooperate with the Airport to minimize expenses, provide a final accounting and deliver all non-proprietary books and records, licenses, permits and contracts, and to facilitate the orderly transfer of electronic records and data.

The City adopted Ordinance No. 15-0774, Series of 2015 (the “2015 Ordinance”) to provide for the administration of the revenues of the Airport Hotel and the payment of costs and expenses related to the Airport Hotel. The 2015 Ordinance established a Hotel Operating Account (the “Hotel Operating Account”) within the Revenue Fund held under the Senior Bond Ordinance, which account is administered as provided in the Cash Management Agreement (the “CMA”), the form of which is attached to the HMA. Pursuant to the 2015 Ordinance, the City created the “City and County of Denver, Colorado, Airport System Junior Lien Obligations Fund” (the “Junior Lien Obligations Fund”) and the “City and County of Denver, Airport Hotel Junior Lien Obligations Account” (the “Junior Lien Obligations Account”) within the Junior Lien Obligations Fund. In order to facilitate the City’s payment obligations under the HMA and the CMA, the following subaccounts were created within the Junior Lien Obligations Account: the Senior Hotel FF&E Reserve Fund, the Senior Hotel CapEx Reserve Fund, the Hotel Operating Reserve Fund, and the Subordinate Hotel CapEx Reserve Fund. The City’s obligations under the HMA to make payments, transfers, and deposits to the accounts described above constitute Junior Lien Obligations for purposes of the Senior Bond Ordinance and the Subordinate Bond Ordinance. Such Junior Lien Obligations have a lien on the Net Revenues subordinate and junior to the lien thereon of the Senior Bonds, Senior Obligations, Subordinate Bonds, and other Subordinate Obligations. See “FINANCIAL INFORMATION — Junior Lien Obligations.” The flow of funds described in the HMA and the CMA is used for internal Airport accounting purposes and does not modify in any manner the flow of funds required under the Senior Bond Ordinance.

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

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

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



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

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

### **Peña Station Project**

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

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

### **Other Facilities**

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

## **CAPITAL PROGRAM**

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

As discussed more fully below, the Airport is in the process of developing a new capital program for the years 2017 through 2021 (the “Preliminary 2017-2021 Capital Program”). The Airport’s last adopted capital program was developed in 2012-2013 for the period 2013-2018. Major projects completed in the 2013-2018 Capital Program include the Hotel and Transit Center, the expansion of Concourse C to add gates, construction of a new parking garage, and airfield pavement rehabilitation and lighting projects.

**Preliminary 2017-2021 Capital Program**

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

	in millions <sup>1</sup>
Terminal Complex/other	\$1,156.5
Airfield	171.1
Roads	166.2
Land development program <sup>2</sup>	22.5
TOTAL	\$1,516.3

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

<sup>2</sup> Projects in this category are expected to include land development at or around the Airport, as permitted by the Adams County IGA. See “FINANCIAL INFORMATION — Intergovernmental Agreement with Adams County.”

Source: Department of Aviation.

The scope, timing, and cost of specific projects in each of the major Airport areas listed above is currently being evaluated by Airport management with respect to, among other things, the following: (i) the timing and amount of certain potential sources of funding, including those from amounts on deposit within the Capital Fund, grants-in-aid from the FAA and/or the Transportation Security Administration (TSA), prior bond proceeds, additional Airport revenue bonds, and a private developer; (ii) any environmental issues; and (iii) projected average airline costs per enplaned passenger, coverage ratios for all (senior and subordinate) bonds, and the Airport’s cash position.

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

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

**Major Projects in the Preliminary 2017-2021 Capital Program**

**Great Hall Revitalization.** The Great Hall Revitalization would create a new, modern airport experience by (i) consolidating the airline ticket counters, (ii) consolidating and relocating the TSA screening areas to level 6 (one floor above their current location); (iii) modifying the baggage handling

system in and under the Landside Terminal to support the relocated ticket counters and to provide greater efficiency in baggage screening and future capacity; and (iv) redesigning the shopping, dining, and passenger experience in the Landside Terminal.

In August 2016, the City Council approved a Predevelopment Agreement (the “Predevelopment Agreement”) between the City and Denver Great Hall LLC (“Great Hall LLC”), a limited liability company. Denver Great Hall LLC is owned by Denver Great Hall Holdings LLC, which was formed by Ferrovial Airports International Ltd., Saunders Concessions, LLC, and JLC Infrastructure Fund I L.P. Pursuant to the Predevelopment Agreement, by the first quarter of 2017, the Airport and Great Hall LLC intend to finalize the scope and project cost, as well as the business, financial, and commercial arrangements that would enable the implementation of the Great Hall Revitalization. These and other matters are expected to be finalized in a development agreement (the “Development Agreement”) between the City and Great Hall LLC, which would require City Council and Mayoral approvals. If the City and Great Hall LLC do not finalize the Development Agreement, the City may elect to implement (with or without a private developer) all or a portion of the Great Hall Revitalization from the potential funding sources described below, excluding funds from Great Hall LLC. However, there is no assurance that the City will elect to do so.

If implemented, the Great Hall Revitalization is currently expected to be funded from a combination of the following sources, in varying amounts: (i) if applicable, funds from Great Hall LLC as the private developer, which will likely include some combination of Great Hall LLC cash in the form of contributed/invested equity and debt financing, (ii) amounts then on deposit in the Capital Fund, (iii) TSA funds for eligible areas, and (iv) additional Airport revenue bonds, which may be issued on parity with the Series 2016B Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.

***Concourse A Gate Expansion.*** The Concourse A Gate Expansion project would add ten gates on Concourse A as well as increase the amount of airline and concessions space on that concourse. It is the Airport’s current expectation that a majority of the additional gates and space would be revenue-producing in the near and longer term because the Airport expects that airlines will request an expansion in the number of Airport gates. The Concourse A Gate Expansion project is currently expected to be funded from a combination of the following potential sources, in varying amounts: (i) amounts then on deposit in the Capital Fund, and (ii) additional Airport revenue bonds, which may be issued on parity with the Series 2016B Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.

***Airfield Improvements.*** Major projects include rehabilitation of certain runways, taxiways, and apron areas as part of the Airport’s pavement management system, improvements to airfield drainage, safety areas, and airfield service roads, installation of lighting, and airfield planning studies. If implemented, airfield improvements are currently expected to be funded from a combination of the potential sources listed below, in varying amounts: (i) amounts then on deposit in the Capital Fund, (ii) FAA grants-in-aid, and (iii) additional Airport revenue bonds, which may be issued on parity with the Series 2016B Bonds. The Airport has not made any final determination regarding the issuance of such revenue bonds.

### **Other Potential Capital Projects**

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

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

If implemented, Additional Concourse Gate Expansion Projects are currently expected to be funded from a combination of the potential sources listed below, in varying amounts: (i) amounts then on deposit in the Capital Fund, and (ii) additional Airport revenue bonds, which may be issued on parity with the Series 2016B Bonds. The Airport has not made any final such determination regarding the issuance of such revenue bonds.

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

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

## **AVIATION ACTIVITY AND AIRLINES**

### **Denver Air Service Region**

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

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## Airlines Serving the Airport

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

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

Source: Department of Aviation management records.

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

### Airline Information

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

The United Group has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and for the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System's operating revenues and the Airport System's Gross Revenues for the years 2011 through 2015. See also "— Aviation Activity and — Originating and Connecting Passengers" in this section.

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## United Group Percent of Airport Operations

	Fiscal Year					January-September	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
<b>Percent of Total Enplanements at the Airport</b>							
United	24.3%	23.9%	24.6%	24.3%	27.7%	27.3%	29.0%
United Express	15.3	15.2	16.0	16.3	14.6	14.8	12.9
Continental	3.3	1.4	--	--	--	--	--
Total United Group	42.9%	40.5%	40.6%	40.6%	42.3%	42.2%	41.9%
<b>Percent of Originating Passengers</b>							
United	24.0%	27.7%	29.6%	29.2%	31.2%	30.9%	32.5%
United Express	10.2	10.4	11.4	11.2	9.2	9.4	8.5
Continental	5.3	1.9	--	--	--	--	--
Total United Group	39.5%	40.0%	41.0%	40.4%	40.4%	40.3%	41.0%
<b>Percent of Connecting Passengers</b>							
United	32.7%	31.4%	30.8%	30.6%	34.4%	33.9%	36.7%
United Express	25.5	27.1	28.1	29.1	25.2	25.8	22.4
Continental	2.3	1.5	--	--	--	--	--
Total United Group	60.5%	60.0%	58.9%	59.6%	59.6%	59.7%	59.0%
<b>Percent of Airport Originating Passengers</b>							
United	18.6%	20.1%	12.0%	11.9%	13.2%	20.2%	21.4%
United Express	8.0	7.6	4.6	4.5	3.9	6.1	5.6
Continental	4.1	1.4	--	--	--	--	--
Total United Group	30.7%	29.1%	16.6%	16.4%	17.1%	26.3%	27.0%
<b>Percent of Airport Connecting Passengers</b>							
United	31.1%	28.6%	30.3%	31.5%	40.7%	40.3%	42.3%
United Express	24.6	24.7	27.3	30.0	29.8	30.8	25.8
Continental	2.2	1.4	--	--	--	--	--
Total United Group	57.9%	54.7%	57.6%	61.5%	70.5%	71.1%	68.1%
<b>Percent of Airline Rentals, Fees and Charges United Group Component of Operating Revenues**</b>							
	52.2%	49.6%	50.3%	50.3%	48.9%	N/A	N/A
<b>Percent of Airport System Gross Revenues**</b>							
	26.1%	24.7%	22.9%	22.0%	21.0%	N/A	N/A

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

In 2008, United began to significantly reduce its consolidated domestic capacity, its consolidated overall capacity and its workforce. Such reductions continued in 2009, 2010 and 2011. On October 1, 2010, United Continental Holdings (formerly known as UAL Corporation), the parent company of United, completed the merger of United and Continental, and integrated the two airlines under the United brand to operate under a single FAA operating certificate as of November 30, 2011. The

United Group (United and United Express) accounted for approximately 40.6% and 42.3% of passenger enplanements at the Airport in 2014 and in 2015, respectively. In addition, the Airport ranked as the 4th busiest airport in the United route network based on enplaned passenger data for 2015.

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

**Southwest.** Southwest had the second largest market share at the Airport in 2014 and 2015. Southwest commenced service at the Airport in January 2006 and since that time has experienced strong and continued growth in airline service at the Airport. Southwest initially served ten cities from the Airport, compared to the 62 cities to which it currently provides nonstop service from the Airport. In 2015, the Airport was the 4th busiest airport in the Southwest system based on scheduled seats. In May 2011, Southwest acquired AirTran Holdings, Inc. (the parent of AirTran Airways). Southwest integrated AirTran Airways into the Southwest brand in March 2012 and operates Southwest and AirTran Airways under a single FAA operating certificate.

Southwest leases 23 gates at the Airport pursuant to a Use and Lease Agreement with the City which expires on December 31, 2016. Such Use and Lease Agreement is expected to be amended prior to December 31, 2016 by a Use and Lease Agreement Amendment, which would extend the term of such agreement to December 31, 2018 and would include an option (available only to the City) to extend such term until December 31, 2020. Southwest has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System’s operating revenues and the Airport System’s Gross Revenues for the years 2011 through 2015. See also “Aviation Activity” and “Originating and Connecting Passengers” in this section.

### Southwest Percent of Airport Operations

	Fiscal Year					January-September	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Percent of Total Enplanements at the Airport	21.8%	23.7%	25.6%	26.4%	29.4%	29.3%	29.3%
Southwest Percent Originating Passengers	70.5	68.3	69.0	72.1	75.6	76.2	73.9
Southwest Percent Connecting Passengers	29.5	31.7	31.0	27.9	24.4	23.8	26.1
Percent of Airport Originating Passengers	27.8	29.1	30.2	31.4	34.5	34.6	33.9
Percent of Airport Connecting Passengers	14.3	16.9	19.0	18.7	20.0	19.7	21.1
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues**	14.1	16.8	20.2	21.0	23.7	N/A	N/A
Percent of Airport System Gross Revenues**	7.1	8.3	9.2	9.2	10.2	N/A	N/A

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

Source: Department of Aviation management records.

The City makes no representations regarding the financial conditions of Southwest or its future plans generally or with regard to the Airport in particular. See also “— Aviation Activity and — Originating and Connecting Passengers” in this section, as well as “INTRODUCTION — Denver

International Airport — *Major Air Carriers Operating at the Airport,*” “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Financial Condition of the Airlines; Industry Consolidation, — Risk of Airline Bankruptcies,” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

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

Frontier leases 8 gates at the Airport pursuant to a Use and Lease Agreement with the City which expires on December 31, 2016. Such Use and Lease Agreement is expected to be amended prior to December 31, 2016 by a Use and Lease Agreement Amendment, which would extend the term of such agreement to December 31, 2018 and would include an option (available only to the City) to extend such term until December 31, 2020.

The Frontier Group, consisting of Frontier, Frontier/Republic, Lynx and Frontier JetExpress commuter affiliates, also has accounted for the percentages set forth in the table below of passenger enplanements, originating passengers and connecting passengers at the Airport for the past five years and the first nine months of 2015 and 2016, as well as airline rentals, fees and charges component of the Airport System’s operating revenues and the Airport System’s Gross Revenues for the years 2011 through 2015. See also “Aviation Activity — Originating and Connecting Passengers” in this section.

#### **Frontier Group Percent of Airport Operations**

	Fiscal Year					January — September	
	2011	2012	2013	2014	2015	2015	2016
Percent of Total Enplanements at the Airport	22.3%	21.9%	19.1%	18.4%	12.4%	12.1%	12.2%
Frontier Group Percent Originating Passengers	50.0	48.4	55.0	62.6	78.9	79.7	74.9
Frontier Group Percent Connecting Passengers	50.0	51.6	45.0	37.4	21.1	20.3	25.1
Percent of Airport Originating Passengers	20.2	19.1	18.0	19.0	15.3	15.0	14.4
Percent of Airport Connecting Passengers	24.8	25.5	20.6	17.5	7.3	6.9	8.5
Percent of Airline Rentals, Fees and Charges Component of Operating Revenues**	14.7	14.4	12.9	13.0	10.4	N/A	N/A
Percent of Airport System Gross Revenues**	7.3	7.1	5.9	5.7	4.4	N/A	N/A

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

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

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



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

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

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

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

## **Aviation Activity**

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

**Passenger and Revenue Information.** There are 24 passenger airlines currently providing scheduled service at the Airport, including ten major/national passenger airlines, six foreign flag passenger airlines and eight regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines, including Federal Express Corporation and United Parcel Service, provide service at the Airport. See “— Airlines Serving the Airport” above.

With a few exceptions, the Airport has experienced continual growth in both passenger traffic and associated revenues. The Airport was negatively impacted by the global economic recession that began in late 2007 and the associated weakened demand for air travel and reduced airline passenger capacity. In 2008, although the number of enplaned passengers at the Airport continued to increase, the rate of growth declined from that experienced in previous years, and in 2009 the number of enplaned passengers at the Airport declined by 2.0%, the first decline since 2002. However, in 2010 the number of enplaned passengers at the Airport rebounded, with an increase of 3.6% over 2009. With the exception of a 1.2% decrease in 2013, the number of enplaned passengers has increased since 2010. In 2015, the Airport served approximately 27.0 million enplaned passengers (a 1.1% increase over 2014), which is the highest number of enplaned passengers at the Airport since it opened in 1995. Approximately 64% of passengers enplaned in 2015 originated their travel at the Airport and 36% of passengers made connecting flights at the Airport.

The following table sets forth the ten year history of enplaned passengers for the Airport and the first nine months of 2015 and 2016.

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

<u>Year</u>	<u>Enplaned Passengers (millions)</u>	<u>Percent Change</u>
2006	23.665	9.0% <sup>1,2</sup>
2007	24.941	5.4
2008	25.650	2.8
2009	25.128	(2.0)
2010	26.025	3.6
2011	26.456	1.7
2012	26.597	0.5
2013	26.285	(1.2)
2014	26.737	1.7
2015	27.019	1.1
2015 <sup>3</sup>	20.129	(0.5) <sup>4</sup>
2016 <sup>3</sup>	21.771	8.2

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

<sup>2</sup> Compared to 21.702 million enplaned passengers in 2005.

<sup>3</sup> Enplaned passengers through September 30, 2015 and September 30, 2016, respectively.

<sup>4</sup> Percentage changes are from the same period in 2014.

Source: Department of Aviation management records.

Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions, population and economy of the Airport service region, national and local unemployment rate, political conditions including wars, other hostilities and acts of terrorism, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and route networks, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air transportation system and of the Airport, accidents involving commercial passenger aircraft, visa requirements and other

limitations on the ability of foreign citizens to enter the United States, currency exchange rates, and the occurrence of pandemics and other natural and man-made disasters. See “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

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

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

<u>Year</u>	<u>Major/National Airlines<sup>2</sup></u>		<u>Regional/Commuter Airlines</u>		<u>Charter/Miscellaneous Airlines</u>		<u>Total Airlines</u>	
	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
2011	21,709,430	3.2%	4,439,841	(4.8)%	306,494	(6.2)%	26,455,765	1.7%
2012	21,984,133	1.3	4,323,837	(2.6)	289,021	(5.7)	26,596,991	0.5
2013	21,618,114	(1.7)	4,436,819	2.6	230,374	(20.3)	26,285,307	(1.2)
2014	21,962,984	1.6	4,767,207	7.4	6,493	(97.2) <sup>1</sup>	26,736,684	1.7
2015	22,713,090	3.4	4,296,830	(9.9)	9,009	38.7	27,018,929	1.1
Jan-Sept 2015 <sup>3</sup>	16,862,306	1.5	3,262,033	(9.5)	4,318	28.4	20,128,657	(0.4)
2016	18,617,342	10.4	3,150,225	(3.4)	3,096	(28.3)	21,770,663	8.2

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

<sup>2</sup> Includes Lynx through March 2011.

<sup>3</sup> Percent changes are from the same period in 2014.

Source: Department of Aviation management records.

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

### Percentage of Enplaned Passengers by Traffic Type

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

Source: Department of Aviation management records.

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

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

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

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

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

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

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

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

Source: Department of Aviation management records.

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

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	Calendar Year					January-September	
	2011	2012	2013	2014	2015	2015	2016
<b>Enplaned Passengers (millions):</b>							
United <sup>1</sup>	7.263	6.721	6.446	6.491	7.493	5.505	6.311
United Express <sup>1</sup>	4.087	4.039	4.213	4.370	3.928	2.988	2.817
Total United Group <sup>1</sup>	11.351	10.760	10.659	10.861	11.421	8.493	9.128
Southwest <sup>2</sup>	5.756	6.301	6.721	7.065	7.929	5.907	6.372
Frontier <sup>3</sup>	5.890	5.826	5.015	4.932	3.360	2.438	2.665
American <sup>4</sup>	1.372	1.474	1.477	1.537	1.642	1.257	1.253
Other	2.087	2.237	2.413	2.342	2.666	2.033	2.352
Total	26.456	26.597	26.285	26.737	27.019	20.129	21.771
<i>Percent Change from Prior Year</i>	1.7%	0.5%	(1.2%)	1.7%	1.1%	(0.5%)	(8.2%)
<b>Originating Passengers (millions):</b>	14.595	14.785	15.328	16.214	17.353	12.999	13.867
Percent of Total Enplaned	55.2%	55.6%	58.3%	60.6%	64.2%	64.6%	63.7%
<b>Connecting Passengers (millions):</b>	11.861	11.812	10.957	10.523	9.666	7.130	7.904
Percent Connecting of Total Enplaned	44.8%	44.4%	41.7%	39.4%	35.8%	35.4%	36.3%
<b>United Group<sup>1</sup> Passengers:</b>							
Percent Originating	39.5%	40.0%	41.1%	39.0%	40.4%	40.3%	41.0%
Percent Connecting	60.5%	60.0%	58.9%	61.0%	59.6%	59.7%	59.0%
<b>Frontier<sup>3</sup> Passengers:</b>							
Percent Originating	50.0%	48.4%	55.0%	62.6%	78.9%	79.7%	74.9%
Percent Connecting	50.0%	51.6%	45.0%	37.4%	21.1%	20.3%	25.1%
<b>Southwest<sup>2</sup> Passengers:</b>							
Percent Originating	70.5%	68.3%	69.0%	72.1%	75.6%	76.2%	73.9%
Percent Connecting	29.5%	31.7%	31.0%	27.9%	24.4%	23.8%	26.1%
<b>American<sup>4</sup> Passengers:</b>							
Percent Originating	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Connecting	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Average Daily Departures:</b>							
Passenger Airlines:							
United <sup>1</sup>	130	133	125	124	146	143	166
United Express <sup>1</sup>	246	239	246	252	219	224	206
Frontier <sup>3</sup>	152	137	105	100	66	66	64
Southwest <sup>2</sup>	147	159	159	158	168	167	180
American <sup>4</sup>	32	33	33	33	33	34	35
Other	125	105	99	75	77	75	92
Total Passenger Airlines	832	806	767	742	709	710	743
All-Cargo Airlines	25	25	25	26	26	26	25
Total	856	831	792	768	735	736	768
<i>Percent Change from Prior Year</i>	(0.2%)	(2.9%)	(4.6%)	(3.0%)	(4.3%)	(5.0%)	4.4%
<b>Landed Weight (billion pounds):</b>							
Passenger Airlines:							
United <sup>1</sup>	7.925	7.974	7.432	7.292	8.214	6.023	6.982
United Express <sup>1</sup>	4.826	4.675	4.779	4.881	4.427	3.362	3.166
Frontier <sup>3</sup>	6.679	6.338	5.182	5.018	3.339	2.468	2.466
Southwest <sup>2</sup>	6.656	7.244	7.353	7.423	7.922	5.907	6.397
American <sup>4</sup>	0.836	0.864	0.831	1.609	1.678	1.287	1.325
Other	4.382	3.590	3.766	2.813	3.112	2.342	2.759
Total Passenger Airlines	31.304	30.685	29.343	29.036	28.692	21.390	23.096
All-Cargo Airlines	1.207	1.204	1.260	1.315	1.363	0.977	1.036
Total	32.512	31.889	30.603	30.351	30.055	22.366	24.131
<i>Percent Change from Prior Year</i>	(2.3%)	(1.9%)	(4.0%)	(0.8%)	(1.0%)	(2.0%)	7.9%
<b>Enplaned Cargo (million pounds)<sup>5</sup></b>	242.491	227.734	222.771	229.458	238.664	178.262	168.506
<i>Percent Change from Prior Year</i>	0.3%	(6.1%)	(2.2%)	3.0%	4.0%	5.7%	(5.5%)
<b>Total Aircraft Operations (Landings/Take-Offs):</b>							
Air Carriers	452,223	443,389	420,073	422,178	424,930	315,520	332,457
Commuter/Military/Taxi/General Aviation	182,457	174,868	166,787	152,983	122,718	94,609	96,059
Total	634,680	618,257	586,860	575,161	547,648	410,129	428,516
<i>Percent Change from Prior Year</i>	(0.1%)	(2.6%)	(5.1%)	(2.0%)	(4.8%)	(6.0%)	4.5%

[Footnotes on next page]

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

## **Originating and Connecting Passengers**

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

Most major airlines have developed their current route systems around connecting passenger hubs at particular airports. The Airport serves as an important hub in the route system of United and serves as a “focus city” for Southwest. In addition, the Airport is presently Frontier’s only hub. In 2015, approximately 17.4 million passengers (64.2%) of the approximately 27.0 million passengers enplaned at the Airport originated at the Airport. United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 17.1%, 34.5%, and 15.3% of originating passengers at the Airport in 2015, respectively. For first nine months of 2016, United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 27.0%, 33.9%, and 14.4% of originating passengers at the Airport.

In addition, approximately 9.7 million passengers (35.8% of total enplaned passengers) connected from one flight to another in 2015. Nearly all of the passengers using the Airport as a connecting hub connected between the flights of United (including its regional airline affiliates operating as United Express), Southwest, or Frontier, which accounted for approximately 70.5%, 20.0% and 7.3% of the connecting passengers at the Airport in 2015, respectively. For first nine months of 2016, United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 68.1%, 21.1%, and 8.5% of connecting passengers at the Airport. See “Aviation Activity — Summary of Aviation Activity” above.

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

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

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

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

The Use and Lease Agreements expire on December 31, 2016 (with the exception of United, which expires in 2035) and are expected to be amended by the Use and Lease Agreement Amendments prior to December 31, 2016, which amendments would extend the terms of such agreements to

December 31, 2018 and would include an option (available only to the City) to extend such terms until December 31, 2020.

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

<u>Airline</u>	<u>Number of Gates</u>	<u>Concourse</u>	<u>Lease Expiration</u>
American	5	A	December 2016 <sup>1</sup>
Delta	6	A	December 2016 <sup>1</sup>
Frontier	8	A	December 2016 <sup>1</sup>
Spirit Airlines	1	A	December 2016 <sup>1</sup>
United	52	B	February 2035
Alaska Airlines	1	C	December 2016 <sup>1</sup>
Southwest	23	C	December 2016 <sup>1</sup>
Total leased gates	<u>96</u>		

<sup>1</sup> These Use and Lease Agreements are expected to be amended by the Use and Lease Agreement Amendments prior to December 31, 2016, which amendments would extend the terms of such agreements to December 31, 2018.

Source: Department of Aviation management records.

The following airlines have executed Use and Lease Agreements with the City that do not include the lease of preferential contact gates but in some cases include other leased premises such as ticket counters and offices: AeroMéxico, Air Canada, Atlas Air, Bemidji Aviation, Boutique Air, British Airways, Compass Airlines, ExpressJet, GoJet Airlines, Great Lakes Aviation, Icelandair, JetBlue Airlines, Key Lime Air Corporation, Lufthansa, Mesa Airlines, MN Airlines d/b/a Sun Country Airlines, Pinnacle Airlines (now Endeavor Air), Republic Airline, Shuttle America Corporation, Sky Regional Airlines, Inc., SkyWest Airlines, Southern Air, Trans States Airlines, United Parcel Service, Virgin America, and Volaris. These airlines use gates pursuant to their affiliation with other airlines that lease gates at the Airport, use gates managed by the City, or use common use international or commuter gates on Concourse A. These Use and Lease Agreements expire on December 31, 2016 and are expected to be amended by the Use and Lease Agreement Amendments. See “AVIATION ACTIVITY AND AIRLINES — Airlines Serving the Airport.”

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

As described above, the City is permitted to adjust rates and charges at the beginning of and during each Fiscal Year. For adjustments at the beginning of each Fiscal Year, not later than 45 days prior to the end of the prior Fiscal Year, the City is required to furnish the Signatory Airlines with projections of the rentals, rates, fees and charges for the ensuing Fiscal Year for each cost center of the Airport and of each Signatory Airline’s cost per enplaned passenger for the ensuing Fiscal Year. Not later than 30 days prior to the end of each Fiscal Year, the City and the Signatory Airlines are required to consult and review the projections of rentals, rates, fees and charges for the next ensuing Fiscal Year. For adjustments during a Fiscal Year, the City is required to furnish the Signatory Airlines in August (for United) or no later than September 1 of such Fiscal Year with a projection of rentals, rates, fees and charges (the “Mid-Year Projection”), which is required to reflect the most recently available information regarding current aircraft operations and enplaned passengers, as well as expenses actually incurred and revenues realized to date during such Fiscal Year. The City is also required to provide (i) a pro forma projection of revenues and expenses for the current Fiscal Year to each Signatory Airline and (ii) a projection of cost per enplaned revenue passenger to United. With respect to United, within 15 days of providing such projections, the City is required to convene a meeting with United to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year. With respect to the other Signatory Airlines, the City is required to convene a meeting with the Signatory Airlines to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year.

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

**Cost per Enplaned Passenger**

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

<sup>1</sup> Compared to the cost per enplaned passenger of \$11.77 for 2010.  
Sources: Department of Aviation management records.

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

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



regulations in connection with the use of its leased property at the Airport. In addition, for Signatory Airlines other than United, the City may terminate the Use and Lease Agreement if any of the Signatory Airline's directors or officers assigned to or responsible for operations at the Airport shall be or have been convicted of any crime which is a disqualifying offense under federal statutes governing issuance of airport security badges.

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

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

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

United discontinued use of the automated baggage system at the Airport in September 2005 and reverted to the traditional tug and cart system. Consequently, the City has taken steps to mitigate automated baggage system costs over time. Pursuant to the 2005-2 Amendatory Lease Agreement dated January 11, 2006 (the "2005-2 Amendment"), the City agreed to a reduction in United's rates and charges

associated with the automated baggage system of \$4.9 million in 2006, \$8.5 million in 2007 and \$11.0 million annually in 2008 through the end of the lease term. This reduction was subordinate to the City's agreement to reduce all airline rates and charges by \$4 million per year from 2004 through 2010. Such reductions may be decreased or cancelled pursuant to the terms of the 2005-2 Amendment.

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

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

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

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

### **Cargo Operations Leases**

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

There are currently at least two other airports in the Denver metropolitan area that are physically capable of handling the same types of aircraft utilized by carriers that conduct cargo operations at the Airport. To the extent that any such carriers elect to discontinue operations at the Airport in favor of an alternative local site, Net Revenues would not be materially adversely affected. The Airport receives

revenue from cargo carriers only from landing fees and space rentals, which historically have constituted less than 3% of Gross Revenues.

### **Other Building and Ground Leases**

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

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

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

### **Systems Leases**

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

### **Other Agreements**

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

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

Unlike the concession programs at most other U.S. airports, the Airport does not have one or two "master concessionaires" under contract who, in turn, sublease the concessions to others. Since its opening in 1995, the Airport's program has emphasized direct contracting with individual

concessionaires, providing opportunities for small businesses, greater competition, more choices for consumers and more revenue to the Airport.

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

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

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

## **FINANCIAL INFORMATION**

### **Historical Financial Operations**

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

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

	Fiscal Year Ended December 31 <sup>1</sup>					Nine Months Ended September 30 (unaudited)	
	<u>2011<sup>2</sup></u>	<u>2012<sup>2</sup></u>	<u>2013</u>	<u>2014<sup>3</sup></u>	<u>2015<sup>3</sup></u>	<u>2015</u>	<u>2016</u>
Operating Revenues:							
Facility Rentals	\$212,408	\$211,411	\$214,251	\$235,774	\$194,004	\$154,857	\$149,209
Concession income	47,499	49,592	52,022	55,863	59,677	44,383	48,907
Parking income	132,728	137,912	159,465	167,851	178,478	132,521	134,105
Car rentals <sup>7</sup>	46,353	47,222	50,002	59,655	65,309	51,568	52,763
Landing fees	116,506	127,347	137,550	147,841	147,379	103,275	108,793
Aviation fuel tax	28,892	32,783	28,101	26,298	19,458	14,277	12,171
Hotel <sup>8</sup>	--	--	--	--	3,205	--	32,835
Other sales and charges	18,383	18,406	20,246	18,210	20,026	14,381	14,482
<b>Total operating revenues</b>	<b>602,769</b>	<b>624,673</b>	<b>661,637</b>	<b>711,492</b>	<b>687,536</b>	<b>515,262</b>	<b>553,265</b>
Operating Expenses:							
Personnel services	115,648	120,334	125,608	134,699	148,518	104,550	109,989
Contractual services	174,203	175,420	194,666	194,712	197,459	137,677	149,960
Repair and maintenance projects	79,951	68,047	81,234	57,049	55,358	40,142	29,739
Maintenance, supplies and materials	23,059	24,370	30,427	27,103	32,911	19,298	18,990
Hotel <sup>8</sup>	--	--	--	--	2,557	--	20,232
<b>Total operating expenses before depreciation, amortization and asset impairment</b>	<b>392,862</b>	<b>388,171</b>	<b>431,935</b>	<b>413,563</b>	<b>436,803</b>	<b>301,667</b>	<b>328,910</b>
<b>Operating income before depreciation, amortization and asset impairment</b>	<b>209,908</b>	<b>236,502</b>	<b>229,702</b>	<b>297,928</b>	<b>250,733</b>	<b>213,595</b>	<b>224,355</b>
Depreciation and amortization	179,070	178,567	184,721	183,560	163,714	122,736	126,984
<b>Operating income</b>	<b>30,838</b>	<b>57,935</b>	<b>44,981</b>	<b>114,368</b>	<b>87,019</b>	<b>90,859</b>	<b>97,371</b>
Nonoperating revenues (expenses)							
Passenger facility charges <sup>4</sup>	103,210	105,472	103,032	103,959	106,006	80,371	85,287
Customer Facility Fees				17,215	18,598	13,264	14,921
Investment income	32,490	46,899	25,205	44,030	40,648	33,731	22,522
Interest expense	(209,599)	(190,347)	(183,359)	(176,177)	(169,413)	(142,855)	(164,261)
Grants	401	675	481	516	622	--	--
Other revenue (expense) <sup>5</sup>	(1,989)	(8,958)	(1,265)	1,444	12,645	10,290	7,634
<b>Net nonoperating revenues (expenses)</b>	<b>(75,489)</b>	<b>(46,259)</b>	<b>(55,906)</b>	<b>(9,013)</b>	<b>9,106</b>	<b>(5,199)</b>	<b>(33,897)</b>
<b>Change in net assets before capital contributions</b>	<b>(44,651)</b>	<b>11,676</b>	<b>-10,925</b>	<b>105,355</b>	<b>96,125</b>	<b>85,660</b>	<b>63,474</b>
Capital grants <sup>6</sup>	34,702	22,996	31,413	20,533	20,483	4,523	2,994
Capital contributions	--	--	--	--	--	--	--
<b>Change in net assets</b>	<b>(\$9,949)</b>	<b>\$34,672</b>	<b>\$20,488</b>	<b>\$125,888</b>	<b>\$116,608</b>	<b>\$90,183</b>	<b>\$66,468</b>

[Footnotes on next page]

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

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

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

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

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

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

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

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

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

## Management’s Discussion and Analysis of Financial Performance

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

***Nine Months Ended September 30, 2016 vs. Nine Months Ended September 30, 2015.*** For the nine month period ended September 30, 2016, as compared to the nine months ended September 30, 2015, operating revenues at the Airport were \$553.3 million, an increase of \$38.0 million (7.4%). The increase in revenue was primarily due to the operations of the Airport Hotel, which opened in November 2015 (a \$32.8 million increase), as well as an 8.2% increase in passenger traffic and enplanements during the first nine months of 2016, which caused a \$4.5 million increase (10.2%) in retail concession sales. Additionally, there was an increase of \$5.5 million (5.3%) in landing fees, which was primarily due to a 7.9% increase in landed weight over 2015. These revenue increases were partially offset by a decrease of \$5.6 million (3.6%) in facility rentals due to changes in leased space and a decrease of \$2.1 million (14.7%) in aviation fuel tax revenue due to a decline in fuel sales prices.

For the nine month period ended September 30, 2016, as compared to the nine months ended September 30, 2015, operating expenses at the Airport, exclusive of depreciation and amortization, were \$328.9 million, an increase of \$27.2 million (9.0%). The increase in expenses was primarily related to the operations of the new Airport Hotel (a \$20.2 million increase), as well as an increase in contractual services of \$12.3 million primarily caused by increased snow removal expenses during the first two quarters of 2016 compared to the first two quarters of 2015. Repair and maintenance project expenditures decreased by \$10.4 million (25.9%) due to fewer repair projects and more capital projects designed to replace or extend the life of existing facilities.

Total nonoperating revenues decreased by \$2.0 million (1.4%) for the nine month period ended September 30, 2016, as compared to the nine months ended September 30, 2015. The variance is primarily due to a decrease in investment income of \$11.2 million (33.2%). The primary offset to this decrease is a \$4.9 million (6.1%) increase in passenger facility charges attributable to the 8.2% increase in passenger traffic. Total nonoperating expenses increased by \$21.4 million (15.0%), primarily due to an increase in interest expenses.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for the first nine months of 2016 compared to the same period in 2015 is

included as part of the financial statements of the Airport System appearing as “APPENDIX F — UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015.”

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

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

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

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

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

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

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

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

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

## **Pension Plan**

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

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* (“Statement No. 68”), as amended, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires employers to record their proportionate share of a plan’s unfunded pension liability. For an additional explanation of Statement No. 68, see Note 2 of the Airport’s audited financial statements in “APPENDIX E.” The adoption of Statement No. 68 resulted in a \$90,566,975 decrease in the Airport’s net position as of January 1, 2015, and on December 31, 2015, the Airport reported a liability of \$115,000,000 for its proportionate share of the net pension liability related to DERP. For additional information about DERP and the Airport’s pension liability, see Note 16 of the Airport’s audited financial statements in “APPENDIX E — ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014.”

## **Outstanding Senior Bonds**

The following table sets forth the Senior Bonds that are currently outstanding as well as the issuance of the Series 2016B Bonds and the refunding of the Series 2014A Bonds with proceeds of the Series 2016B Bonds.

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## Outstanding Senior Bonds

<u>Issue</u>	<u>Amount</u> <u>(as of December 1, 2016)</u> <sup>7</sup>
Series 1992C Bonds <sup>1</sup>	\$40,080,000
Series 1992F Bonds <sup>2,3,4</sup>	19,100,000
Series 1992G Bonds <sup>2,3</sup>	15,800,000
Series 2002C Bonds <sup>2,3,4</sup>	28,200,000
Series 2007A Bonds	188,350,000
Series 2007C Bonds	30,820,000
Series 2007D Bonds	130,575,000
Subseries 2007F1 Bonds <sup>2,4,5</sup>	37,625,000
Subseries 2007F2 Bonds <sup>2,4,5</sup>	37,925,000
Subseries 2007G1 Bonds <sup>2,3,4</sup>	65,300,000
Subseries 2007G2 Bonds <sup>2,3,4</sup>	65,300,000
Subseries 2008A1 Bonds	6,665,000
Series 2008B Bonds <sup>2,3,4</sup>	58,400,000
Subseries 2008C1 Bonds <sup>2,3,4</sup>	92,600,000
Subseries 2008C2 Bonds <sup>2,3,4</sup>	100,000,000
Subseries 2008C3 Bonds <sup>2,3,4</sup>	100,000,000
Series 2009A Bonds	154,480,000
Series 2009B Bonds	65,290,000
Series 2009C Bonds <sup>2,3,4</sup>	104,655,000
Series 2010A Bonds	166,150,000
Series 2011A Bonds	259,505,000
Series 2011B Bonds	49,250,000
Series 2012A Bonds	281,090,000
Series 2012B Bonds	502,950,000
Series 2012C Bonds	30,285,000
Series 2014A Bonds <sup>2, 3, 6</sup>	0
Series 2016A Bonds	256,810,000
Series 2016B Bonds <sup>2, 4</sup>	<u>108,735,000</u>
	<u>\$2,995,940,000</u>

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

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

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

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

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

<sup>6</sup> The City is using the proceeds of the Series 2016B Bonds to refund the outstanding Series 2014A Bonds. This table reflects the issuance of the Series 2016B Bonds and this refunding.

<sup>7</sup> Reflects the issuance of the Series 2016B Bonds and refunding of the Series 2014A Bonds.

Sources: The Department of Aviation and the Financial Consultant.

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

Support facilities located at the Airport that were originally built to support Continental’s then-planned hub at the Airport (specifically a hangar, a flight kitchen, a ground support equipment facility and an air freight facility) were financed in part from a portion of the proceeds of the Series 1992C Bonds.

The Series 1992C Bonds were subsequently refunded by the Series 2012A Bonds. In 1992, Continental and the City entered into several 25-year leases pursuant to which Continental agreed to be responsible for all costs attributable to its support facilities at the Airport, including an amount equal to the debt service on the Senior Bonds issued for such purpose. The terms of these leases have been extended to 2018, except that the lease related to the hangar was terminated in 2014 and subsequently leased to Frontier. Continental (now a subsidiary of United) subleases portions of these support facilities to a variety of other users. See also “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Other Building and Ground Leases.”

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

As set forth in the table below, the Amended Series were purchased by certain financial institutions pursuant to reimbursement agreements entered into with the City prior to or in connection with the restructuring of each series of the Amended Series. The reimbursement agreements constitute Credit Facilities as defined by the Senior Bond Ordinance and the City’s repayment obligation pursuant to such Credit Facilities constitute a lien on the Net Revenues on a parity with the Senior Bonds and any other Senior Obligations issued under the Senior Bond Ordinance. Each of the reimbursement agreements include representations, covenants, and agreements in addition to those contained in the Senior Bond Ordinance. A breach of any of these covenants could result in a default under the related reimbursement agreement and the Senior Bond Ordinance. See “RISKS AND OTHER INVESTMENT CONSIDERATIONS — Additional Rights of Certain Bond Owners.”

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<u>Senior Bonds</u>	<u>Outstanding Principal Amount</u>	<u>Current Interest Rate Mode</u>	<u>Final Maturity Date</u>	<u>Financial Institution</u>	<u>Last Day of the Initial Period<sup>1</sup></u>
Series 1992F	\$ 19,100,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 1992G	15,800,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 2002C	28,200,000	Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	9/25/2017
Series 2007G1-G2	130,600,000	Daily Floating	11/15/2031	BMO Harris Investment Corp.	12/01/2023
Series 2008B	58,400,000	Indexed Floating Rate	11/15/2031	Wells Fargo Bank, National Association	12/11/2020
Series 2008C1	92,600,000	Indexed Floating Rate	11/15/2031	Wells Fargo Bank, National Association	12/11/2020
Series 2008C2-C3	200,000,000	Indexed Floating Rate	11/15/2031	Royal Bank of Canada and RBC Capital Markets	08/29/2019
Series 2009C	104,655,000	Indexed Floating Rate	11/15/2031	U.S. Bank National Association	04/30/2017

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

Source: The Department of Aviation and the Financial Consultant.

## **Outstanding Subordinate Bonds**

The Series 2013A-B Subordinate Bonds are outstanding in the aggregate principal amount of \$705,615,000 and the Series 2015A Subordinate Bonds are outstanding in the aggregate principal amount of \$189,340,000. No other Subordinate Bonds are currently outstanding. As described below under "Other Subordinate Obligations," there are certain outstanding Subordinate Hedge Facility Obligations.

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

The following table sets forth the City's current estimated Debt Service Requirements for the Senior Bonds, the Subordinate Debt Service Requirements, and the outstanding Subordinate Hedge Facility Obligations. As described in the footnotes to the table, certain assumptions were made by the City with respect to the interest rates on the Subordinate Hedge Facility Obligations. The issuance of the Series 2016B Bonds and the refunding of the Series 2014A Bonds are reflected in this table. For purposes of this table, Subordinate Hedge Facility Obligations are included together with the Debt Service Requirements on Senior Bonds associated with those obligations.

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

Fiscal Year Ending December 31	Outstanding Senior Bond Debt Service Requirement <sup>1,2,3</sup>	Series 2016B Bonds Principal or Sinking Fund Installment	Series 2016B Bonds Interest <sup>2</sup>	Total Outstanding Senior Bond Debt Service Requirement <sup>1,2,3</sup>	Subordinate Bond Debt Service Requirements	Total Senior Bond and Subordinate Bond Debt Service Requirements <sup>1,2,3</sup>
2017	\$287,980,654	\$ 3,915,000	\$2,997,824	\$294,893,478	\$64,269,341	\$359,162,819
2018	269,734,771	12,430,000	2,889,887	285,054,658	77,476,289	362,530,947
2019	282,508,438	10,920,000	2,547,192	295,975,630	65,262,598	361,238,227
2020	290,452,776	--	2,246,128	292,698,904	62,782,044	355,480,948
2021	292,849,353	--	2,246,128	295,095,480	66,378,054	361,473,534
2022	318,959,534	--	2,246,128	321,205,662	47,860,651	369,066,312
2023	279,703,956	--	2,246,128	281,950,084	79,882,401	361,832,484
2024	278,514,183	--	2,246,128	280,760,311	81,219,657	361,979,967
2025	283,193,756	--	2,246,128	285,439,884	76,725,761	362,165,644
2026	168,693,362	15,390,000	2,246,128	186,329,490	70,487,313	256,816,803
2027	163,936,170	15,465,000	1,821,826	181,222,996	70,500,575	251,723,571
2028	164,300,080	15,665,000	1,395,456	181,360,536	70,494,675	251,855,211
2029	165,169,857	15,770,000	963,572	181,903,428	66,324,475	248,227,903
2030	163,551,213	14,360,000	528,793	178,440,005	59,125,600	237,565,605
2031	160,848,347	4,820,000	132,887	165,801,235	59,063,950	224,865,185
2032	123,953,898	--	--	123,953,898	59,065,000	183,018,898
2033	87,963,335	--	--	87,963,335	56,408,338	144,371,673
2034	44,901,123	--	--	44,901,123	44,838,338	89,739,460
2035	45,036,598	--	--	45,036,598	43,403,788	88,440,385
2036	45,183,998	--	--	45,183,998	36,093,163	81,277,160
2037	45,411,429	--	--	45,411,429	35,431,300	80,842,729
2038	45,956,708	--	--	45,956,708	35,430,200	81,386,908
2039	46,506,713	--	--	46,506,713	34,193,750	80,700,463
2040	24,244,500	--	--	24,244,500	34,132,113	58,376,613
2041	24,376,700	--	--	24,376,700	34,129,738	58,506,438
2042	23,303,650	--	--	23,303,650	34,135,188	57,438,838
2043	22,444,700	--	--	22,444,700	34,109,375	56,554,075
Total	\$4,149,679,801	\$108,735,000	\$29,000,332	\$4,287,415,133	\$1,499,223,668	\$5,786,638,800

<sup>1</sup> Includes Debt Service Requirements for the economically defeased Senior Bonds and Subordinate Hedge Facility Obligations as well as debt service on the Series 2016B Bonds. Does not include debt service on the Series 2014A Bonds which the City is refunding with the proceeds of the Series 2016B Bonds. See “— *Outstanding Senior Bonds*” above.

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

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

Source: Financial Consultant.

**Other Subordinate Obligations**

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

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

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

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

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

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

Source: The Department of Aviation and the Financial Consultant.

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

## **Subordinate Commercial Paper Notes**

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

## **Junior Lien Obligations**

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

The City’s obligations under the HMA to make payments, transfers, and deposits to the accounts described in the HMA and the CMA constitute Junior Lien Obligations for purposes of the Senior Bond Ordinance and the Subordinate Bond Ordinance. See “DENVER INTERNATIONAL AIRPORT — Hotel and Transit Center — *The Airport Hotel*.”

## **Special Facilities Bonds**

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

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

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

### **Installment Purchase Agreements**

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

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

### **Capital Fund**

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

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

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

The City believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable. However, no assurance can be given that challenges will not be made to the rates and charges established by the City or its method of allocating particular costs. See “SECURITY AND SOURCES OF PAYMENT — Other Matters Related to the Senior Bonds — Rate Maintenance Covenant” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES — Passenger Airlines Use and Lease Agreements.”

### **Passenger Facility Charges**

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

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

The amount of PFC revenues received each Fiscal Year is determined by the PFC rate and the number of qualifying passenger enplanements and level of passengers at the Airport. PFC revenues for the years 2011 through 2015 and the first nine months of 2015 and 2016 are set forth in the following table. See also “APPENDIX A — GLOSSARY OF TERMS” and “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE.”

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**PFC Revenues**

<u>Year</u>	<u>PFC Revenues (thousands)<sup>1</sup></u>	<u>Percent Change</u>
2011	\$103,210	0.6% <sup>2</sup>
2012	105,472	2.2
2013	103,032	(2.3)
2014	103,959	0.1
2015	106,007	2.0
2015 <sup>3</sup>	80,371	--
2016 <sup>3</sup>	85,287	6.1%

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

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

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

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

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

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

The definition of Gross Revenues in the Senior Bond Ordinance does not include PFC revenues unless, and then only to the extent, included as Gross Revenues by the terms of a Supplemental Ordinance. Prior to the adoption of the Series 2009A-B Supplemental Ordinance, no Supplemental Ordinance had included PFC revenues in the definition of Gross Revenues. Under the Series 2009A-B Supplemental Ordinance, the City included the \$1.50 portion of the \$4.50 PFC (the “Additional \$1.50 PFC” or “Designated Passenger Facility Charges”) in Gross Revenues in each of the Fiscal Years 2009 through 2013, inclusive, and under the 2012A-B Supplemental Ordinance, the City included the Additional \$1.50 PFC in Gross Revenues in each of the Fiscal Years 2014 through 2018, inclusive, as further described below under “— Designated Passenger Facility Charges.” The definition of Debt Service Requirements in the Senior Bond Ordinance provides that, in any computation required by the Senior Bonds Rate Maintenance Covenant and for the issuance of Additional Parity Bonds, there is to be excluded from Debt Service

Requirements for the Senior Bonds amounts irrevocably committed to make such payments. Such irrevocable commitments may be provided from any available Airport System moneys, including PFC revenues. See “APPENDIX A — GLOSSARY OF TERMS.”

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

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

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

The City has also irrevocably committed amounts on deposit in the PFC Debt Service Account, up to the Maximum Committed Amounts, to the payment of the Debt Service Requirements on Senior Bonds through Fiscal Year 2018. The Maximum Committed Amounts or any lesser amount of Committed Passenger Facility Charges and other credited amounts that may be deposited to the PFC Debt Service Account are to be transferred to the Bond Fund and used to pay Debt Service Requirements on Senior Bonds in each Fiscal Year through 2018. The Committed Passenger Facility Charges expected to be deposited by the City in the PFC Debt Service Account are less than the Maximum Committed Amounts in each of Fiscal Years 2016 through 2018. See “APPENDIX B-1 — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE — PFC Fund” for the Maximum Committed Amounts that have been irrevocably committed to the payment of the Debt Service Requirements of the Senior Bonds through Fiscal Year 2018.

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

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

***Designated Passenger Facility Charges.*** Under the Series 2009A-B Supplemental Ordinance and the 2012A-B Supplemental Ordinance, the City has included the Additional \$1.50 PFC in Gross Revenues of the Airport System for purposes of the General Bond Ordinance in each of the Fiscal Years 2014 through 2018, inclusive, and the amounts resulting from the collection of the Additional \$1.50 PFC are to continue to be included in Gross Revenues in each Fiscal Year thereafter until such time as the Manager gives written notice to the Treasurer that such Designated Passenger Facility Charges are no longer to be included in Gross Revenues for purposes of the General Bond Ordinance. While the

Designated Passenger Facility Charges are included in Gross Revenues for purposes of the General Bond Ordinance, all such Designated Passenger Facility Charges, upon their receipt from time to time, to the extent not otherwise required to be applied under the General Bond Ordinance, are to be applied as follows: (1) first, in such amounts as the Manager determines, to pay Debt Service Requirements for Outstanding Bonds; (2) second, all Designated Passenger Facility Charges not applied as described in (1) are to be irrevocably deposited in one or more Escrow Accounts established by the Manager to provide for the timely payment of Debt Service Requirements on such Outstanding Bonds as identified in such Escrow Accounts; and (3) third, all Designated Passenger Facility Charges not applied as described in (1) or (2) are to be expended for PFC eligible projects. All amounts credited to such Escrow Accounts will be irrevocably committed to pay Debt Service Requirements on such identified Bonds and would be excluded from the computation of Debt Service Requirements relating to the issuance of Additional Bonds under the General Bond Ordinance or any computation required by the Rate Maintenance Covenant under the General Bond Ordinance. In the Series 2009A-B Supplemental Ordinance and the 2012A-B Supplemental Ordinance, Designated Passenger Facility Charges is defined to include the Additional \$1.50 PFC and such additional charges as provided for in any written notice from the Manager to the Treasurer. See “SECURITY AND SOURCES OF PAYMENT — Other Matters Related to the Senior Bonds” and “APPENDIX A — GLOSSARY OF TERMS.”

### **Aviation Fuel Tax**

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

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

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

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

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

The AIP has been amended several times, most recently with the passage of the FAA Modernization and Reform Act of 2012 (the “2012 Reauthorization Act”) and the FAA Extension, Safety, and Security Act of 2016 (the “2016 Reauthorization Act”) enacted into law on July 15, 2016. The 2012 Reauthorization Act provided for general FAA funding authorization through fiscal year 2015, and revised requirements for the AIP. The 2016 Reauthorization Act extends the authority of the FAA and

provides funding for the AIP at current levels through September 2017. The 2016 Reauthorization Act does not change the \$4.50 PFC rate and does not provide for any increases in such rate. See “— Passenger Facility Charges” above.

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

## **Stapleton**

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

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

## **Intergovernmental Agreement with Adams County**

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

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

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

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

***Land Use; IGA Amendment.*** The Adams County IGA contains provisions governing and restricting land use on and around the Airport. In response to the City's plans for regional development and potential new land uses at the Airport, the City (acting as the City and County of Denver) and Adams County entered into the IGA Amendment. Pursuant to the IGA Amendment, the parties agreed to amend the land use regulations contained in the Adams County IGA in order to provide greater opportunities for businesses to locate on land surrounding the Airport. The City also paid \$10 million to Adams County as partial consideration for (i) the modification of land use regulations, (ii) the authority granted to the City to designate certain land parcels for development (each, a "Development Parcel") under the provisions of the IGA Amendment, and (iii) increased opportunities for the City to lease, develop and use certain land surrounding the Airport. In addition, the City agreed to annually pay to Adams County an amount equal to 50% of the revenue derived from City taxes (with certain exceptions described in the IGA Amendment) imposed upon the development or use of any Development Parcel. Such revenues are required to be shared among Adams County and the cities of Aurora, Commerce City, Brighton, Thornton and Federal Heights. The total amount of acreage the City may designate as Development Parcels may not exceed 1,500 acres in the aggregate. Adams County, with the consent of the applicable municipality, may agree to increase the number of acres available for designation as Development Parcels at any time by an amendment to the Adams County IGA as provided therein without voter approval.

## **Investment Policy**

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

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

Consistent with the City Charter, the City adopted a written investment policy on March 3, 2015 that implements the following strategies: (1) no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, supranationals,

local agency government investment pools, money market funds and repurchase agreements; (2) the City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the credit quality, liquidity or yield of the portfolio in response to market conditions or risk preferences; and (3) if securities owned by the City are downgraded by a nationally recognized rating agency to a level below the credit rating required by the City's investment policy, it will be the policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The decision will be based on its current maturity, the economic outlook for the issuer, and other relevant factors. The City's Chief Financial Officer will be notified of any such downgrades and the decision made by the City's investment team.

### **Master Derivatives Policy**

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

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

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

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

### **Property and Casualty Insurance**

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

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

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

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

### **LITIGATION**

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

### **RATINGS**

Moody's Investors Service, Inc., S&P Global Ratings and Fitch, Inc. have published ratings of "A1" (stable outlook), "A+" (stable outlook) and "A+" (stable outlook), respectively, with respect to the Series 2016B Bonds.

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

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

warrant. Any such downward revision or withdrawal of any of such ratings is likely to have an adverse effect on the market price of the Series 2016B Bonds.

### **REMARKETING AGENT**

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

### **UNDERWRITING**

The Series 2016B Bonds are being purchased from the City by Merrill Lynch, Pierce, Fenner & Smith Incorporated, (“Underwriter”) at a price equal to \$108,313,044.02, being the aggregate principal amount of the Series 2016B Bonds less an underwriting discount of \$421,955.98. Pursuant to a Bond Purchase Agreement by and between the City, for and on behalf of the Department, and the Underwriter (the “Series 2016B Bond Purchase Agreement”), the Underwriter agrees to accept delivery of and pay for all of the Series 2016B Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2016B Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

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

### **RELATIONSHIP OF CERTAIN PARTIES**

Banc of America Preferred Funding Corporation is the Owner of the Series 2014A Bonds being refunded with the proceeds of the Series 2016B Bonds, as well as the Owner of the Series 1992F, Series 1992G, and Series 2002C Bonds. Banc of America Public Capital Corporation is a party to an installment purchase agreement with the City related to certain Airport facilities. Bank of America, N.A. is the Owner of the Series 2015A Subordinate Bonds and a party to a credit facility and reimbursement agreement with the City that constitutes a Subordinate Credit Facility under the Subordinate Bond Ordinance. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Underwriter for the Series 2016B Bonds and broker-dealer on the Series 2007F1-F4 Bonds. Merrill Lynch Capital Services, Inc. has entered into a Subordinate Hedge Facility Obligation with the City related to an interest rate swap



agreement. Banc of America Preferred Funding Corporation, Banc of America Public Capital Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Merrill Lynch Capital Services, Inc. are affiliated and are subsidiaries of Bank of America Corporation.

### **CONTINUING DISCLOSURE**

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

### **LEGAL MATTERS**

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

### **TAX MATTERS**

The following discussion is a summary of the opinions of Bond Counsel to the City that are to be rendered on the tax-exempt status of interest on the Series 2016B Bonds and of certain federal and State income tax considerations that may be relevant to prospective purchasers of Series 2016B Bonds. This discussion is based upon existing law, including current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change.

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

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

The foregoing opinions will assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2016B Bonds. The City will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements

could cause the interest on the Series 2016B Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2016B Bonds.

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

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

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

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

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

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

**Prospective purchasers of Series 2016B Bonds should consult their own tax advisors as to the applicability and extent of federal, State, local or other tax consequences of the purchase, ownership and disposition of Series 2016B Bonds, including the potential consequences of any pending or proposed legislation, in light of their particular tax situation.**

#### **EXPERTS**

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

#### **FINANCIAL STATEMENTS**

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

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

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

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**MISCELLANEOUS**

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

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

**CITY AND COUNTY OF DENVER, COLORADO**

By:     /s/ Kim Day      
Manager of Aviation/Chief Executive Officer

By:     /s/ Brendan J. Hanlon      
Manager of Finance/Chief Financial Officer

\* \* \*

## APPENDIX A

### GLOSSARY OF TERMS

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

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

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

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

“*Airport*” means Denver International Airport.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

“*Interest Payment Date*” means, with respect to the Series 2016B Bonds, the first Business Day of each calendar month during the Index Rate Period and on the final maturity date or redemption date of the Series 2016B Bonds. The first Interest Payment Date for the Series 2016B Bonds is January 3, 2017.

“*Investment Securities*” means, to the extent the following are permitted investments under the City’s investment policy, as such investment policy may be amended from time to time: (a) Federal Securities; and (b) if the laws applicable to the City permit any of the following investments to be made at the time such investment is made, any of the following: (i) Certificates or any other evidences of an ownership interest in Federal Securities or the interest thereon; (ii) interest bearing bank time deposits evidenced by certificates of deposit issued by banks incorporated under the laws of any state (including the State) or the Federal Government, or any national banking association that is a member of the Federal Deposit Insurance Corporation, and interest bearing savings and loan association time deposits evidenced by certificates of deposit issued by savings and loan associations which are members of the Federal Savings and Loan Insurance Corporation, if (1) such deposits are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (2) the shareholders’ equity (e.g., capital stock, surplus, and undivided profits), however denominated, of such bank or savings and loan association is at least equal to \$10,000,000.00, or (3) such deposits are secured by Federal Securities, by obligations described in subparagraphs (b)(i) or (b)(iii) of this definition, or by tax-exempt, unlimited general obligation bonds of a state or municipal government rated “A” (or its equivalent) or better by one or more nationally recognized rating agencies, having at all times a market value in the aggregate (exclusive of accrued interest) at least equal to the amount of such deposits so secured, including accrued interest (or by any combination thereof); (iii) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks; the Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Tennessee Valley Authority; the Government National Mortgage Association; the Federal Financing Bank; the Farmers Home Administration; the Federal Home Loan Bank; or any agency or instrumentality of the Federal Government which is established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (iv) repurchase agreements with banks described in subparagraph (b)(ii) of this definition and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by depositing Federal Securities or obligations described in subparagraphs (b)(i) or (b)(iii) of this definition with an escrow agent satisfactory to the City, including, without limitation, any Federal Reserve Bank or any branch thereof; (v) banker’s acceptances that are rated at the time of purchase in the highest short-term

rating category of, or are otherwise approved by, the Rating Agencies and that mature not more than 180 days after the date of purchase; (vi) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under a contract with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government; (vii) obligations issued by the City which are rated "A" (or its equivalent) or better by one or more nationally recognized rating agencies, but excluding any Bonds or Subordinate Bonds; (viii) commercial paper that is rated at the time of purchase in the highest short-term rating category of, or is otherwise approved by, the Rating Agencies and that matures not more than 270 days after the date of purchase; (ix) investments in (1) money market funds which are rated, at the time of purchase, in the highest short-term rating category of, or are otherwise approved by, the Rating Agencies and (2) public sector investment pools operated pursuant to Rule 2a-7 promulgated by the Securities and Exchange Commission in which the issuer's deposit must not exceed 5% of the aggregate pool balance at any time, if the pool is rated, at the time of purchase, in one of the two highest short-term rating categories by, or is otherwise approved by, the Rating Agencies; (x) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and either: (A) that are rated, on the date of purchase, based on the irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category by, or are otherwise approved by, the Rating Agencies; or (B) as to which the following apply: (1) such bonds or other obligations are fully secured as to principal, interest and any redemption premium by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of the principal, interest and any redemption premium on those bonds or other obligations on their maturity date or dates or the specified redemption date or dates in accordance with those irrevocable instructions, as appropriate; and (2) the escrow is sufficient, as verified by an independent certified public accountant, to pay principal, interest and any redemption premium on the bonds or other obligations described in this paragraph (x) on the maturity date or dates or the specified redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; (xi) obligations issued by any state of the United States of America or any agency, instrumentality or local government unit of such state, and which obligations have on the date of purchase a rating in one of the two highest rating categories of, or are otherwise approved by, the Rating Agencies, without regard to any numerical or positive or negative designation; (xii) Investment Agreements with: (A) a Broker/Dealer (or its parent) either (1) having uninsured, unsecured and unguaranteed debt rated, at the time of investment, investment grade by, or is otherwise approved by, the Rating Agencies (in which case the agreement must provide that, if the provider is downgraded below investment grade by at least two of the Rating Agencies, the City may terminate the agreement) or (2) providing an investment agreement which is fully secured by Federal Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by any Federal Reserve Bank or a depository acceptable to the City, (c) subject to a perfected first lien on behalf of owners of the Bonds, and (d) free and clear from all third-party liens; (B) a bank having long-term uninsured, unsecured and unguaranteed debt rated, at the time of investment, in one of the two highest rating categories by, or is otherwise approved by, the Rating Agencies (the agreement must provide that, if the bank is downgraded below "A-" (or its equivalent) by at least two Rating Agencies, the City may terminate the agreement); (C) an insurance company having an uninsured, unsecured, and unguaranteed claims paying ability rated, at the time of investment, in the highest rating category by, or otherwise approved by, the Rating Agencies (the agreement must provide that, if the insurance company is downgraded below the highest rating category by at least two Rating Agencies, the City may terminate the agreement); and (D) a corporation whose principal business is to enter into investment agreements, if that corporation has been assigned, at the time of investment, a counterparty rating in the highest rating category by, or is otherwise approved by, the

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

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

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

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

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

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

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

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

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

“*Ninth Supplemental Ordinance*” means the Supplemental Ordinance which creates the PFC Fund as a separate account within the Airport System Fund, establishes the PFC Debt Service Account and the PFC Project Account as separate subaccounts within the PFC Fund, and provides for the deposit of PFC revenues to such fund and accounts. The procedure for the administration of the PFCs set forth in the Ninth Supplemental Ordinance is replaced and superseded to the extent provided in the PFC Supplemental Ordinances.

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

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

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

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

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

“*Ordinance*” means the General Bond Ordinance of the City passed by the City Council on November 26, 1984, and approved by the Mayor on November 29, 1984, Ordinance No. 626, Series of

1984, as supplemented and amended by the 1984 Airport System Supplemental Bond Ordinance, Ordinance No. 627, Series of 1984; the Series 1985 Airport System Supplemental Bond Ordinance, Ordinance No. 674, Series of 1985; the Series 1990A Airport System Supplemental Bond Ordinance, Ordinance No. 268, Series of 1990; the Series 1991A Airport System Supplemental Bond Ordinance, Ordinance No. 278, Series of 1991; the Series 1991D Airport System Supplemental Bond Ordinance, Ordinance No. 726, Series of 1991; the Series 1992A Airport System Supplemental Bond Ordinance, Ordinance No. 82, Series 1992; the Series 1992B Airport System Supplemental Bond Ordinance, Ordinance No. 288, Series of 1992; the Ninth Supplemental Ordinance; the Series 1992C Airport System Supplemental Bond Ordinance, Ordinance No. 640, Series of 1992; the Series 1992D Airport System Supplemental Bond Ordinance, Ordinance No. 641, Series of 1992; the Series 1992E Airport System Supplemental Bond Ordinance, Ordinance No. 642, Series of 1992; the Series 1992F Airport System Supplemental Bond Ordinance, Ordinance No. 643, Series of 1992; the Series 1992G Airport System Supplemental Bond Ordinance, Ordinance No. 644, Series of 1992; the Series 1994A Airport System Supplemental Bond Ordinance, Ordinance No. 680, Series of 1994; the Series 1995A Airport System Supplemental Bond Ordinance, Ordinance No. 428, Series of 1995; the Series 1995B Airport System Supplemental Bond Ordinance, Ordinance No. 429, Series of 1995; the Series 1995C Airport System Supplemental Bond Ordinance, Ordinance No. 950, Series of 1995; the Series 1996A Airport System Supplemental Bond Ordinance, Ordinance No. 226, Series of 1996; the Series 1996B Airport System Supplemental Bond Ordinance, Ordinance No. 227, Series of 1996; the Twenty-first Supplemental Ordinance; the Series 1996C Airport System Supplemental Bond Ordinance, Ordinance No. 888, Series of 1996; the Series 1996D Airport System Supplemental Bond Ordinance, Ordinance No. 889, Series of 1996; the Twenty-fourth Supplemental Ordinance, Ordinance No. 480, Series of 1997; the Series 1997D Airport System Supplemental Bond Ordinance, Ordinance No. 547, Series of 1997; the Series 1997E Airport System Supplemental Bond Ordinance, Ordinance No. 548, Series of 1997; the Twenty-seventh Supplemental Ordinance; the Series 1998A Airport System Supplemental Bond Ordinance, Ordinance No. 821, Series of 1998; the Series 1998B Airport System Supplemental Bond Ordinance, Ordinance No. 822, Series of 1998; the Thirtieth Supplemental Ordinance; the Series 2000A Airport System Supplemental Bond Ordinance, Ordinance No. 647, Series of 2000; the Series 2000B Airport System Supplemental Bond Ordinance, Ordinance No. 648, Series of 2000; the Series 2000C Airport System Supplemental Bond Ordinance, Ordinance No. 649, Series of 2000; the Series 2001A Airport System Supplemental Bond Ordinance, Ordinance No. 539, Series of 2001; the Series 2001B Airport System Supplemental Bond Ordinance, Ordinance No. 540, Series of 2001; the Series 2001D Airport System Supplemental Bond Ordinance, Ordinance No. 675, Series of 2001; the Series 2002A1-A3 Airport System Supplemental Bond Ordinance, Ordinance No. 715, Series of 2002; the Series 2002C Airport System Supplemental Bond Ordinance, Ordinance No. 800, Series of 2002; the Series 2002D Airport System Supplemental Bond Ordinance, Ordinance No. 801, Series of 2002; the Series 2002E Airport System Supplemental Bond Ordinance, Ordinance No. 802, Series of 2002; the Series 2003A Supplemental Bond Ordinance, Ordinance No. 298, Series of 2003; the Series 2003B Supplemental Bond Ordinance, Ordinance No. 299, Series of 2003; the Series 2004A Supplemental Bond Ordinance, Ordinance No. 748, Series of 2004; the Series 2004B Supplemental Bond Ordinance, Ordinance No. 749, Series of 2004; the Series 2005A Supplemental Bond Ordinance, Ordinance No. 559, Series of 2005; the Series 2005B1-B2 Supplemental Bond Ordinance, Ordinance No. 785, Series of 2005; the Series 2005C1-C2 Supplemental Bond Ordinance, Ordinance No. 786, Series of 2005; the Series 2006A Supplemental Bond Ordinance, Ordinance No. 495, Series of 2006; the Series 2006B Supplemental Ordinance, Ordinance No. 496, Series of 2006; the Series 2007A-B Supplemental Ordinance, Ordinance No. 375, Series of 2007; the Series 2007C Supplemental Ordinance, Ordinance No. 376, Series of 2007; the Series 2007D-E Supplemental Ordinance, Ordinance No. 415, Series of 2007; the Series 2007F1-F4 Supplemental Ordinance, Ordinance No. 625, Series of 2007, as amended by Ordinance No. 363, Series of 2008; the Series 2007G1-G2 Supplemental Ordinance, Ordinance No. 626, Series of 2007, as amended and restated by the Amended and Restated Series 2007G1-G2 Supplemental Bond Ordinance, Ordinance No. 722, Series of 2007; the Series 2008A Supplemental Ordinance, Ordinance No. 179, Series of 2008;

the Series 2008B Supplemental Ordinance, Ordinance No. 322, Series of 2008; the Series 2008C1-C3 Supplemental Ordinance, Ordinance No. 483, Series of 2008; the Series 2009A-B Supplemental Ordinance, Ordinance No. 578, Series of 2009; the Series 2009C Supplemental Ordinance, Ordinance No. 577, Series of 2009; the Series 2010A Supplemental Ordinance, Ordinance No. 107, Series of 2010; the Series 2010B Supplemental Ordinance, Ordinance No. 108, Series of 2010; the Series 2011A Supplemental Ordinance, Ordinance No. 181, Series of 2011; the Series 2011B Supplemental Ordinance, Ordinance No. 489, Series 2011, the Series 2011C Supplemental Ordinance, Ordinance No. 490, Series of 2011; the Series 2012A-B Supplemental Ordinance, Ordinance No. 490, Series 2012; the Series 2012C Supplemental Ordinance, Ordinance No. 491, Series of 2012; the Series 2014A Supplemental Ordinance, Ordinance No. 745, Series of 2014, as amended by Ordinance No. 15-757, Series of 2015; the 2016A Supplemental Ordinance, Ordinance No. 16-0979, Series of 2016; the Series 2016B Supplemental Ordinance, Ordinance No. 16-0980, Series of 2016; and the PFC Supplemental Ordinances.

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

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

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

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

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

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

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

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

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

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

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

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

“*Purchase Price*” means that amount due an owner of any Bond purchased or deemed purchased pursuant to and as provided in the Supplemental Ordinance authorizing such Bond. With respect to the Series 2016B Bonds, see the definition of “Purchase Price” in “APPENDIX B-2 — THE SERIES 2016B SUPPLEMENTAL ORDINANCE.”

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

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

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

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

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

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

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

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

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



“S&P” means S&P Global Ratings and its successors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Series 2016A Bonds*” means the Airport System Revenue Bonds, Series 2016A, in the original aggregate principal amount of \$256,810,000.

“*Series 2016B Bonds*” means the Airport System Revenue Bonds, Series 2016B, in the original aggregate principal amount of \$108,735,000.

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

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

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

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

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

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

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

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

“*State*” means the State of Colorado.

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

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

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

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

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

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

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

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

“*Subordinate Obligations*” means Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations.

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

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

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

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

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

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

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## APPENDIX B-1

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

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

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

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

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

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

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

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

Additional Parity Bonds

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

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

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

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

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

## **Security**

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



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

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

### **The Airport System Fund**

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

### **Application of Revenues**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **PFC Fund**

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

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

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

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

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

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

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

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

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

## **Project Fund**

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

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

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

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

## **Investments**

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

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

## **Insurance**

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

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

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

## **Records, Reports and Audits**

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

The City has covenanted it will cause an audit to be made of its books and accounts pertaining to the Airport System by an Independent Accountant as soon as practicable following the close of each Fiscal Year. The annual audit report is to include for the period covered (a) a statement showing, among other things, (i) the amount of Gross Revenues, (ii) the amount of Operation and Maintenance Expenses, (iii) the amount of Net Revenues including a statement as to the amount of Other Available Funds and as

to whether or not such Net Revenues together with Other Available Funds have been at least sufficient to meet the Rate Maintenance Covenant, and (iv) the amount of any capital expenditures pertaining to the Airport System and any Special Facilities; (b) a balance sheet as of the end of the Fiscal Year; (c) a comment by the Independent Accountant concerning the City's methods of operation, accounting practices, and compliance with the Senior Bond Ordinance and other instruments and proceedings relating to the Airport System and any Special Facilities as is deemed appropriate; (d) a list of insurance policies in effect at the end of the audit period; and (e) a recapitulation of each account and subaccount created by the Senior Bond Ordinance and any other instrument or proceeding relating to the Airport System. Within 90 days after each annual audit report is filed with the City, copies of such reports are to be mailed to the Airport Consultant, to those owners of Outstanding Bonds who may request in writing such report, and to any others as required.

### **Defeasance**

When all principal, interest, and any prior redemption premiums due in connection with the Bonds have been duly paid, or provision made therefor in accordance with the Senior Bond Ordinance, all covenants, agreements and other obligations of the City to the owners of the Bonds will thereby terminate, become void and be discharged and satisfied.

Any Outstanding Bond, prior to the maturity or Redemption Date thereof, will be deemed to have been paid if (a) in case such Bond is to be redeemed on any date prior to its maturity, the City has by Supplemental Ordinance given irrevocable instructions to effect due notice of redemption on such Redemption Date, if such notice is required; (b) there have been deposited in an Escrow Account, either (i) moneys in an amount which will be sufficient or (ii) direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America ("Federal Securities") which do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in such Escrow Account at the same time, will be sufficient to pay when due the principal of and interest due and to become due on such Bond on or prior to its redemption or maturity date; and (c) in the event such Bond is not subject to redemption within the next 60 days, the City by Supplemental Ordinance will have given irrevocable instructions to effect, as soon as practicable, notice to the owner of such Bond that the deposit required by (b) above has been placed in such Escrow Account and that such Bond is deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bond.

As to Variable Rate Bonds, the amount required for the interest thereon will be calculated at the maximum rate which such Variable Rate Bonds may bear; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and such Federal Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Variable Rate Bonds, the City may use the amount of such excess for lawful purposes relating to the Airport System free and clear of any trust, lien, security interest, pledge or assignment securing such Variable Rate Bonds or otherwise existing under the Senior Bond Ordinance.

Notwithstanding any provisions of the Senior Bond Ordinance to the contrary, Option Bonds may only be discharged and satisfied by depositing moneys or Federal Securities which together with other moneys lawfully available therefor are sufficient at the time of such deposit to pay when due the maximum amount of principal of, premium, if any, and interest on such Option Bonds which could become payable to the owners of such Option Bonds upon the exercise of any options provided to the

owner of such Option Bonds or upon the mandatory tender thereof; provided, however, that if, at the time such a deposit is made, the options originally exercisable by the owner of an Option Bond are no longer exercisable or such Option Bonds are no longer subject to mandatory tender, such Option Bond will not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited for the payment of the principal of, and premium, if any, and interest on Option Bonds is not required for such purpose, the City may use the amount of such excess for lawful purposes relating to the Airport

System free and clear of any trust, lien, security interest, pledge or assignment securing such Option Bonds or otherwise existing under the Senior Bond Ordinance.

This provision would be changed by the Proposed Amendments. See “APPENDIX C PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

### **Modification of the Senior Bond Ordinance**

The Senior Bond Ordinance may be amended or supplemented by a Supplemental Ordinance without the consent of or notice to the owners of Bonds as follows: (a) to authorize the issuance of Additional Parity Bonds and to specify and determine matters which are not contrary to or inconsistent with the Senior Bond Ordinance; (b) to cure defects in the Senior Bond Ordinance; (c) to grant any additional rights to the owners of Bonds, including, without limitation, the designation of a trustee; (d) to add covenants of the City; (e) to add limitations on the City; (f) to confirm any pledge of the Pledged Revenues or any other moneys; (g) to cause the Senior Bond Ordinance to comply with the Trust Indenture Act of 1939, as amended; and (h) to effect any other changes in the Senior Bond Ordinance which in the opinion of an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, do not materially and prejudicially affect the rights of the owners of any Bonds.

The Senior Bond Ordinance also may be amended or supplemented by a Supplemental Ordinance adopted by the City upon the written consent of the owners of Bonds constituting more than 50% in aggregate principal amount of all Bonds then Outstanding and affected by the amendment or supplement. Notwithstanding, no such Supplemental Ordinance will have the effect of permitting without the consent of the owner of any Bond Outstanding so affected: (a) a change (other than as expressly provided for in the Supplemental Ordinance authorizing such Bond) in the maturity or in the terms of redemption of principal, or any installment of interest of any Outstanding Bond; (b) a reduction of the principal, interest rate or prior redemption premium of any Bond; (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Senior Bond Ordinance; (d) a reduction of the principal amount or percentages of Bonds, the consent of the owners of which is required for any such amendment or modifications; (e) the establishment of priorities as between Outstanding Bonds; or (f) modifications materially and prejudicially affecting the rights of the owners of any Bonds then Outstanding.

This provision would be changed by the Proposed Amendments. See “APPENDIX C PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE.”

### **Events of Default**

The Senior Bond Ordinance provides that each of the following events is an “Event of Default”:

- (a) the City’s failure to pay when due the principal of any Bond, or any prior redemption premium in connection therewith, or both, or any failure to pay any installment of interest after it is due and payable;
- (b) the City is rendered incapable of fulfilling its obligations under the Senior Bond Ordinance;
- (c) the City’s failure to perform (or in good faith begin the performance of) all acts required of it under any



contract relating to the Pledged Revenues, the Airport System, or otherwise, which failure continues for 60 days after receipt of notice by the City from the owners of 10% in principal amount of all Bonds then Outstanding of such failure; (d) the City discontinues, delays, or fails to carry out the repair, reconstruction or replacement of any material part of the Airport System (which, if not promptly repaired, would have a material adverse effect on the Pledged Revenues) which is destroyed or damaged and is not promptly replaced (whether such failure to replace the same is due to impracticability of such replacement, is due to a lack of moneys therefor, or for any other reason); (e) an order or decree is entered with the City's consent appointing a receiver for the Airport System or the Pledged Revenues derived therefrom, or having been entered without the consent of the City, such order or decree is not vacated, discharged, or stayed on appeal within 60 days after entry; (f) the City defaults in the due and punctual performance of any other covenants, agreements, and provisions contained in any Bonds or in the Senior Bond Ordinance on its part to be performed, and such default has continued for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the owners of 10% in principal amount of all Bonds then Outstanding; (g) the City files a petition pertaining to its Airport System and seeking a composition of indebtedness under the Federal Bankruptcy Law, or under any other applicable law or statute of the United States of America or the State; and (h) such other Event of Default as is set forth in any Supplemental Ordinance; provided, however, that it will not be an Event of Default under clauses (c) or (f) if the Manager determines that corrective action has been instituted within the 60-day period and is being diligently pursued.

### **Remedies of Owners of Bonds**

Upon the occurrence and continuance of any Event of Default (except as otherwise provided by Supplemental Ordinance with respect to Credit Enhanced Bonds), the owners of not less than 10% in principal amount of all Bonds then Outstanding may declare the principal and interest of the Bonds then outstanding due and immediately payable and proceed against the City to protect and enforce the rights of the owners of the Bonds issued under the Senior Bond Ordinance by mandamus or by other suit, action, or special proceedings in equity, or at law, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in, or by any award of execution of any power granted in the Senior Bond Ordinance or for the enforcement of any proper legal or equitable remedy as such bond owners may deem most effectual to protect and enforce such rights, or for acceleration subject to the conditions of the Senior Bond Ordinance. No remedy specified in the Senior Bond Ordinance is intended to be exclusive of any other remedy, and each and every remedy is to be cumulative.

Upon the happening of an Event of Default, the City will perform all acts on behalf of the owners of the Bonds to protect the security created for the Bonds and to insure timely payment thereof. During the continuance of an Event of Default, subject to any limitations with respect to payment of Credit Enhanced Bonds, the City, after payment (but only out of moneys received other than pursuant to a draw on a Credit Facility) of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the City to prevent a loss of Gross Revenues, will apply all moneys, securities and funds under the Senior Bond Ordinance, including, without limitation, Gross Revenues as an express trust for the owners of the Bonds and will apply the same toward the payment of principal of and interest on the Bonds in the order specified in the Senior Bond Ordinance.

### **Covenant Against Competing Facilities**

Unless, in the opinion of an attorney or firm of attorneys of recognized standing, compliance with such covenant in a particular situation would violate federal or State antitrust laws, the City has covenanted that it will neither construct, affirmatively permit to be constructed, facilitate the construction or operation of, nor enter into any agreement permitting or otherwise facilitating the construction or

operation of, other facilities to be operated by any person competing with the operation of the Airport in a manner that would materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant, but nothing in such covenant impairs the police power of the City, and nothing therein prevents the City from participating in a joint action agency, other regional entity or as a party to any intergovernmental agreement for the acquisition, operation and maintenance of airport facilities so long as provision has been made for the repayment of all Bond Requirements of all Outstanding Bonds or so long as such acquisition, operation and maintenance of such airport facilities, in the opinion of the Airport Consultant, will not materially and adversely affect the City's ability to comply with the requirements of the rate maintenance covenant of the Senior Bond Ordinance.

### **Corporate Existence**

The City has covenanted that it will maintain its corporate identity and existence so long as any Bonds remain Outstanding, unless another body corporate and politic, by operation of law or by contract, succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the City with respect to the Airport System without, in an attorney's opinion, adversely and materially affecting the privileges and rights of any owner of any Outstanding Bond.

### **Disposal of Airport Property**

The City has covenanted that, except in the normal course of business and except as otherwise provided below, neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Bonds have been paid in full, or unless provision has been made therefor. The City may, however, transfer all or a substantial part of the Airport System to another body corporate and politic (including without limitation, any successor of the City) which assumes the City's obligations with respect to the Airport System, wholly or in part, if in an attorney's opinion, the privileges and rights of any owner of any Outstanding Bonds are not materially and adversely affected. In the event of any such transfer and assumption, the City is not prevented from retaining any facility of the Airport if, in an attorney's opinion, such retention will not materially and adversely affect the privileges and rights of any owner of any Outstanding Bonds.

The City may execute (with certain limitations) leases, licenses, easements, or other agreements in connection with the operation of the Airport System.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any Facilities constituting a part of the Airport System which have, in the opinion of the Manager, ceased to be necessary for the efficient operation of the Airport System, or which have been replaced by other Facilities of at least equal value, except to the extent the City is prevented from so doing by any contractual limitation pertaining thereto. The net proceeds of the sale of any such Facilities are to be used for the purpose of replacing Facilities at the Airport System, or are to be paid into the Capital Fund.

### **Tax Covenant**

The City has covenanted that it will not take (or omit to take) or permit or suffer any action to be taken if the result thereof would cause any of the Series 2016B Bonds to become arbitrage bonds within the meaning of Section 148 of the Tax Code. The City further has covenanted that it will not (a) make any use of the proceeds of any Series 2016B Bonds, any fund reasonably expected to be used to pay the principal of or interest on any of such Bonds, or any other funds of the City, (b) make any use of any Facilities, or (c) take (or omit to take) any other action with respect to any Series 2016B Bonds, if such use, action or omission would, under the Tax Code, cause the interest on any Series 2016B Bonds to be included in gross income for federal income tax purposes.

**Miscellaneous**

The City has agreed that it will maintain and keep the Facilities in a sanitary condition, in good repair, in working order, and free from obstructions. The City further has agreed to maintain and operate the Facilities in a manner suitable for air transport operations. The City will make any further assurances as may be necessary with respect to the pledge of Gross Revenues of the Airport System. The City will prevent any accumulation of claims for interest after maturity.

**Series 2016B Supplemental Ordinance**

The undertakings, covenants, agreements, obligations, warranties and representations of the City in the Senior Bond Ordinance in respect of the Series 2016B Bonds are the undertakings, covenants, agreements, obligations, warranties and representations of the City, for and on behalf of the Department.

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**APPENDIX B-2**

**THE SERIES 2016B SUPPLEMENTAL ORDINANCE**

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1 **BY AUTHORITY**

2 **ORDINANCE NO. \_\_\_\_\_**

**COUNCIL BILL NO. CB16-0980**

3 **SERIES OF 2016**

**COMMITTEE OF REFERENCE:**

4 **BUSINESS, ARTS, WORKFORCE & AERONAUTICAL SERVICES**

5 **A BILL**

6 **For an ordinance concerning the Airport Facilities of the City and County of**  
7 **Denver; authorizing the issuance of the “City and County of Denver,**  
8 **Colorado, for and on behalf of its Department of Aviation, Airport System**  
9 **Revenue Bonds, Series 2016B” in the maximum aggregate principal**  
10 **amount of \$115,000,000 for the purpose of paying the costs of the Series**  
11 **2016B Refunding Project, and providing other details in connection**  
12 **therewith; providing the amount, terms and other details of such bonds;**  
13 **authorizing the execution of certain related agreements; ratifying action**  
14 **previously taken; providing for other related matters; and providing the**  
15 **effective date of this ordinance.**

16 (1) WHEREAS, the City and County of Denver, in the State of Colorado (the “City”  
17 and the “State,” respectively), is a municipal corporation duly organized and existing as a  
18 home rule city under Article XX, State Constitution, and under the Charter of the City, and is a  
19 political subdivision of the State; and

20 (2) WHEREAS, subject to certain exceptions, all legislative powers possessed by  
21 the City, conferred by Article XX, State Constitution, or contained in the Charter of the City, as  
22 either has from time to time been amended, or otherwise existing by operation of law, are  
23 vested in the city council of the City; and

24 (3) WHEREAS, pursuant to Article XX, State Constitution, the Charter of the City,  
25 and the plenary grant of powers as a home rule city, the City has acquired certain airport  
26 facilities constituting its Airport System, the management, operation, and control of which is  
27 vested by the Charter of the City in the Department of Aviation of the City (the “Department”);  
28 and

29 (4) WHEREAS, by Ordinance No. 755, Series of 1993 (the “Enterprise Ordinance”),  
30 the City designated the Department as an “enterprise” within the meaning of Section 20,  
31 Article X, State Constitution; and

1 (5) WHEREAS, the Enterprise Ordinance provides that, the City owns the  
2 Department; the Manager of the Department of Aviation (the “Manager”) is the governing body  
3 of the Department; and the Department has the authority to issue its own bonds or other  
4 financial obligations in the name of the City, payable solely from revenues derived or to be  
5 derived from the functions, services, benefits or facilities of the Department or from any other  
6 available funds, as authorized by ordinance after approval and authorization by the Manager;  
7 and

8 (6) WHEREAS, there have heretofore been issued in respect of the Airport System  
9 the following issues of Bonds collectively defined herein as the “Senior Bonds”:

10 (i) the “City and County of Denver, Colorado, Airport System Revenue  
11 Bonds, Series 1984,” as authorized by Ordinance No. 626, Series of 1984, cited as the  
12 “1984 Airport System General Bond Ordinance (the “General Bond Ordinance”),” and  
13 Ordinance No. 627, Series of 1984;

14 (ii) the “City and County of Denver, Colorado, Airport System Revenue  
15 Bonds, Series 1985,” as authorized by the General Bond Ordinance and Ordinance No.  
16 674, Series of 1985;

17 (iii) the “City and County of Denver, Colorado, Airport System Revenue  
18 Bonds, Series 1990A,” as authorized by the General Bond Ordinance and Ordinance  
19 No. 268, Series of 1990;

20 (iv) the “City and County of Denver, Colorado, Airport System Revenue  
21 Bonds, Series 1991A,” as authorized by the General Bond Ordinance and Ordinance  
22 No. 278, Series of 1991;

23 (v) the “City and County of Denver, Colorado, Airport System Revenue  
24 Bonds, Series 1991D,” as authorized by the General Bond Ordinance and Ordinance  
25 No. 726, Series of 1991;

26 (vi) the “City and County of Denver, Colorado, Airport System Revenue  
27 Bonds, Series 1992A,” as authorized by the General Bond Ordinance and Ordinance  
28 No. 82, Series of 1992;



1 (vii) the “City and County of Denver, Colorado, Airport System Revenue  
2 Bonds, Series 1992B,” as authorized by the General Bond Ordinance and Ordinance  
3 No. 288, Series of 1992;

4 (viii) the “City and County of Denver, Colorado, Airport System Revenue  
5 Bonds, Series 1992C,” as authorized by the General Bond Ordinance and Ordinance  
6 No. 640, Series of 1992;

7 (ix) the “City and County of Denver, Colorado, Airport System Revenue  
8 Bonds, Series 1992D,” as authorized by the General Bond Ordinance and Ordinance  
9 No. 641, Series of 1992;

10 (x) the “City and County of Denver, Colorado, Airport System Revenue  
11 Bonds, Series 1992E,” as authorized by the General Bond Ordinance and Ordinance  
12 No. 642, Series of 1992;

13 (xi) the “City and County of Denver, Colorado, Airport System Revenue  
14 Bonds, Series 1992F,” as authorized by the General Bond Ordinance and Ordinance  
15 No. 643, Series of 1992;

16 (xii) the “City and County of Denver, Colorado, Airport System Revenue  
17 Bonds, Series 1992G,” as authorized by the General Bond Ordinance and Ordinance  
18 No. 644, Series of 1992;

19 (xiii) the “City and County of Denver, Colorado, Airport System Revenue  
20 Bonds, Series 1994A,” as authorized by the General Bond Ordinance and Ordinance  
21 No. 680, Series of 1994;

22 (xiv) the “City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Bonds, Series 1995A,” as authorized  
24 by the General Bond Ordinance and Ordinance No. 428, Series of 1995;

25 (xv) the “City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Bonds, Series 1995B,” as authorized  
27 by the General Bond Ordinance and Ordinance No. 429, Series of 1995;

1 (xvi) the “City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Bonds, Series 1995C,” as authorized  
3 by the General Bond Ordinance and Ordinance No. 950, Series of 1995;

4 (xvii) the “City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Bonds, Series 1996A,” as authorized  
6 by the General Bond Ordinance and Ordinance No. 226, Series of 1996;

7 (xviii) the “City and County of Denver, Colorado, for and on behalf of its  
8 Department of Aviation, Airport System Revenue Bonds, Series 1996B,” as authorized  
9 by the General Bond Ordinance and Ordinance No. 227, Series of 1996;

10 (xix) the “City and County of Denver, Colorado, for and on behalf of its  
11 Department of Aviation, Airport System Revenue Bonds, Series 1996C,” as authorized  
12 by the General Bond Ordinance and Ordinance No. 888, Series of 1996;

13 (xx) the “City and County of Denver, Colorado, for and on behalf of its  
14 Department of Aviation, Airport System Revenue Bonds, Series 1996D,” as authorized  
15 by the General Bond Ordinance and Ordinance No. 889, Series of 1996;

16 (xxi) the “City and County of Denver, Colorado, for and on behalf of its  
17 Department of Aviation, Airport System Revenue Bonds, Series 1997D,” as authorized  
18 by the General Bond Ordinance and Ordinance No. 547, Series of 1997;

19 (xxii) the “City and County of Denver, Colorado, for and on behalf of its  
20 Department of Aviation, Airport System Revenue Bonds, Series 1997E,” as authorized  
21 by the General Bond Ordinance and Ordinance No. 548, Series of 1997;

22 (xxiii) the “City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Bonds, Series 1998A,” as authorized  
24 by the General Bond Ordinance and Ordinance No. 821, Series of 1998;

25 (xxiv) the “City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Bonds, Series 1998B,” as authorized  
27 by the General Bond Ordinance and Ordinance No. 822, Series of 1998;

1           (xxv)           the “City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2000A,” as  
3 authorized by the General Bond Ordinance and Ordinance No. 647, Series of 2000;

4           (xxvi)           the “City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2000B,” as  
6 authorized by the General Bond Ordinance and Ordinance No. 648, Series of 2000;

7           (xxvii)           the “City and County of Denver, Colorado, for and on behalf of its  
8 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2000C,” as  
9 authorized by the General Bond Ordinance and Ordinance No. 649, Series of 2000;

10           (xxviii)           the “City and County of Denver, Colorado, for and on behalf of its  
11 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2001A,” as  
12 authorized by the General Bond Ordinance and Ordinance No. 539, Series of 2001;

13           (xxix)           the “City and County of Denver, Colorado, for and on behalf of its  
14 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2001B,” as  
15 authorized by the General Bond Ordinance and Ordinance No. 540, Series of 2001;

16           (xxx)           the “City and County of Denver, Colorado, for and on behalf of its  
17 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2001D,” as  
18 authorized by the General Bond Ordinance and Ordinance No. 675, Series of 2001;

19           (xxxi)           the “City and County of Denver, Colorado, for and on behalf of its  
20 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2002A1-A3,”  
21 as authorized by the General Bond Ordinance and Ordinance No. 715, Series of 2002;

22           (xxxii)           the “City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2002C,” as  
24 authorized by the General Bond Ordinance and Ordinance No. 800, Series of 2002;

25           (xxxiii)           the “City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2002D,” as  
27 authorized by the General Bond Ordinance and Ordinance No. 801, Series of 2002;

1 (xxxiv) the “City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Refunding Bonds, Series 2002E,” as  
3 authorized by the General Bond Ordinance and Ordinance No. 802, Series of 2002;

4 (xxxv) the “City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Bonds, Series 2003A,” as authorized  
6 by the General Bond Ordinance and Ordinance No. 298, Series of 2003;

7 (xxxvi) the “City and County of Denver, Colorado, for and on behalf of its  
8 Department of Aviation, Airport System Revenue Bonds, Series 2003B,” as authorized  
9 by the General Bond Ordinance and Ordinance No. 299, Series of 2003;

10 (xxxvii) the “City and County of Denver, Colorado, for and on behalf of its  
11 Department of Aviation, Airport System Revenue Bonds, Series 2004A,” as authorized  
12 by the General Bond Ordinance and Ordinance No. 748, Series of 2004;

13 (xxxviii) the “City and County of Denver, Colorado, for and on behalf of its  
14 Department of Aviation, Airport System Revenue Bonds, Series 2004B,” as authorized  
15 by the General Bond Ordinance and Ordinance No. 749, Series of 2004;

16 (xxxix) the “City and County of Denver, Colorado, for and on behalf of its  
17 Department of Aviation, Airport System Revenue Bonds, Series 2005A,” as authorized  
18 by the General Bond Ordinance and Ordinance No. 559, Series of 2005;

19 (xl) the “City and County of Denver, Colorado, for and on behalf of its  
20 Department of Aviation, Airport System Revenue Bonds, Series 2005B1-B2,” as  
21 authorized by the General Bond Ordinance and Ordinance No. 785, Series of 2005;

22 (xli) the “City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Bonds, Series 2005C1-C2,” as  
24 authorized by the General Bond Ordinance and Ordinance No. 786, Series of 2005;

25 (xlii) the “City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Bonds, Series 2006A,” as authorized  
27 by the General Bond Ordinance and Ordinance No. 495, Series of 2006;

1 (xlili) the "City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Bonds, Series 2006B," as authorized  
3 by the General Bond Ordinance and Ordinance No. 496, Series of 2006;

4 (xlv) the "City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Bonds, Series 2007A and Airport  
6 System Revenue Bonds, Series 2007B," as authorized by the General Bond Ordinance  
7 and Ordinance No. 375, Series of 2007;

8 (xlv) the "City and County of Denver, Colorado, for and on behalf of its  
9 Department of Aviation, Airport System Revenue Bonds, Series 2007C," as authorized  
10 by the General Bond Ordinance and Ordinance No. 376, Series of 2007;

11 (xlvi) the "City and County of Denver, Colorado, for and on behalf of its  
12 Department of Aviation, Airport System Revenue Bonds, Series 2007D and Airport  
13 System Revenue Bonds, Series 2007E," as authorized by the General Bond Ordinance  
14 and Ordinance No. 415, Series of 2007;

15 (xlvii) the "City and County of Denver, Colorado, for and on behalf of its  
16 Department of Aviation, Airport System Revenue Bonds, Series 2007F," as authorized  
17 by the General Bond Ordinance and Ordinance No. 625, Series of 2007;

18 (xlviii) the "City and County of Denver, Colorado, for and on behalf of its  
19 Department of Aviation, Airport System Revenue Bonds, Series 2007G," as authorized  
20 by the General Bond Ordinance and Ordinance No. 626, Series of 2007, as amended  
21 and restated by Ordinance No. 722, Series of 2007;

22 (xlix) the "City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Bonds, Series 2008A," as authorized  
24 by the General Bond Ordinance and Ordinance No. 179, Series of 2008;

25 (l) the "City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Bonds, Series 2008B," as authorized  
27 by the General Bond Ordinance and Ordinance No. 322, Series of 2008;

1 (ii) the “City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Bonds, Series 2008C1-C3,” as  
3 authorized by the General Bond Ordinance and Ordinance No. 483, Series of 2008;

4 (lii) the “City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Bonds, Series 2009A-B,” as  
6 authorized by the General Bond Ordinance and Ordinance No. 578, Series of 2009;

7 (liii) the “City and County of Denver, Colorado, for and on behalf of its  
8 Department of Aviation, Airport System Revenue Bonds, Series 2009C,” as authorized  
9 by the General Bond Ordinance and Ordinance No. 577, Series of 2009;

10 (liv) the “City and County of Denver, Colorado, for and on behalf of its  
11 Department of Aviation, Airport System Revenue Bonds, Series 2010A,” as authorized  
12 by the General Bond Ordinance and Ordinance No. 107, Series of 2010;

13 (lv) the “City and County of Denver, Colorado, for and on behalf of its  
14 Department of Aviation, Airport System Revenue Bonds, Series 2011A,” as authorized  
15 by the General Bond Ordinance and Ordinance No. 181, Series of 2011;

16 (lvi) the “City and County of Denver, Colorado, for and on behalf of its  
17 Department of Aviation, Airport System Revenue Bonds, Series 2011B,” as authorized  
18 by the General Bond Ordinance and Ordinance No. 489, Series of 2011;

19 (lvii) the “City and County of Denver, Colorado, for and on behalf of its  
20 Department of Aviation, Airport System Revenue Bonds, Series 2011C,” as authorized  
21 by the General Bond Ordinance and Ordinance No. 490, Series of 2011;

22 (lviii) the “City and County of Denver, Colorado, for and on behalf of its  
23 Department of Aviation, Airport System Revenue Bonds, Series 2012A,” as authorized  
24 by the General Bond Ordinance and Ordinance No. 490, Series of 2012;

25 (lix) the “City and County of Denver, Colorado, for and on behalf of its  
26 Department of Aviation, Airport System Revenue Bonds, Series 2012B,” as authorized  
27 by the General Bond Ordinance and Ordinance No. 490, Series of 2012;

1 (ix) the "City and County of Denver, Colorado, for and on behalf of its  
2 Department of Aviation, Airport System Revenue Bonds, Series 2012C," as authorized  
3 by the General Bond Ordinance and Ordinance No. 491, Series of 2012; and

4 (lxi) the "City and County of Denver, Colorado, for and on behalf of its  
5 Department of Aviation, Airport System Revenue Bonds, Series 2014A," as authorized  
6 by the General Bond Ordinance and Ordinance No. 745, Series of 2014, as amended  
7 by Ordinance No. 15-757, Series of 2015;

8 (7) WHEREAS, the City anticipates issuing the "City and County of Denver,  
9 Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds,  
10 Series 2016A," in respect of the Airport System, as Senior Bonds, as authorized by the  
11 General Bond Ordinance and an ordinance enacted in conjunction with the issuance of the  
12 Series 2016B Bonds;

13 (8) WHEREAS, certain of the Senior Bonds have been paid at maturity or upon prior  
14 redemption, have been defeased and therefore are deemed to have been paid pursuant to the  
15 General Bond Ordinance, or have been purchased and retired in advance of their respective  
16 maturities, with the consequence that such Senior Bonds are no longer Outstanding under the  
17 General Bond Ordinance; and

18 (9) WHEREAS, the Senior Bonds that remain Outstanding are secured by an  
19 irrevocable and first lien (but not necessarily an exclusive first lien) on the Net Revenues of the  
20 Airport System, on a parity with the lien thereon in favor of each other; and

21 (10) WHEREAS, pursuant to the General Bond Ordinance, which authorizes the  
22 issuance of bonds payable from the Net Revenues of the Airport System and having a lien  
23 thereon subordinate to the lien thereon of the Senior Bonds and any additional Obligations as  
24 authorized by the General Bond Ordinance, the City adopted Ordinance No. 549, Series of  
25 1997 cited as the "1997 Airport System Subordinate Bond Ordinance" (as amended and  
26 supplemented from time to time, the "1997 Subordinate Bond Ordinance") pursuant to which  
27 the City previously issued various Subordinate Bonds which previously have been paid or  
28 defeased and which are no longer outstanding; and

29 (11) WHEREAS, pursuant to the 1997 Subordinate Bond Ordinance, the City incurred  
30 certain Subordinate Hedge Facility Obligations which remain outstanding; and

1 (12) WHEREAS, pursuant to the 1997 Subordinate Bond Ordinance and Ordinance  
2 No. 566, Series of 2003, the City also authorized to be issued (i) the “City and County of  
3 Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate  
4 Commercial Paper Notes, Series A (Tax-Exempt),” and (ii) the “City and County of Denver,  
5 Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate  
6 Commercial Paper Notes, Series B (Taxable),” which notes (collectively the “Series A-B  
7 Commercial Paper Notes”) remain authorized to be issued as Subordinate Bonds but none of  
8 which Series A-B Commercial Paper Notes are currently outstanding; and

9 (13) WHEREAS, the City amended and restated the 1997 Subordinate Bond  
10 Ordinance in its entirety pursuant to the provisions of Ordinance No. 302, Series of 2013 (the  
11 “General Subordinate Bond Ordinance”); and

12 (14) WHEREAS, pursuant to the General Subordinate Bond Ordinance, the City has  
13 issued the following bonds collectively referred to herein as the “Subordinate Bonds”:

14 A. the “City and County of Denver, Colorado, for and on behalf of its  
15 Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013A and  
16 Airport System Subordinate Revenue Bonds, Series 2013B” as authorized by the  
17 General Subordinate Bond Ordinance and Ordinance No. 301, Series of 2013; and

18 B. the “City and County of Denver, Colorado, for and on behalf of its  
19 Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2015A” as  
20 authorized by the General Subordinate Bond Ordinance and Ordinance No. 15-756,  
21 Series of 2015;

22 (15) WHEREAS, the Council has also adopted in supplementation of the General  
23 Bond Ordinance: (i) Ordinance No. 456, Series of 1988, authorizing the payment of additional  
24 interest on certain Airport System revenue bonds from the proceeds thereof; (ii) Ordinance No.  
25 614, Series of 1992, providing for the administration of certain passenger facility charges; (iii)  
26 Ordinance No. 890, Series of 1996, additionally providing for the administration of certain  
27 passenger facility charges; (iv) Ordinance No. 820, Series of 1998, additionally providing for  
28 the administration of certain passenger facility charges; (v) Ordinance No. 538, Series of 2001,  
29 additionally providing for the administration of certain passenger facility charges; (vi)  
30 Ordinance No 716, Series of 2002, additionally providing for the administration of certain



1 passenger facility charges; (vii) Ordinance No. 747, Series of 2004, additionally providing for  
2 the administration of certain passenger facility charges; (viii) Ordinance No. 470, Series of  
3 2005, adopting certain amendments to the General Bond Ordinance; (ix) Ordinance No. 494,  
4 Series of 2006, additionally providing for the administration of certain passenger facility  
5 charges; (x) Ordinance No. 380, Series of 2007, additionally providing for the administration of  
6 certain passenger facility charges; (xi) Ordinance No. 578, Series of 2009, additionally  
7 providing for the administration of certain passenger facility charges; and (xii) Ordinance No.  
8 498, Series of 2012, additionally providing for the administration of certain passenger facility  
9 charges; and

10 (16) WHEREAS, none of the Net Revenues of the Airport System have been pledged  
11 to any outstanding bonds or other obligations, except in respect of the Senior Bonds (and  
12 certain Obligations relating thereto), the Subordinate Bonds (and certain Subordinate Credit  
13 Facility Obligations relating thereto), the Series A-B Commercial Paper Notes, certain  
14 Subordinate Hedge Facility Obligations incurred under the 1997 Subordinate Bond Ordinance,  
15 and certain Junior Lien Obligations; and

16 (17) WHEREAS, as contemplated by the Enterprise Ordinance, the Manager of the  
17 Department has executed a resolution (the "Series 2016B Manager's Resolution") approving,  
18 authorizing and requesting the issuance by the City, for and on behalf of the Department, of  
19 the "City and County of Denver, Colorado, for and on behalf of its Department of Aviation,  
20 Airport System Revenue Bonds, Series 2016B" as set forth herein, for the purposes of  
21 (i) refunding the Refunded Bonds (as defined herein), (ii) making a required deposit in the  
22 Bond Reserve Fund, if any, and (iii) paying certain Costs relating to the issuance of the Series  
23 2016B Bonds; and

24 (18) WHEREAS, the Series 2016B Underwriters (as defined herein) shall execute and  
25 submit an agreement (the "Series 2016B Bond Purchase Agreement") for the purchase of the  
26 Series 2016B Bonds to the extent such Series 2016B Bonds shall be issued as provided in the  
27 Pricing Notice executed pursuant to Section 303 hereof; and

28 (19) WHEREAS, the Council has determined and does hereby declare:

29 A. The procedures and requirements of Article V, Chapter 20 of the  
30 Revised Municipal Code of the City and County of Denver have been completely and

1 timely met in respect of the negotiated sale of the Series 2016B Bonds to the Series  
2 2016B Underwriters;

3 B. The Series 2016B Bonds are to be issued pursuant to the Series  
4 2016B Manager’s Resolution and the provisions of the General Bond Ordinance (as  
5 supplemented hereby); and the Series 2016B Bonds constitute “Bonds” as defined  
6 therein; and

7 C. All acts, conditions and things required by law and by the General  
8 Bond Ordinance to exist, have happened and have been performed as a condition to  
9 the issuance of the Series 2016B Bonds, do or will exist, and have been or will have  
10 been performed in regular and due time, form and manner as required by law;

11 (20) WHEREAS, there have been filed with the City’s Clerk and Recorder:

12 A. the proposed form of the Series 2016B Bond Purchase Agreement,  
13 City Clerk File No. 16-\_\_\_\_\_;

14 B. the Preliminary Official Statement relating to the Series 2016B  
15 Bonds, City Clerk File No. 16-\_\_\_\_\_;

16 C. the proposed form of the Series 2016B Bonds Continuing  
17 Disclosure Undertaking, City Clerk File No. 16-\_\_\_\_\_;

18 D. the proposed form of the Series 2016B Paying Agent and Bonds  
19 Registrar Agreement, City Clerk File No. 16-\_\_\_\_\_.

20 E. the proposed form of the Remarketing Agreement, City Clerk File  
21 No. 16-\_\_\_\_\_..

22 **BE IT ENACTED BY THE COUNCIL OF THE CITY AND COUNTY OF DENVER:**

1 **ARTICLE I**  
2 **DEFINITIONS, RATIFICATION, EFFECTIVE DATE,**  
3 **PUBLICATION AND AUTHENTICATION**

4 **Section 101** Supplemental Ordinance. This ordinance (referred to herein as “this  
5 Supplemental Ordinance”) is supplemental to, and is adopted for and on behalf of the  
6 Department in accordance with the provisions of, the General Bond Ordinance.

7 **Section 102** Meanings and Construction.

8 A. General Bond Ordinance Definitions. All defined terms in this  
9 Supplemental Ordinance have the meanings set forth in the General Bond Ordinance  
10 except as otherwise expressly provided herein.

11 B. Additional Definitions. For all purposes of this Supplemental Ordinance,  
12 except where the context by clear implication otherwise requires:

13 (1) "Applicable Factor" means 70% with respect to the initial issuance  
14 of the Series 2016B Bonds, and thereafter such amount as shall be set forth in  
15 the applicable Pricing Notice. If no amount is set forth in the Pricing Notice, the  
16 Applicable Factor shall be 70%.

17 (2) "Applicable Spread" has the meaning specified in Section  
18 502F(2).

19 (3) "Authorized Denominations" means (i) during a Daily Rate Period,  
20 Weekly Rate Period or Commercial Paper Rate Period, \$100,000 and any  
21 integral multiple of \$5,000 in excess thereof; and (ii) during a Term Rate Period,  
22 an Index Rate Period or the Fixed Rate Period, \$5,000 and any integral multiple  
23 thereof; provided, however, that if as a result of a Conversion of the Series  
24 2016B Bonds or a subseries thereof from a Term Rate Period or an Index Rate  
25 Period to a Daily Rate Period, Weekly Rate Period or Commercial Paper Rate  
26 Period, it is not possible to deliver all the Series 2016B Bonds or all the Bonds  
27 of a subseries thereof required or permitted to be Outstanding in a  
28 denomination permitted above, Series 2016B Bonds may be delivered, to the  
29 extent necessary, in different denominations.

1 (4) "Authorized Representative" means the Mayor, Treasurer and  
2 Manager, or any other employee of the City at the time designated to act on  
3 behalf of the City in a certificate executed by any of the foregoing officers,  
4 which certificate shall contain such employee's specimen signature.

5 (5) "Bond Counsel" means a firm of nationally-recognized attorneys-  
6 at-law experienced in legal work relating to the issuance of municipal bonds  
7 selected by the City.

8 (6) "Calendar Week" means the period of seven (7) days from and  
9 including Thursday of any week to and including Wednesday of the next  
10 following week.

11 (7) "Commercial Paper Rate" means the interest rate established  
12 from time to time pursuant to Section 502C.

13 (8) "Commercial Paper Rate Period" means each period during which  
14 Series 2016B Bonds bear interest at a Commercial Paper Rate determined  
15 pursuant to Section 502C.

16 (9) "Commercial Paper Tender Bonds" shall have the meaning set  
17 forth in Section 609A.

18 (10) "Consent Agent" means UMB Bank (formerly American National  
19 Bank) and any successor thereof, as provided in Section 805 hereof.

20 (11) "Conversion" means any conversion of the Series 2016B Bonds  
21 from one Interest Rate Determination Method or Interest Rate Mode to another,  
22 which may be made from time to time in accordance with the terms of Section  
23 503.

24 (12) "Conversion Date" means, with respect to the Series 2016B  
25 Bonds or subseries thereof, the date any new Index Rate Period or Term Rate  
26 Period and Term Rate, as applicable, becomes effective, or the date any  
27 Conversion becomes effective in accordance with Section 503 (or, with respect  
28 to notices, time periods and requirements in connection with the proceedings

1 for such Conversion, the day on which it is proposed that such Conversion  
2 occur).

3 (13) "Conversion Notice" shall have the meaning set forth in  
4 Section 503.

5 (14) "Daily Put Bonds" shall have the meaning set forth in Section  
6 609A.

7 (15) "Daily Rate" means the interest rate established from time to time  
8 pursuant to Section 502A.

9 (16) "Daily Rate Index" means, on any Business Day, the SIFMA  
10 Swap Index or, if the SIFMA Swap Index is no longer published, an index or  
11 rate agreed upon by the City and the Remarketing Agents, but in no event in  
12 excess of the Maximum Interest Rate.

13 (17) "Daily Rate Period" means any period during which the Series  
14 2016B Bonds bear interest at the Daily Rate.

15 (18) "Electronic means" means facsimile transmission, email  
16 transmission or other similar electronic means of communication providing  
17 evidence of transmission, including a telephone communication confirmed by  
18 any other method set forth in this definition.

19 (19) "Expiration" (and other forms of "expire") means, when used with  
20 respect to a Series 2016B Liquidity Instrument, the expiration of such Series  
21 2016B Liquidity Instrument in accordance with its terms.

22 (20) "Failed Tender Date" means, for any Series 2016B Bonds or  
23 subseries thereof bearing interest at a Term Rate or an Index Rate, the date on  
24 which insufficient funds are available for the purchase of all Series 2016B  
25 Bonds or Bonds of a subseries thereof tendered or deemed tendered and  
26 required to be purchased at the end of the Term Rate Period or Index Rate  
27 Period as described in Section 611C hereof.

1                   (21) "Favorable Opinion of Bond Counsel" means, with respect to any  
2 action requiring such an opinion, an Opinion of Bond Counsel to the effect that  
3 such action will not, in and of itself, adversely affect the Tax-Exempt status of  
4 interest on the Bonds or such portion thereof as shall be affected thereby.

5                   (22) "Fixed Rate" means the fixed rate borne by any Series 2016B  
6 Bonds from the Fixed Rate Conversion Date for the Series 2016B Bonds or  
7 subseries thereof, which rate shall be established in accordance with Section  
8 502E.

9                   (23) "Fixed Rate Computation Date" means any Business Day during  
10 the period from and including the date of receipt of a Conversion Notice relating  
11 to a Fixed Rate Conversion to and including the Business Day next preceding  
12 the proposed Conversion Date.

13                   (24) "Fixed Rate Conversion Date" means the Conversion Date on  
14 which the interest rate on any Series 2016B Bonds shall be converted to a  
15 Fixed Rate.

16                   (25) "Fixed Rate Period" means the period from and including the  
17 Fixed Rate Conversion Date of any Series 2016B Bonds converted to a Fixed  
18 Rate to and including their maturity date or earlier date of redemption.

19                   (26) "General Bond Ordinance" means the "1984 Airport System  
20 General Bond Ordinance," as amended and supplemented from time to time by  
21 any Supplemental Ordinance.

22                   (27) "Index Agent" means the Series 2016B Paying Agent or such  
23 other Person as may be designated by the City to act as the Index Agent for the  
24 Series 2016B Paying Agent.

25                   (28) "Index Bonds" means the Series 2016B Bonds bearing interest at  
26 the Index Rate.

27                   (29) "Index Rate" means the interest rate established from time to time  
28 pursuant to Section 502F, provided, however, that in no event may the Index  
29 Rate exceed the Maximum Interest Rate.

1 (30) "Index Rate Continuation Notice" has the meaning given to that  
2 term in Section 502F.

3 (31) "Index Rate Conversion Date" means: (i) the Conversion Date on  
4 which the interest rate on any Series 2016B Bonds shall be converted to an  
5 Index Rate; or (ii) the date on which a new Index Rate Period is to be  
6 established.

7 (32) "Index Rate Determination Date" means a date that is two London  
8 Banking Days preceding the date of a Conversion to the Index Rate Period, a  
9 date that is two London Banking Days preceding each Purchase Date during  
10 the Index Rate Period, and a date that is two London Banking Days preceding  
11 each Interest Payment Date (with the exception of the Interest Payment Date  
12 on the final maturity date or any redemption date of the Series 2016B Bonds)  
13 during the Index Rate Period; provided, that if the City specifies alternative  
14 dates as "Index Rate Determination Dates" for the Series 2016B Bonds or any  
15 subseries thereof in the Pricing Notice delivered in connection with the  
16 Conversion of such Bonds, "Index Rate Determination Date" shall mean the  
17 dates specified in such Pricing Notice.

18 (33) "Index Rate Index" means, with respect to the Series 2016B  
19 Bonds or any subseries thereof, the One Month LIBOR Index Rate; provided,  
20 that if the City obtains an Favorable Opinion of Bond Counsel, "Index Rate  
21 Index" shall mean such other index as is determined by the City in consultation  
22 with the Remarketing Agent at the commencement of an Index Rate Period in  
23 accordance with Section 503B or Section 502F(4). Any time the Index Rate  
24 Index is specified in a Pricing Notice, such notice may include any necessary  
25 information related to the Index Rate Index, including, in the case of the One  
26 Month LIBOR Index Rate, the Applicable Factor.

27 (34) "Interest Payment Date" means (a) with respect to the Series  
28 2016B Bonds: (i) in the Daily Rate Period or the Weekly Rate Period, the first  
29 Business Day of each calendar month; (ii) in the Commercial Paper Rate  
30 Period, the day immediately succeeding the last day of each Commercial Paper  
31 Rate Period for such Series 2016B Bond; (iii) each Conversion Date; (iv) in the

1 Term Rate Period or the Fixed Rate Period, each Semi-Annual Interest  
2 Payment Date, or, if the City obtains a Favorable Opinion of Bond Counsel,  
3 such other periodic dates as shall be selected by the City in accordance with  
4 Section 503F hereof; (v) in the Index Rate Period, the first Business Day of  
5 each calendar month, or, if the City obtains a Favorable Opinion of Bond  
6 Counsel, such other periodic dates as shall be selected by the City in  
7 accordance with Section 503D hereof; (b) with respect to the Series 2016B  
8 Bonds or any subseries thereof bearing interest at the Daily Rate or the Weekly  
9 Rate, the mandatory tender date, as applicable, on which a Series 2016B  
10 Liquidity Instrument providing support for such Series 2016B Bonds or  
11 subseries there is substituted; and (c) in all events, the final maturity date or  
12 any redemption date of each Series 2016B Bonds.

13 (35) "Interest Rate Determination Method" means any of the methods  
14 of determining the interest rate on the Series 2016B Bonds from time to time as  
15 described in Section 502.

16 (36) "Interest Rate Mode" means, with respect to Series 2016B Bonds  
17 or any subseries thereof, the type of interest rate paid on such Series 2016B  
18 Bonds or subseries thereof, consisting of any of a Daily Rate, Weekly Rate,  
19 Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate, as the case  
20 may be.

21 (37) "Index Rate Period" means any period during which Series 2016B  
22 Bonds bear interest at the Index Rate.

23 (38) "Issue Date" means, with respect to the Series 2016B Bonds, the  
24 date on which the Series 2016B Bonds are first delivered to the purchasers  
25 thereof.

26 (39) "London Banking Day" means any day on which commercial  
27 banks are open for general business (including dealings in foreign exchange  
28 and foreign currency) in the City of London, United Kingdom.

29 (40) "Mandatory Tender Bonds" has the meaning specified in Section  
30 609C.



1 (41) "Maximum Interest Rate" means: (a) with respect to Series  
2 2016B Bonds other than Series 2016B Credit Provider Bonds, (i) for the benefit  
3 of which a Series 2016B Liquidity Instrument is in effect, the rate of interest  
4 specified in such Series 2016B Liquidity Instrument that is used to determine  
5 the amount available under such Series 2016B Liquidity Instrument for payment  
6 of interest due and payable to owners of the Series 2016B Bonds, but in no  
7 event greater than twelve percent (12%) per annum, and (ii) at all other times,  
8 twelve percent (12%) per annum; and (b) with respect to Series 2016B Credit  
9 Provider Bonds, the lesser of (i) fifteen percent (15%) per annum or (ii) the  
10 maximum rate of interest with respect to such Series 2016B Credit Provider  
11 Bonds permitted by applicable law.

12 (42) "Official Statement" means a final Official Statement relating to  
13 the Series 2016B Bonds, in substantially the form of the Preliminary Official  
14 Statement, with such omissions, insertions, endorsements and variations as  
15 may be required by the circumstances and as are not inconsistent with the  
16 provisions of this Supplemental Ordinance.

17 (43) "One Month LIBOR Index" means the British Banker's Association  
18 average of interbank offered rates in the London market for Dollar deposits for  
19 a one month period as reported in the Wall Street Journal or, if not reported in  
20 such newspaper, as reported in such other source as may be selected by the  
21 City.

22 (44) "One Month LIBOR Index Rate" means a per annum rate of  
23 interest established on each Index Rate Determination Date equal to the  
24 product of (i) the One Month LIBOR Index multiplied by (ii) the Applicable  
25 Factor. If such index is not published or otherwise made available, the Index  
26 Rate Index to which the Applicable Spread will be applied shall be an index or  
27 rate agreed upon by the City and the Remarketing Agents, but in no event in  
28 excess of the Maximum Interest Rate.

29 (45) "Opinion of Bond Counsel" means a written opinion of Bond  
30 Counsel.

1 (46) "Optional Purchase Date" means each date on which the Series  
2 2016B Bonds would be subject to optional redemption and therefore are  
3 subject to purchase at the option of the City pursuant to Article VII.

4 (47) "Optional Purchase Price" means, with respect to the purchase of  
5 Series 2016B Bonds to be purchased pursuant to Article VII on any Optional  
6 Purchase Date, the principal amount of the Series 2016B Bonds to be  
7 purchased on such Optional Purchase Date, plus accrued interest to such  
8 Optional Purchase Date, plus an amount equal to the premium, if any, that  
9 would be payable upon the redemption, at the option of the City exercised on  
10 such Optional Purchase Date, of the Series 2016B Bonds to be purchased.

11 (48) "Participants" has the meaning ascribed to it in Section 305 of this  
12 Supplemental Ordinance.

13 (49) "Pricing Notice" shall mean, with respect to the Series 2016B  
14 Bonds or subseries thereof, as applicable, (i) the written initial notice of the  
15 Treasurer evidencing the determinations made pursuant to Section 302 of this  
16 Supplemental Ordinance delivered in connection with the issuance of the  
17 Series 2016B Bonds, (ii) the written notice of an Authorized Representative to  
18 the Series 2016B Paying Agent and the Remarketing Agent delivered in  
19 connection with a Conversion of such Series 2016B Bonds or subseries thereof  
20 to a Term Rate Period at least two Business Days prior to the applicable Term  
21 Rate Conversion Date or that is delivered in connection with a continuation of a  
22 Term Rate Period at least two Business Days prior to the effective date of the  
23 new Term Rate Period, or (iii) the written notice of an Authorized  
24 Representative to the Series 2016B Paying Agent and the Remarketing Agent  
25 delivered in connection with a Conversion of such Series 2016B Bonds or  
26 subseries thereof to an Index Rate Period at least five Business Days prior to  
27 the applicable Index Rate Conversion Date or that is delivered in connection  
28 with a continuation of an Index Rate Period at least five Business Days prior to  
29 the effective date of the new Index Rate Period. Notwithstanding any provision  
30 herein requiring that certain information be included in a Pricing Notice, such  
31 information is not required to be included if the Authorized Representative and

1 the Remarketing Agent intend for such information to be governed by the  
2 provisions of this Supplemental Ordinance and the initial Pricing Notice referred  
3 to in (i) of this definition that provide for such information in the event it is not  
4 included in the Pricing Notice.

5 (50) "Preliminary Official Statement" means the Preliminary Official  
6 Statement relating to the Series 2016B Bonds, as filed with the Clerk, with such  
7 revisions as are permitted by this Supplemental Ordinance.

8 (51) "Proposed Amendments" has the meaning ascribed to it in  
9 Section 804 of this Supplemental Ordinance.

10 (52) "Purchase Date" means any date on which any Series 2016B  
11 Bond is purchased pursuant to Section 604 or Section 605.

12 (53) "Purchase Price" means, with respect to any Series 2016B Bond  
13 tendered or deemed tendered pursuant to Section 604 or Section 605, an  
14 amount equal to 100% of the principal amount of any Series 2016B Bond  
15 tendered or deemed tendered to the Series 2016B Paying Agent for purchase  
16 pursuant to Section 604 or Section 605. In addition, if the Purchase Date is not  
17 an Interest Payment Date, the Purchase Price for each Series 2016B Bond  
18 tendered or deemed tendered shall be increased to include accrued interest  
19 thereon to but not including the Purchase Date; provided, however, if such  
20 Purchase Date occurs before an Interest Payment Date, but after the Record  
21 Date applicable to such Interest Payment Date, then the Purchase Price shall  
22 not include accrued interest, which shall be paid to the owner of record as of  
23 the applicable Record Date.

24 (54) "Rate" means, with respect to any Series 2016B Bond, the  
25 interest rate applicable to such Series 2016B Bond as provided in this  
26 Supplemental Ordinance.

27 (55) "Rate Index" means the Daily Rate Index, the Weekly Rate Index,  
28 or both, as the context may require.

1 (56) "Rate Period" means any Daily Rate Period, Weekly Rate Period,  
2 Commercial Paper Rate Period, Term Rate Period, Index Rate Period or Fixed  
3 Rate Period.

4 (57) "Rating Confirmation" means written evidence from each rating  
5 agency then rating the Series 2016B Bonds to the effect that, following the  
6 event which requires the Rating Confirmation, the then current rating for the  
7 Series 2016B Bonds will not be lowered or withdrawn solely as a result of the  
8 occurrence of such event.

9 (58) "Record Date" means (a) for any Interest Payment Date in  
10 respect of any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate  
11 Period or Index Rate Period, the Business Day next preceding such Interest  
12 Payment Date; and (b) for any Interest Payment Date in respect of any Term  
13 Rate Period or Fixed Rate Period, the fifteenth (15th) day (whether or not a  
14 Business Day) preceding the Interest Payment Date occurs.

15 (59) "Redemption Date" means the date fixed for redemption of Bonds  
16 of a Series or subseries subject to redemption in any notice of redemption  
17 given in accordance with the terms of this Supplemental Ordinance.

18 (60) "Redemption Price" means (i) with respect to any Series 2016B  
19 Bond or a portion thereof, 100% of the principal amount thereof to be  
20 redeemed, plus the applicable premium, if any, payable upon redemption  
21 thereof pursuant to such Bond or this Supplemental Ordinance (provided that if  
22 the Series 2016B Bond is bearing interest at an Index Rate, the Redemption  
23 Price for such Bond shall be determined pursuant to Section 601E) and (ii) with  
24 respect to the Refunded Bonds, shall have the meaning ascribed to it in Section  
25 403.

26 (61) "Refunded Bonds" means the Bonds that are being refunded, as  
27 set forth in the Pricing Notice.

28 (62) "Refunded Bonds Paying Agent" means Zions Bank, a division of  
29 ZB, National Association, and any successor thereof.

1 (63) Refunded Bonds Purchase Account" means one or more special  
2 and separate accounts created in Section 401A hereof and designated with  
3 respect to the Refunded Bonds.

4 (64) "Remarketing Agent" means the one or more banks, trust  
5 companies or members of the National Association of Securities Dealers, Inc.  
6 meeting the qualifications set forth in Section 615 and appointed by an  
7 Authorized Representative to serve as a Remarketing Agent for any Series  
8 2016B Bonds.

9 (65) "Remarketing Agreement" means the agreement dated as of a  
10 date after the enactment hereof entered into between the City, for and on  
11 behalf of its Department of Aviation, and the Remarketing Agent with respect to  
12 the remarketing of the Series 2016B Bonds, and any subsequent remarketing  
13 agreement executed by the City and the Remarketing Agent in substantially the  
14 form filed with the Clerk; provided that such agreement may be completed,  
15 corrected or revised without further approval of the Council as deemed  
16 necessary by the parties thereto to carry out the purposes of this Supplemental  
17 Ordinance.

18 (66) "Securities Depository" means The Depository Trust Company,  
19 hereby designated as the depository for the Series 2016B Bonds, and includes  
20 any nominee or successor thereof.

21 (67) "Semi-Annual Interest Payment Date" means May 15 or  
22 November 15.

23 (68) "Series 2016B City Account" means the Series 2016B Bonds City  
24 Account created within the Series 2016B Bond Purchase Fund to be  
25 established by the applicable Remarketing Agreement.

26 (69) "Series 2016B Bond Purchase Fund" means the Series 2016B  
27 Purchase Fund to be established by the applicable Remarketing Agreement.

28 (70) "Series 2016B Bonds" means those securities issued hereunder  
29 and designated as the "City and County of Denver, Colorado, for and on behalf

1 of its Department of Aviation, Airport System Revenue Bonds, Series 2016B,”  
2 or as otherwise designated as provided in a Pricing Notice, including subseries  
3 thereof.

4 (71) "Series 2016B Bonds Continuing Disclosure Undertaking" means  
5 the Continuing Disclosure Undertaking relating to the Series 2016B Bonds, in  
6 substantially the form filed with the Clerk, with such revisions thereto as are  
7 permitted by this Supplemental Ordinance.

8 (72) "Series 2016B Bonds Registrar" means, with respect to the Series  
9 2016B Bonds, Zions Bank, a division of ZB, National Association, and includes  
10 any successor thereof.

11 (73) "Series 2016B Credit Provider Bonds" means Bonds consisting of  
12 any Series 2016B Bonds purchased with funds provided under a Series 2016B  
13 Liquidity Instrument as provided in Section 611 for so long as such Series  
14 2016B Bonds are held by or for the account of, or are pledged to, the applicable  
15 Series 2016B Liquidity Provider in accordance with Section 613 hereof.

16 (74) "Series 2016B Delivery Certificate" means the certificate or  
17 certificates to be prepared and executed by an Authorized Representative  
18 pursuant to Section 302.

19 (75) "Series 2016B Liquidity Instrument" means an instrument  
20 pursuant to which liquidity support is provided to the Series 2016B Bonds,  
21 including a line of credit, a letter of credit or other Credit Facility providing  
22 liquidity support to the Series 2016B Bonds, and any substitute Series 2016B  
23 Liquidity Instrument provided pursuant to Section 614 of this Supplemental  
24 Ordinance, as applicable.

25 (76) "Series 2016B Liquidity Instrument Purchase Account" means the  
26 Series 2016B Liquidity Instrument Purchase Account within the Series 2016B  
27 Bond Purchase Fund to be established by the applicable Remarketing  
28 Agreement.

1 (77) "Series 2016B Liquidity Provider" means the entity, if any,  
2 providing liquidity for the Purchase Price of Series 2016B Bonds pursuant to a  
3 Series 2016B Liquidity Instrument or any successor thereto.

4 (78) "Series 2016B Paying Agent" means, with respect to the Series  
5 2016B Bonds, Zions Bank, a division of ZB, National Association, and includes  
6 any successor thereof.

7 (79) "Series 2016B Paying Agent and Bonds Registrar Agreement"  
8 means, with respect to the Series 2016B Bonds, the agreement executed by  
9 the City, for and on behalf of the Department, and the Series 2016B Paying  
10 Agent in substantially the form filed with the Clerk, with such revisions thereto  
11 as are permitted by this Supplemental Ordinance, and any subsequent Series  
12 2016B Paying Agent and Bonds Registrar Agreement executed by the Series  
13 2016B Paying Agent and the City, for and on behalf of the Department, as  
14 provided herein.

15 (80) "Series 2016B Project Account" has the meaning ascribed to it in  
16 Section 401C of this Supplemental Ordinance.

17 (81) "Series 2016B Rebate Fund" has the meaning ascribed to it in  
18 Section 801B of this Supplemental Ordinance.

19 (82) "Series 2016B Refunding Project" means the project to (i) refund  
20 certain Refunded Bonds with the proceeds of the Series 2016B Bonds by  
21 paying the principal of, premium (if any) and interest on certain Refunded  
22 Bonds upon redemption, (ii) make a required deposit in the Bond Reserve  
23 Account, if any, and (iii) pay certain costs relating to the issuance of the Series  
24 2016B Bonds. The Series 2016B Refunding Project shall constitute a  
25 Refunding Project within the meaning of the General Bond Ordinance.

26 (83) "Series 2016B Remarketing Account" means the Series 2016B  
27 Remarketing Account within the Series 2016B Bond Purchase Fund to be  
28 established by the applicable Remarketing Agreement.

1                   (84) "Series 2016B Underwriters" means Merrill Lynch, Pierce, Fenner  
2 & Smith Incorporated or any other underwriter that the Treasurer is authorized  
3 to select pursuant to Section 303 hereof.

4                   (85) "Series of Index Bonds" means a Series 2016B Bonds or  
5 subseries thereof in the Index Rate Period.

6                   (86) "SIFMA Swap Index" means, on any date, a rate determined on  
7 the basis of the seven-day high grade market index of tax-exempt variable rate  
8 demand obligations, as produced by Municipal Market Data and published or  
9 made available by the Securities Industry & Financial Markets Association  
10 (formerly the Bond Market Association) ("SIFMA") or any Person acting in  
11 cooperation with or under the sponsorship of SIFMA and effective from such  
12 date.

13                   (87) "Sinking Fund Installment" mean each amount so designated for  
14 the Series 2016B Bonds in the initial Pricing Notice requiring payments by the  
15 City to be applied to the retirement of such Series 2016B Bonds on and prior to  
16 the stated maturity date thereof, except to the extent modified in a subsequent  
17 Pricing Notice.

18                   (88) "Stepped Rate" shall mean the rate or rates of interest applicable  
19 with respect to any Series 2016B Bonds or subseries thereof should insufficient  
20 funds be available to purchase such Bonds in connection with a mandatory  
21 tender at the end of an Index Rate Period or a Term Rate Period during which  
22 such Series 2016B Bonds or subseries thereof is not supported by a Series  
23 2016B Liquidity Instrument, as specified by the City in the Pricing Notice  
24 delivered in connection with the Conversion of such Series 2016B Bonds or  
25 subseries thereof to a Term Rate Period or an Index Rate Period or with the  
26 continuation of a Term Rate Period or Index Rate Period with respect to such  
27 Series 2016B Bonds or subseries thereof. If no Stepped Rate was specified in  
28 the Pricing Notice relating to the expiring Term Rate Period or Index Rate  
29 Period for such Series 2016B Bonds or subseries thereof, and upon issuance  
30 with respect to the initial Index Rate Period for the Series 2016B Bonds, the  
31 Stepped Rate shall be: (a) for the period from and including the Failed Tender



1 Date to but excluding the ninetieth (90th) day thereafter a per annum interest  
2 rate equal to the Stepped Rate Index plus 2.50%; (b) for the period from and  
3 including the ninetieth (90th) day after the Failed Tender Date to but excluding  
4 the one hundred eightieth (180th) day after the Failed Tender Date, a per  
5 annum interest rate equal to the greater of (i) the Stepped Rate Index plus  
6 5.00% or (ii) 7.50%; and (c) thereafter, the Maximum Interest Rate; provided  
7 that the Stepped Rate shall never be less than the rate of interest applicable to  
8 such Series 2016B Bonds or subseries thereof on the Business Day prior to the  
9 Failed Tender Date. Notwithstanding anything to the contrary, the Stepped  
10 Rate shall never exceed twelve percent (12%) per annum.

11 (89) "Stepped Rate Determination Date" means the applicable Failed  
12 Tender Date and each Wednesday thereafter or, if any such Wednesday is not  
13 a Business Day, then the next preceding Business Day, such date being the  
14 same day the SIFMA Swap Index is expected to be published or otherwise  
15 made available to the Index Agent, and if the SIFMA Swap Index is published  
16 on a different day, such day will be the Stepped Rate Determination Date. The  
17 Stepped Rate Index so calculated will apply to the Calendar Week from and  
18 including the immediately succeeding Thursday to and including the following  
19 Wednesday or, for the initial period, from the Failed Tender Date to and  
20 including the Wednesday following the Failed Tender Date, unless the Failed  
21 Tender Date is a Wednesday in which event such rate will be based on the  
22 SIFMA Swap Index determined on the prior Wednesday and will only apply on  
23 the Failed Tender Date; provided that different Stepped Rate Determination  
24 Dates may be specified in the Pricing Notice relating to the establishment of a  
25 new Term Rate Period or Index Rate Period for any Series 2016B Bonds or  
26 subseries thereof. The Stepped Rate or Rates calculated on any Stepped Rate  
27 Determination Date shall apply to Series 2016B Bonds as set forth in Section  
28 505 of this Supplemental Ordinance.

29 (90) "Stepped Rate Index" shall mean an index specified by the City in  
30 the Pricing Notice delivered in connection with the Conversion of the Series  
31 2016B Bonds or subseries thereof to a Term Rate Period or an Index Rate  
32 Period or with the continuation of a Term Rate Period or Index Rate Period with

1 respect to such Series 2016B Bonds or subseries thereof pursuant to the terms  
2 of this Supplemental Ordinance. If no Stepped Rate Index was specified in the  
3 Pricing Notice relating to the expiring Term Rate Period or Index Rate Period  
4 for such Series 2016B Bonds, and upon initial issuance with respect to the  
5 initial Index Rate Period for the Series 2016B Bonds, the Stepped Rate Index  
6 shall be the SIFMA Swap Index.

7 (91) "Supplemental Ordinance" means this Supplemental Ordinance,  
8 as amended and supplemented from time to time.

9 (92) "Tax-Exempt" means, with respect to interest on any obligations  
10 of a state or local government, that such interest is excluded from the gross  
11 income of the owners thereof (other than any owner who is a "substantial user"  
12 of facilities financed with such obligations or a "related person" within the  
13 meaning of Section 147(a) of the Tax Code) for federal income tax purposes,  
14 whether or not such interest is includable as an item of tax preference or  
15 otherwise includable directly or indirectly for purposes of calculating other tax  
16 liabilities, including any alternative minimum tax or environmental tax under the  
17 Tax Code.

18 (93) "Tax-Exempt Securities" means bonds, notes or other securities  
19 the interest on which is Tax-Exempt.

20 (94) "Term Rate" means the rate of interest rate of interest established  
21 in accordance with Section 502D.

22 (95) "Term Rate Computation Date" means any Business Day during  
23 the period from and including the date of receipt of a Conversion Notice relating  
24 to a Conversion to a Term Rate for any Series 2016B Bonds to and including  
25 the Business Day next preceding the proposed Term Rate Conversion Date.

26 (96) "Term Rate Continuation Notice" shall have the meaning given  
27 such term in Section 502D.

28 (97) "Term Rate Conversion Date" means: (i) the Conversion Date on  
29 which the interest rate on any Series 2016B Bonds shall be converted to a

1 Term Rate; or (ii) the date on which a new Term Rate Period and Term Rate  
2 are to be established.

3 (98) "Term Rate Period" means any period during which any Series  
4 2016B Bonds bear interest at the Term Rate.

5 (99) "Termination" (and other forms of "terminate") means, when used  
6 with respect to any Series 2016B Liquidity Instrument, the replacement,  
7 removal, surrender or other termination of such Series 2016B Liquidity  
8 Instrument other than an Expiration or an extension or renewal thereof;  
9 provided, however, that Termination does not include immediate suspension or  
10 termination events.

11 (100) "Treasury Rate" means the interest rate applicable to 13-week  
12 United States Treasury bills determined by the Remarketing Agent on the basis  
13 of the average per annum discount rate at which such 13-week Treasury bills  
14 shall have been sold at the most recent Treasury auction.

15 (101) "Variable Rate" means any of the Daily Rate, the Weekly Rate,  
16 the Commercial Paper Rate, the Term Rate, or the Index Rate.

17 (102) "Weekly Put Bonds" shall have the meaning set forth in Section  
18 609B.

19 (103) "Weekly Rate" means the variable interest rate on any Series  
20 2016B Bond established in accordance with Section 502B.

21 (104) "Weekly Rate Index" means, on any Business Day, the SIFMA  
22 Swap Index or, if the SIFMA Swap Index is no longer published, an index or  
23 rate agreed upon by the City and the Remarketing Agents, but in no event in  
24 excess of the Maximum Interest Rate.

25 (105) "Weekly Rate Period" means each period during which any Series  
26 2016B Bonds bear interest at Weekly Rates.

27 **Section 103** Ratification. All action heretofore taken (not inconsistent with the  
28 provisions of this Supplemental Ordinance) by the Council, the Manager, the Manager of

1 Finance, Chief Financial Officer, ex-officio Treasurer (the “Treasurer”), and the other officers of  
2 the City relating to:

3 A. Series 2016B Refunding Project. The Series 2016B Refunding Project;  
4 and

5 B. Series 2016B Bonds. The sale and issuance of the Series 2016B Bonds  
6 be, and the same hereby is, authorized, ratified, approved, and confirmed, including,  
7 without limitation, the distribution of the Preliminary Official Statement, the execution  
8 and delivery of the Official Statement (if executed and delivered prior to the date of  
9 enactment of this Supplemental Ordinance) and the execution of the Series 2016B  
10 Bond Purchase Agreement by the Treasurer (if so executed prior to the publication of  
11 the bill for this Supplemental Ordinance and this Supplemental Ordinance and if in  
12 conformity with the Pricing Notice).

13 **Section 104** Ordinance and Irrepealable Contract. This Supplemental Ordinance and  
14 the General Bond Ordinance shall constitute an irrevocable contract between the City, for and  
15 on behalf of the Department, and the owners of the Series 2016B Bonds, except as otherwise  
16 provided herein and in the General Bond Ordinance.

17 **Section 105** Repealer. All ordinances, resolutions, bylaws, orders, and other  
18 instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of  
19 such inconsistency; but nothing herein shall be construed to repeal any provision of the  
20 General Bond Ordinance, it being intended that any inconsistent provision therein shall remain  
21 applicable to any other Bonds hereafter issued thereunder. This repealer shall not be  
22 construed to revive any ordinance, resolution, bylaw, order, or other instrument, or part thereof,  
23 heretofore repealed.

24 **Section 106** Severability. If any section, subsection, paragraph, clause, or other  
25 provision of this Supplemental Ordinance shall for any reason be held to be invalid or  
26 unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause,  
27 or other provision shall not affect any of the remaining provisions of this Supplemental  
28 Ordinance.

29 **Section 107** Effective Date. This Supplemental Ordinance shall take effect  
30 immediately upon its final passage and publication.

1           **Section 108** Publications. The bill for this Supplemental Ordinance and this  
2 Supplemental Ordinance are hereby authorized and directed to be published as required by  
3 the Charter.

4           **Section 109** Recordation and Authentication. This Supplemental Ordinance shall be  
5 recorded after its passage in the office of the Clerk, and authenticated by the signature of the  
6 Mayor and attested and countersigned by the Clerk.

7           **Section 110** Delegated Powers. The Mayor, Auditor, Clerk, Treasurer and Manager  
8 and other officers and employees of the City are hereby authorized and directed to take all  
9 action necessary or appropriate to effect the provisions of this Supplemental Ordinance,  
10 including without limitation:

11           A.     Official Statement and Basic Agreements. If not previously executed and  
12 delivered, the execution and delivery of the Official Statement (dated as the Manager  
13 and Treasurer may determine), the Series 2016B Bond Purchase Agreement, the  
14 Remarketing Agreement, the Series 2016B Bonds Continuing Disclosure Undertaking,  
15 and the Series 2016B Paying Agent and Bonds Registrar Agreement, with such  
16 omissions, insertions, endorsements, and variations as to any recitals of fact or other  
17 provisions as may by the circumstances be required;

18           B.     Blue Sky Documents. The execution of such instruments and the taking  
19 of such other action in cooperation with the Series 2016B Underwriters as they may  
20 reasonably request in order to qualify the Series 2016B Bonds for offer and sale under  
21 the securities laws and regulations of such states and other jurisdictions of the United  
22 States as the Series 2016B Underwriters may designate, but said actions shall not  
23 constitute consent to process in any other jurisdiction;

24           C.     Certificates and Agreements. The execution and delivery of such  
25 certificates and opinions as are required by the Series 2016B Bond Purchase  
26 Agreement and as may otherwise be reasonably required by the City's bond counsel or  
27 the Series 2016B Underwriters, and the execution and delivery of such agreements as  
28 are necessary or desirable; and

29           D.     Series 2016B Bonds. The preparation, execution and delivery of the  
30 Series 2016B Bonds and the payment of the Costs of issuing the Series 2016B Bonds.

1 **ARTICLE II**  
2 **COUNCIL’S DETERMINATIONS, NECESSITY OF**  
3 **SERIES 2016B REFUNDING PROJECT AND SERIES 2016B BONDS, TERMS OF BOND**  
4 **SALE AND OBLIGATIONS OF CITY**

5 **Section 201** Authority for this Ordinance. This Supplemental Ordinance is executed  
6 pursuant to the City’s powers as a home-rule city organized and operating under the Charter  
7 and Article XX of the State Constitution and pursuant to the Supplemental Public Securities  
8 Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the provisions of which  
9 are hereby elected, to the extent not inconsistent herewith), and the General Bond Ordinance;  
10 and the City hereby determines that each and every matter and thing as to which provision is  
11 made herein is necessary in order to carry out and to effect the purposes hereof.

12 **Section 202** Necessity and Approval of Series 2016B Refunding Project and Series  
13 2016B Bonds. The Council hereby determines and declares that the Series 2016B Refunding  
14 Project and the Series 2016B Bonds are necessary and in the best interests of the City and its  
15 residents.

16 **Section 203** Terms of Bond Sale. The Series 2016B Bonds shall be sold and  
17 delivered to the Series 2016B Underwriters all in accordance with the Series 2016B Bond  
18 Purchase Agreement, bearing interest and otherwise upon the terms and conditions therein  
19 and herein provided.

20 **Section 204** Tender for Delivery. The Series 2016B Underwriters are required to  
21 accept delivery of the Series 2016B Bonds and to make payment as provided in the Series  
22 2016B Bond Purchase Agreement. The validity and enforceability of the Series 2016B Bonds  
23 shall be approved by Hogan Lovells US LLP, Denver, Colorado, as bond counsel, and by  
24 Becker Stowe Partners LLC, Denver, Colorado, as bond counsel.

25 **ARTICLE III**  
26 **AUTHORIZATION, TERMS, EXECUTION, AND ISSUANCE**  
27 **OF SERIES 2016B BONDS**

28 **Section 301** Authorization of Series 2016B Bonds. There are hereby authorized to be  
29 issued by the City, for and on behalf of the Department, for the purpose of defraying the Cost  
30 of the Series 2016B Refunding Project, the “City and County of Denver, Colorado, for and on  
31 behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B”, or any  
32 subseries thereof, in the maximum aggregate principal amount of \$115,000,000, payable as to

1 all Bond Requirements solely out of the Net Revenues of the Airport System and certain funds  
2 and accounts to the extent provided in the General Bond Ordinance and this Supplemental  
3 Ordinance. The Net Revenues and such funds and accounts are thereby and hereby pledged  
4 to the payment of the Bond Requirements of the Series 2016B Bonds, as therein and herein  
5 provided. Such Bond Requirements of the Series 2016B Bonds (including Series 2016B  
6 Credit Provider Bonds) shall be paid out of moneys paid to the Series 2016B Paying Agent by  
7 the City from the Net Revenues of the Airport System and certain funds and accounts to the  
8 extent provided in the General Bond Ordinance and this Supplemental Ordinance. The Series  
9 2016B Paying Agent is hereby empowered to create any and all accounts necessary to  
10 perform its duties hereunder. The Net Revenues and such funds and accounts are thereby  
11 and hereby pledged to the payment of the Bond Requirements of the Series 2016B Bonds, as  
12 therein and herein provided, and to the payment of the Credit Facility Obligations of the Series  
13 2016B Credit Provider Bonds, as provided herein and in the Series 2016B Liquidity Instrument,  
14 if any.

15 **Section 302** Form, Denomination, Numbers and Letters. The Series 2016B Bonds  
16 shall be issued as fully registered bonds in Authorized Denominations, shall be dated as of the  
17 Issue Date and shall be numbered as the Series 2016B Bonds Registrar may determine. The  
18 Series 2016B Bonds and the certificate of authentication shall be substantially in the form  
19 attached hereto as Exhibit A, which form is hereby approved and adopted as the form of the  
20 Series 2016B Bonds and as the form of the certificate of authentication as such form shall be  
21 completed based on the terms of the Series 2016B Bonds set forth in the Series 2016B  
22 Delivery Certificate, with such omissions, insertions, endorsements and variations as to any  
23 recitals of fact or other provision as may be required by the circumstances, be required or  
24 permitted by the General Bond Ordinance, or be consistent with the General Bond Ordinance.

25 **Section 303** Dates, Maturities and Interest Rates. Until October 15, 2017, the  
26 Treasurer is hereby authorized, without further approval of the Council, to determine in  
27 conformity with the standards set forth in this Supplemental Ordinance the principal amount of  
28 the Series 2016B Bonds, which principal amount shall not in the aggregate exceed  
29 \$115,000,000. The Treasurer is further authorized, without further approval of the Council, to  
30 execute the Series 2016B Bond Purchase Agreement and to make any and all determinations  
31 listed in Section 11-57-205(1), Colorado Revised Statutes, provided such agreement and such  
32 determinations are not inconsistent with the standards set forth in this Supplemental

1 Ordinance, including but not limited to a determination of the Bonds to be refunded with  
2 proceeds of the Series 2016B Bonds and the price at which the Series 2016B Bonds are to be  
3 sold to the Series 2016B Underwriters, which price shall be not less than 99.5% of the original  
4 par amount. The Treasurer is further authorized to execute any additional documents and  
5 agreements required in connection with the Series 2016B Refunding Project. The Series  
6 2016B Bonds shall bear interest at the rate or rates determined in accordance with Article V.  
7 The Treasurer is hereby authorized, without further approval of the Council, to determine the  
8 initial Index Rate and other required provisions relating thereto, including the Applicable  
9 Spread, provided that the initial Index Rate for the period from and including the Issue Date to  
10 but not including the Index Rate Determination Date immediately succeeding the Issue Date  
11 shall not exceed 3% per annum. The Index Rate Determination Date and Stepped Rate  
12 Determination Date shall be the Index Rate Determination Date and Stepped Rate  
13 Determination Date as defined in Section 102 without reference to any Pricing Notice. The  
14 determinations contemplated in this Section 303 shall be evidenced by an initial Pricing Notice  
15 filed with the Clerk, and except as otherwise expressly provided herein or in the General Bond  
16 Ordinance, the terms of the Series 2016B Bonds shall be as set forth in the initial Pricing  
17 Notice. The initial Pricing Notice shall specify the initial Index Rate Period, the initial Purchase  
18 Date and the initial Interest Payment Date with respect to the Series 2016B Bonds. During the  
19 initial Index Rate Period and prior to the first successful remarketing of the Series 2016B  
20 Bonds following issuance, the Series 2016B Bonds shall be subject to redemption at the option  
21 of the City pursuant to Section 601 and mandatory redemption pursuant to Section 602 as  
22 each are set forth in the initial Pricing Notice. The Series 2016B Bonds shall mature no later  
23 than December 1, 2031.

24 Each Authorized Representative is hereby authorized, without further approval of the  
25 Council, to make any determinations on behalf of the City that are required in connection with  
26 any Pricing Notice that may be delivered hereunder subsequent to the delivery of the initial  
27 Pricing Notice and any other determinations required to be made in connection with any  
28 Conversion, continuation, remarketing, redemption or purchase of the Series 2016B Bonds  
29 and any other matters relating to the Series 2016B Bonds hereunder. Any such  
30 determinations shall be in conformity with the standards set forth in this Supplemental  
31 Ordinance.



1 Interest on the Series 2016B Bonds shall be payable on each Interest Payment Date  
2 until the principal sum of the Series 2016B Bonds has been paid; provided, however, that if at  
3 the maturity date of the Series 2016B Bonds (or if the same is redeemable and shall be duly  
4 called for redemption, then at the date fixed for redemption) funds are available for the  
5 payment or redemption thereof, in full accordance with terms of the General Bond Ordinance,  
6 the Series 2016B Bonds shall then cease to bear interest.

7 The Series 2016B Bonds shall pay interest to the owner thereof from the latest of: (i) its  
8 Issue Date; (ii) the most recent Interest Payment Date to which interest has been paid thereon  
9 or duly provided for, or (iii) if the date of authentication of such Bond is after a Record Date but  
10 prior to the immediately succeeding Interest Payment Date, the Interest Payment Date  
11 immediately succeeding such date of authentication.

12 Principal of and interest on the Series 2016B Bonds shall be payable by wire transfer to  
13 the Securities Depository in lawful money of the United States of America. Principal of the  
14 Series 2016B Bonds shall be payable when due upon presentation and surrender thereof at  
15 the Principal Office of the Series 2016B Paying Agent.

16 Notwithstanding anything in the General Bond Ordinance or this Supplemental  
17 Ordinance to the contrary, any Series 2016B Bonds that are Series 2016B Credit Provider  
18 Bonds shall mature and shall be subject to prepayment as provided in the applicable Series  
19 2016B Liquidity Instrument, if any.

20 **Section 304** Execution, Recordation and Authentication.

21 A. Execution and Recordation. The Series 2016B Bonds shall be signed by  
22 the Mayor and countersigned by the Auditor, both of which signatures may be by  
23 facsimile, and the Series 2016B Bonds shall bear the official seal of the City or a  
24 facsimile thereof attested by the manual or facsimile signature of the Clerk. A record  
25 thereof shall be made by the Auditor, in such record to show the date of issue, date of  
26 payment, and date and amount of interest payments as the same shall accrue. The  
27 Series 2016B Bonds shall have been approved by the Manager and shall be  
28 authenticated by the Series 2016B Bonds Registrar as provided in Section 316 of the  
29 General Bond Ordinance.

1           B.     Authentication. By authenticating the Series 2016B Bonds, the Series  
2     2016B Bonds Registrar shall be deemed to have assented to the provisions of the  
3     General Bond Ordinance, as supplemented by this Supplemental Ordinance. If the  
4     Series 2016B Bonds Registrar, or its duly appointed successor pursuant to this section,  
5     shall resign, or if the City shall reasonably determine that such Series 2016B Bonds  
6     Registrar has become incapable of fulfilling its duties hereunder, the City may, upon  
7     notice mailed to each owner of Series 2016B Bonds at the address last shown on the  
8     registration books, appoint a successor Series 2016B Bonds Registrar. Every such  
9     successor shall be a commercial bank.

10           Section 305   Custodial Deposit. Notwithstanding the provisions of Article III of the  
11    General Bond Ordinance or of Article III hereof, the Series 2016B Bonds shall initially be  
12    evidenced by a single Series 2016B Bond for each maturity in the principal amount of such  
13    maturity; shall initially be registered in the name of the Securities Depository, or any nominee  
14    thereof; and may not thereafter be transferred or exchanged except (i) to any successor of the  
15    Securities Depository, or any nominee of such successor, upon the merger, consolidation, sale  
16    of substantially all of the assets or other reorganization of the Securities Depository or its  
17    successor, which successor of the Securities Depository must be a qualified and registered  
18    “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended; (ii)  
19    to any new depository or nominee thereof (a) upon the resignation of the Securities Depository  
20    or a successor or new depository under clause (i) of this paragraph or this clause (ii), or (b)  
21    upon a determination of the City that the Securities Depository or such successor or new  
22    depository is no longer able to carry out its functions and the designation by the City of another  
23    depository institution acceptable to the depository then holding the Series 2016B Bonds which  
24    new depository institution must be a qualified and registered “clearing agency” under Section  
25    17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of the  
26    Securities Depository or such successor or new depository; or (iii) to any owner as specified in  
27    the transfer instructions in the paragraph below (a) upon the resignation of the Securities  
28    Depository or upon a determination by the City that the Securities Depository is no longer able  
29    to carry out its functions, and (b) upon the failure by the City, after reasonable investigation, to  
30    locate another qualified depository institution under clause (ii) to carry out the functions of the  
31    Securities Depository.

1 In the case of a transfer to a successor of the Securities Depository or its nominee as  
2 referred to in clause (i) of the first paragraph hereof or in the case of a designation of a new  
3 depository pursuant to clause (ii) of the first paragraph hereof, upon receipt of the Outstanding  
4 Series 2016B Bonds by the Series 2016B Bonds Registrar, together with written instructions  
5 for transfer satisfactory to the Series 2016B Bonds Registrar, new Series 2016B Bonds shall  
6 be issued to such successor or new depository, as the case may be, or its nominee, as is  
7 specified in such written transfer instructions. In the case of a resignation or determination  
8 under clause (ii) of the first paragraph hereof and the failure after reasonable investigation to  
9 locate another qualified depository institution for the Series 2016B Bonds as provided in clause  
10 (ii) of the first paragraph hereof, and upon receipt of the Outstanding Series 2016B Bonds by  
11 the Series 2016B Bonds Registrar together with written instructions for transfer satisfactory to  
12 the Series 2016B Bonds Registrar, new Series 2016B Bonds shall be issued in authorized  
13 denominations, as provided in and subject to the limitations of Section 303 hereof and in such  
14 denominations as are requested in such written transfer instructions; provided the Series  
15 2016B Bonds Registrar shall not be required to deliver such new Series 2016B Bonds within a  
16 period of less than 60 days from the date of receipt of such written transfer instructions.

17 The City, the Series 2016B Bonds Registrar and the Paying Agent shall be entitled to  
18 treat the registered owner of any Series 2016B Bond as the absolute owner and owner of  
19 record for all purposes hereof and any applicable laws, notwithstanding any notice to the  
20 contrary received by any or all of them. So long as the registered owner of any Series 2016B  
21 Bond is the Securities Depository or a nominee thereof, the Securities Depository shall  
22 disburse any payments received, through participating underwriters, securities brokers or  
23 dealers, banks, trust companies, closing corporations or other persons or entities for which the  
24 Securities Depository holds Series 2016B Bonds ("Participants") or otherwise, to the beneficial  
25 owners. Neither the City nor the Paying Agent shall have any responsibility or obligation for  
26 the payment to any Participant, any beneficial owner or any other person (except a registered  
27 owner of Series 2016B Bonds) of the Debt Service Requirements or Redemption Price due in  
28 connection with the Series 2016B Bonds. The City, the Series 2016B Bonds Registrar and the  
29 Paying Agent shall have no responsibility for maintaining, supervising or reviewing the records  
30 kept by the Securities Depository.

31 Notwithstanding any other provision of the General Bond Ordinance or this  
32 Supplemental Ordinance to the contrary, so long as any Series 2016B Bond (other than any

1 Series 2016B Credit Provider Bonds, with respect to which the provisions, if any, of the Series  
2 2016B Liquidity Instrument shall control) is registered in the name of the Securities Depository,  
3 or any nominee thereof, all payments with respect to the Redemption Price due in connection  
4 with any Series 2016B Bonds and all notices with respect to such Series 2016B Bonds shall be  
5 made and given, respectively, in the manner provided in the letter of representation to the  
6 Securities Depository.

7 For so long as the Series 2016B Bonds are held in book-entry only form, and the  
8 owners thereof may elect, or may be required, to tender such Series 2016B Bonds for  
9 purchase pursuant to the provisions of this Supplemental Ordinance, the beneficial owner of  
10 any such Series 2016B Bond, or Participant, whether a direct participant or an indirect  
11 participant within the meaning of the applicable procedures of the Securities Depository, may  
12 submit on behalf of such beneficial owner any notice of tender in connection with any such  
13 optional tender right pertaining to any Series 2016B Bond in which such beneficial owner has a  
14 beneficial ownership interest, and such notice shall be given the same force and effect as a  
15 notice given by the registered owner of such Series 2016B Bond, if such notice is  
16 accompanied by (i) a written certification by such beneficial owner affirming its beneficial  
17 ownership interest in such Series 2016B Bond, setting forth the principal amount thereof, and  
18 identifying the Participant that has a record of such beneficial owner's beneficial ownership  
19 interest therein, or (ii) a written certification by a Participant affirming it is acting on behalf of  
20 the beneficial owner of such Series 2016B Bond (or, if a direct participant, affirming it is acting  
21 on behalf of an indirect participant acting on behalf of such beneficial owner), affirming such  
22 beneficial owner has such beneficial ownership interest in such Series 2016B Bond, setting  
23 forth the principal amount thereof (and, if applicable, identifying the indirect participant that has  
24 a record of such beneficial owner's beneficial ownership interest).

25 With respect to any Series 2016B Bonds held in book-entry only form, delivery of such  
26 Series 2016B Bonds to the Series 2016B Paying Agent in connection with any optional or  
27 mandatory tender pursuant to the provisions of this Supplemental Ordinance shall be effected  
28 by the transfer of a beneficial owner's beneficial ownership interest to the account of the  
29 Paying Agent, or a Participant acting on behalf of the Paying Agent, on the books of the  
30 Securities Depository or any Participant in accordance with the procedures of the Securities  
31 Depository.

**ARTICLE IV**  
**USE OF BOND PROCEEDS**

**Section 401** Disposition of Series 2016B Bond Proceeds. The net proceeds of the Series 2016B Bonds, upon the receipt thereof, shall be deposited in the following accounts and applied for purposes thereof:

A. Refunded Bonds Purchase Account. First, to the special account hereby created with the Refunded Bonds Paying Agent and designated as the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B Refunded Bonds Purchase Account,” (the “Refunded Bonds Purchase Account”), the amount which, after taking into account other amounts expected to be deposited therein, the Treasurer determines to be necessary to effect the Series 2016B Refunding Project. Amounts in the Refunded Bonds Purchase Account may be allocated to any subaccounts as the Treasurer may determine.

B. Bond Reserve Fund. Second, to the Bond Reserve Fund an amount, if any, determined by the Treasurer as necessary to fund the Minimum Bond Reserve upon the issuance of the Series 2016B Bonds

C. Series 2016B Project Account. Third, to the Project Fund for credit to a special and separate subaccount hereby created therein and designated as the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B Project Account,” (the “Series 2016B Project Account”), an amount equal to the balance of the proceeds of the Series 2016B Bonds so received, for the payment of the Costs of the Series 2016B Refunding Project.

**Section 402** Other Transfers. The Treasurer is hereby authorized to transfer to the Refunded Bonds Purchase Account such other amounts, if any, legally available in the Bond Fund and/or Reserve Fund as the Treasurer determines to be necessary to effect the Series 2016B Refunding Project.

**Section 403** Exercise of Option. The City, for and on behalf of its Department of Aviation, hereby irrevocably exercises its option to redeem the Refunded Bonds on the date set forth in the initial Pricing Notice, for a purchase price equal to the principal amount thereof, accrued interest thereon, and applicable redemption premium, if any (the “Redemption Price”),

1 the exercise of such option to be effective when moneys sufficient to provide for the  
2 Redemption Price with respect to such Refunded Bonds are credited to the Refunded Bonds  
3 Purchase Account for such purpose.

4 **Section 404** Manner and Forms of Notice of Redemption. Notices of prior redemption  
5 of the Refunded Bonds shall be given by the Refunded Bonds Paying Agent in the manner and  
6 otherwise as provided herein and the ordinances authorizing the issuance of the Refunded  
7 Bonds and shall be in substantially the following forms, with such omissions, insertions,  
8 endorsements and variations as to any recitals of facts or other provisions as may be required  
9 by the circumstances, be required or permitted by the General Bond Ordinance, or be  
10 consistent with the General Bond Ordinance:

**CONDITIONAL NOTICE OF PRIOR REDEMPTION**  
**OF**  
**THE CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES \_\_\_\_**

NOTICE IS HEREBY GIVEN that the City and County of Denver, Colorado (the “City”), for and on behalf of the Department of Aviation, has caused to be deposited in an account (the “Refunded Bonds Purchase Account”) with Zions Bank, a division of ZB, National Association, refunding bond proceeds and other moneys which have been invested (except for an initial cash balance) in bills, certificates, notes, bonds and similar securities which are direct obligations of, or the principal of and interest on which securities are unconditionally guaranteed by, the United States of America, to refund, pay, and discharge the principal of, interest on, and any redemption premium due in connection with certain of the City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series \_\_\_\_\_ (the “Series \_\_\_\_ Bonds”), issued on December \_\_, 2014 and maturing as described below (the “Refunded Bonds”) as the same become due at and before maturity upon prior redemption, as provided herein.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
<u>(November 15)</u>	<u>Refunded</u>	<u>(Per Annum)</u>	

The Refunded Bonds have been called for prior redemption on \_\_\_\_\_, 20\_\_ (the “Redemption Date”).

On the Redemption Date, the Refunded Bonds will become due and payable at the Paying Agent for the Refunded Bonds (Zions Bank, a division of ZB, National Association) for a price equal to the principal amount thereof and accrued interest thereon to the Redemption Date. From and after the Redemption Date, interest on the Refunded Bonds will cease to accrue.

The Refunded Bonds must be delivered to the Series 2016B Paying Agent as follows:

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Zions Bank, a division of ZB, National Association  
Corporate Trust Services  
One South Main – Suite 1200  
Salt Lake City, Utah 84133

THIS NOTICE IS CONDITIONAL IN THAT IT IS SUBJECT TO THE DEPOSIT OF SUFFICIENT MONEYS IN THE REFUNDED BONDS PURCHASE ACCOUNT BY NO LATER THAN ONE BUSINESS DAY PRIOR TO THE REDEMPTION DATE, AND IF SUCH DEPOSIT IS NOT TIMELY MADE THIS NOTICE SHALL BE OF NO EFFECT.

DATED at Denver, Colorado, on this \_\_\_\_\_, 2016.

ZIONS BANK, a division of ZB,  
National Association,  
as Refunded Bonds Paying Agent

\_\_\_\_\_  
Authorized Officer



1 **ARTICLE V**  
2 **INTEREST RATES ON SERIES 2016B BONDS**

3 **Section 501** Interest Rates. Except for Series 2016B Credit Provider Bonds, which  
4 shall bear interest at the rate or rates (but not in excess of the Maximum Interest Rate), and be  
5 payable at the times, specified in the applicable Series 2016B Liquidity Instrument until  
6 converted to a Fixed Rate, the Series 2016B Bonds shall bear interest at a Rate determined as  
7 provided in this Supplemental Ordinance.

8 The Series 2016B Bonds shall bear interest as provided herein from and including the  
9 Issue Date to but excluding the date of payment in full of the Series 2016B Bonds (such  
10 interest to be computed on the basis of a 365/366-day year and actual days elapsed during  
11 any Daily Rate Period, Weekly Rate Period, Index Rate Period or Commercial Paper Rate  
12 Period, and computed on the basis of a 360-day year of twelve (12) 30-day months during any  
13 Term Rate Period of more than 180 days). Interest shall accrue on the Series 2016B Bonds  
14 from one Interest Payment Date to, but not including, the next Interest Payment Date.

15 Upon Conversion to a Fixed Rate, the Series 2016B Bonds shall bear interest from and  
16 including the date of Conversion to the date of payment in full of the Series 2016B Bonds  
17 (computed on the basis of a 360-day year of twelve (12) 30-day months during any Fixed Rate  
18 Period).

19 The interest rates on the Series 2016B Bond shall be determined as provided in Section  
20 502; provided, that no Rate as so determined shall exceed the Maximum Interest Rate in effect  
21 on the date of determination thereof.

22 Upon issuance, the Series 2016B Bonds shall bear interest at the initial Index Rate set  
23 forth in the initial Pricing Notice, and each Series 2016B Bond shall have the same Interest  
24 Rate Determination Method. Following the end of the initial Index Rate Period pursuant to  
25 Section 502F in connection with any successful Conversion of the Series 2016B Bonds to a  
26 new Interest Rate Determination Method pursuant to Section 503 or continuation of the Index  
27 Rate pursuant to Section 502F(4), and, notwithstanding anything to the contrary in the General  
28 Bond Ordinance or this Supplemental Ordinance, including without limitation in this Article V,  
29 each Series 2016B Bond shall have the same Interest Rate Determination Method, provided  
30 that different subseries within the Series 2016B Bonds may have different Interest Rate  
31 Determination Methods established in connection with such Conversion or continuation, and

1 Bonds of such subseries of the Series 2016B Bonds (except Series 2016B Bonds which are  
2 2016B Credit Provider Bonds, Series 2016B Bonds during a Commercial Paper Rate Period,  
3 and Series 2016B Bonds of different maturities bearing interest at a Fixed Rate) shall bear  
4 interest at the same interest rate. In connection with any such Conversion or continuation of  
5 the Index Rate if a subseries of the Series 2016B Bonds shall have a different Interest Rate  
6 Determination Method, bear interest at a different rate, or have an Interest Rate Period that  
7 ends on a different date than other subseries of the Series 2016B Bonds, the City shall cause  
8 CUSIP numbers to be assigned to such subseries that differ from the CUSIP numbers  
9 assigned to the other subseries of the Series 2016B Bonds (and, in any case, the City may  
10 cause different CUSIP numbers to be assigned to various subseries of the Series 2016B  
11 Bonds for any other reason).

12 **Section 502** Interest Rate Determination Method.

13 A. Daily Rate. Upon a successful Conversion of the Series 2016B Bonds or  
14 subseries of the Series 2016B Bonds to bear interest at the Daily Rate pursuant to  
15 Section 503 and until the Series 2016B Bonds or subseries of the Series 2016B Bonds  
16 are successfully converted to another Interest Rate Determination Method pursuant to  
17 said Section 503 (subject, however, to the provisions of Section 503L), such Series  
18 2016B Bonds shall bear interest at a Daily Rate. During each Daily Rate Period for the  
19 Series 2016B Bonds or subseries thereof, the Remarketing Agent for the Series 2016B  
20 Bonds or subseries of thereof shall set a Daily Rate for the Series 2016B Bonds or  
21 subseries thereof by 9:30 a.m., New York City time, on each Business Day, which Daily  
22 Rate shall be the rate of interest which, if borne by such Series 2016B Bonds in the  
23 Daily Rate Period, would, in the judgment of the Remarketing Agent, having due regard  
24 for the prevailing financial market conditions for Tax-Exempt Securities which are of the  
25 same general nature as such Series 2016B Bonds, or Tax-Exempt Securities which are  
26 competitive as to credit and maturity (or period for tender) with the credit and maturity  
27 (or period for tender) of such Series 2016B Bonds for which the Daily Rate is to be  
28 determined, be the lowest interest rate which would enable such Remarketing Agent to  
29 place such Series 2016B Bonds at a price of par (plus accrued interest, if any) on such  
30 Business Day. The Daily Rate for any non-Business Day will be the rate for the last  
31 Business Day on which a Daily Rate was set.

1           B.     Weekly Rate. Upon a successful Conversion of the Series 2016B Bonds  
2 or subseries of the Series 2016B Bonds to bear interest at the Weekly Rate pursuant to  
3 Section 503, and until the Series 2016B Bonds or subseries of the Series 2016B Bonds  
4 are successfully converted to another Interest Rate Determination Method pursuant to  
5 said Section 503 (subject, however, to the provisions of Section 503L), such Series  
6 2016B Bonds shall bear interest at a Weekly Rate. During each Weekly Rate Period for  
7 the Series 2016B Bonds or subseries thereof the Remarketing Agent shall set a Weekly  
8 Rate for such Series 2016B Bonds, by 5:00 p.m., New York City time, on each  
9 Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a  
10 Business Day) for the next Calendar Week; provided, that, the Weekly Rate for the first  
11 Calendar Week (or portion thereof) following a Conversion Date resulting in a change in  
12 the Interest Rate Determination Method to a Weekly Rate shall be set by such  
13 Remarketing Agent on the Business Day immediately preceding such Conversion Date.  
14 Each Weekly Rate shall be the rate of interest which, if borne by such Series 2016B  
15 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent,  
16 having due regard for the prevailing financial market conditions for Tax-Exempt  
17 Securities which are of the same general nature as such Series 2016B Bonds for which  
18 the Weekly Rate is to be determined, or Tax-Exempt Securities which are competitive  
19 as to credit and maturity (or period for tender) with the credit and maturity (or period for  
20 tender) of the Series 2016B Bonds for which the Weekly Rate is to be determined, be  
21 the lowest interest rate that would enable the Remarketing Agent to place such Series  
22 2016B Bonds at a price of par (plus accrued interest, if any) on the first day of such  
23 Weekly Rate Period.

24           C.     Commercial Paper Rate. Upon a successful Conversion of any Series  
25 2016B Bonds to bear interest at the Commercial Paper Rate pursuant to Section 503,  
26 and until such Series 2016B Bonds are successfully converted to another Interest Rate  
27 Determination Method pursuant to said Section 503 (subject, however, to the provisions  
28 of Section 503L), such Series 2016B Bonds shall bear interest at the Commercial Paper  
29 Rate or Rates applicable to such Series 2016B Bonds. The Remarketing Agent shall  
30 select the Commercial Paper Rate Period or Periods for such Series 2016B Bonds on a  
31 Business Day selected by the Remarketing Agent not more than five (5) Business Days  
32 prior to the first day of such Commercial Paper Rate Period and not later than 12:30  
33 p.m., New York City time, on the first day of such Commercial Paper Rate Period. Each

1 Commercial Paper Rate Period shall be a period of not less than one (1) nor more than  
2 two hundred seventy (270) days determined by the Remarketing Agent with the  
3 intention of yielding the lowest overall interest expense on the applicable Series 2016B  
4 Bonds, taking into account (A) all other Commercial Paper Rate Periods for all the  
5 Series 2016B Bonds or subseries thereof bearing interest at a Commercial Paper Rate,  
6 (B) general economic and market conditions relevant to such Series 2016B Bonds and  
7 (C) such other facts, circumstances and conditions as such Remarketing Agent  
8 determines to be relevant. Notwithstanding the foregoing, no Commercial Paper Rate  
9 Period for any Series 2016B Bond shall be selected with an expiration date later than  
10 the fifth (5th) Business Day prior to the expiration date of any Series 2016B Liquidity  
11 Instrument, as the same is then in effect, with respect to the Series 2016B Bonds. The  
12 last day of each Commercial Paper Rate Period shall be a day immediately preceding a  
13 Business Day. If the Interest Rate Determination Method with respect to the Series  
14 2016B Bonds is being converted from a Commercial Paper Rate to a new Interest Rate  
15 Determination Method, after receipt of the Conversion Notice delivered pursuant to  
16 Section 503, the Remarketing Agent shall determine the Commercial Paper Rate  
17 Periods with respect to the Series 2016B Bonds in such manner that, as soon as  
18 possible, all Commercial Paper Rate Periods with respect to the Series 2016B Bonds or  
19 subseries thereof shall end on the same date, which date shall be the last day of the  
20 then-current Commercial Paper Rate Periods and, upon the establishment of such  
21 Commercial Paper Rate Periods, the day next succeeding the last day of all such  
22 Commercial Paper Rate Periods shall be the Conversion Date for the new Interest Rate  
23 Determination Method. The Remarketing Agent, promptly upon the determination of the  
24 last day of such Commercial Paper Rate Periods prior to Conversion to a new Interest  
25 Rate Determination Method, shall give written notice of such last day and such  
26 Conversion Date to the City, the Series 2016B Paying Agent and the applicable Series  
27 2016B Liquidity Provider.

28 The Remarketing Agent shall set a Commercial Paper Rate for each Series  
29 2016B Bond bearing interest at the Commercial Paper Rate not later than 12:30 p.m.,  
30 New York City time, on the first day of each Commercial Paper Rate Period for the  
31 Series 2016B Bonds or subseries thereof. The Commercial Paper Rate applicable to  
32 each Series 2016B Rate Bond bearing interest at the Commercial Paper Rate will be  
33 the rate determined by the Remarketing Agent to be the lowest interest rate which

1 would be necessary for such Remarketing Agent to place such Series 2016B Bond on  
2 the first day of the applicable Commercial Paper Rate Period at a price of par.

3 No Commercial Paper Rate or Commercial Paper Rate Period for any Series  
4 2016B Bonds bearing interest at a Commercial Paper Rate shall be established that  
5 would require an interest payment that exceeds the amount available under the  
6 applicable Series 2016B Liquidity Instrument to pay the interest component of the  
7 Purchase Price of the Series 2016B Bonds.

8 D. Term Rate.

9 (1) Generally. Upon a successful Conversion of any Series 2016B  
10 Bonds to bear interest at the Term Rate from another Interest Rate Determination  
11 Method pursuant to Section 503 or the establishment of a new Term Rate Period and a  
12 new Term Rate for any Series 2016B Bonds then bearing interest at a Term Rate, and  
13 until such Series 2016B Bonds are successfully converted to another Interest Rate  
14 Determination Method pursuant to Section 503 or Section 503G(6), such Series 2016B  
15 Bonds shall bear interest at a Term Rate. Any Term Rate Period shall commence on  
16 the Term Rate Conversion Date and end on a day that precedes a Business Day  
17 selected by the City that is a minimum of 180 days after the Term Rate Conversion  
18 Date, but in no event later than the maturity date of the Series 2016B Bonds. Upon  
19 such selection, such Business Day will be an Interest Payment Date for the Series  
20 2016B Bonds. The duration of the Term Rate Period and the Stepped Rate to be  
21 applicable to the Series 2016B Bonds should insufficient funds be available for their  
22 purchase at the end of such Term Rate Period, shall be as specified in the Pricing  
23 Notice given with respect to the Conversion of any Series 2016B Bonds to such Term  
24 Rate Period pursuant to Section 502D(4) or with respect to any new Term Rate and  
25 Term Rate Period for Series 2016B Bonds then bearing interest at a Term Rate  
26 pursuant to Section 502D(2). With respect to each Term Rate Period, the Remarketing  
27 Agent will set the Term Rate for the Series 2016B Bonds by 5:00 p.m., New York City  
28 time, on the applicable Term Rate Computation Date. Each Term Rate shall be the rate  
29 of interest that, if borne by such Series 2016B Bonds in such Term Rate Period, would,  
30 in the judgment of the Remarketing Agent, having due regard for the prevailing financial  
31 market conditions for Tax-Exempt Securities that are of the same general nature as the

1 Series 2016B Bonds or subseries thereof, or Tax-Exempt Securities that are  
2 competitive as to credit and maturity (or period for tender) with the credit and maturity  
3 (or period for tender) of the Series 2016B Bonds or subseries thereof, be the lowest  
4 interest rate that would enable such Remarketing Agent to place such Series 2016B  
5 Bonds at a price of par on the first day of such Term Rate Period.

6 (2) Term Rate Continuation. On any date the Series 2016B Bonds or  
7 subseries thereof in a Term Rate Period is subject to optional redemption, or as of the  
8 day following the last day of a Term Rate Period for the Series 2016B Bonds or  
9 subseries thereof, unless the City has given a Conversion Notice with respect to the  
10 Conversion of such Series 2016B Bonds to another Interest Rate Determination Method  
11 pursuant to Section 503, the City may establish a new Term Rate Period and Term Rate  
12 for such Series 2016B Bonds with such right to be exercised by delivery of a written  
13 notice of an Authorized Representative (a "Term Rate Continuation Notice") to the  
14 Series 2016B Paying Agent, the Remarketing Agent and the applicable Series 2016B  
15 Liquidity Provider, if any, for such Series 2016B Bonds no less than thirty-one (31) days  
16 prior to the effective date of the new Term Rate Period. The Authorized Representative  
17 shall also deliver a Pricing Notice to the Series 2016B Paying Agent no later than two  
18 Business Days prior to the effective date of the new Term Rate Period. The Term Rate  
19 Continuation Notice and the Pricing Notice required by this paragraph shall each be  
20 accompanied by the proposed form of an Opinion of Bond Counsel proposed to be  
21 delivered in connection with the continuation of the Series 2016B Bonds or subseries  
22 thereof in the Term Rate Period stating that the new Term Rate Period is authorized  
23 and permitted under the General Bond Ordinance and this Supplemental Ordinance and  
24 will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of  
25 such Series 2016B Bonds.

26 (3) Limitations. Any establishment of a new Term Rate and Term  
27 Rate Period for the Series 2016B Bonds or subseries thereof pursuant to  
28 Section 502D(2) above must comply with the following:

29 (i) the first day of such new Term Rate Period must be (a) a date on  
30 which such Series 2016B Bonds are subject to optional redemption pursuant to  
31 Section 601, or (b) a date on which such Series 201B Bonds are subject to

1 mandatory tender pursuant to the applicable provisions of Section 605 or Section  
2 701;

3 (ii) the first day of such new Term Rate Period must be a Business  
4 Day; and

5 (iii) no new Term Rate shall become effective unless the Opinion of  
6 Bond Counsel referred to in Section 502D(2) is delivered on (and as of) the first  
7 day of the new Term Rate Period and all such Outstanding Series 2016B Bonds  
8 are successfully remarketed in the new Term Rate Period at the new Term Rate  
9 on the first day of the new Term Rate Period.

10 (4) Contents of Term Rate Continuation Notice. The City's Term  
11 Rate Continuation Notice must specify: (i) the proposed Term Rate Period; (ii) whether  
12 the Series 2016B Liquidity Instrument then in effect, if any, will remain in effect; (iii) if a  
13 new Series 2016B Liquidity Instrument will be in effect after the effective date of the new  
14 Term Rate Period and Term Rate; and (iv) the expected ratings, if any, on such Series  
15 2016B Bonds following the establishment of a new Term Rate Period and Term Rate.

16 (5) Notice to Owners. Upon receipt of a Term Rate Continuation  
17 Notice from an Authorized Representative, as soon as possible, but in any event not  
18 less than thirty (30) days prior to the first day of the proposed Term Rate Period, the  
19 Series 2016B Paying Agent shall give notice by first-class mail to the owners of the  
20 affected Series 2016B Bonds, which notice shall state in substance:

21 (i) that a new Term Rate Period and Term Rate is to be established  
22 for the Series 2016B Bonds or subseries thereof on the applicable Term Rate  
23 Conversion Date if the conditions specified in this Supplemental Ordinance (and  
24 generally described in such notice) are satisfied on or before such date;

25 (ii) the first day of the new Term Rate Period;

26 (iii) that the City has delivered to the Series 2016B Paying Agent the  
27 form of an Opinion of Bond Counsel proposed to be delivered to the Series  
28 2016B Paying Agent in connection with the continuation of the Series 2016B  
29 Bonds or subseries thereof in the Term Rate;



1 (iv) that a new Term Rate Period and Term Rate for the Series 2016B  
2 Bonds or subseries thereof shall not be established unless the Opinion of Bond  
3 Counsel referred to above is delivered to the Series 2016B Paying Agent on (and  
4 as of) the first day of the new Term Rate Period and all Series 2016B Bonds or  
5 subseries thereof are successfully remarketed in the new Term Rate Period and  
6 at the new Term Rate on the first day thereof;

7 (v) the CUSIP numbers or other identification information of the Series  
8 2016B Bonds or subseries of the Series 2016B Bonds;

9 (vi) that all affected Series 2016B Bonds or subseries of Series 2016B  
10 Bonds are subject to mandatory tender for purchase on the first day of the new  
11 Term Rate Period (whether or not the proposed new Term Rate Period becomes  
12 effective on such date, unless the Series 2016B Bonds are not supported by a  
13 Series 2016B Liquidity Instrument, then the Series 2016B Bonds will be  
14 purchased only upon a successful remarketing at the new Term Rate) at the  
15 Purchase Price; and

16 (vii) that, to the extent that there shall be on deposit with the Series  
17 2016B Paying Agent on the first day of the new Term Rate Period an amount of  
18 money sufficient to pay the Purchase Price thereof, all Series 2016B Bonds or  
19 subseries of Series 2016B Bonds not delivered to the Series 2016B Paying  
20 Agent on or prior to such date shall be deemed to have been properly tendered  
21 for purchase and shall cease to constitute or represent a right on behalf of the  
22 owner thereof to the payment of principal thereof or interest thereon and shall  
23 represent and constitute only the right to payment of the Purchase Price on  
24 deposit with the Series 2016B Paying Agent, without interest accruing thereon  
25 after such date.

26 (6) End of Term Rate. In the event the City has not given a Term  
27 Rate Continuation Notice or a Conversion Notice with respect to the Series 2016B  
28 Bonds bearing interest at a Term Rate at the time required by Section 502D(2) or  
29 Section 503, as applicable, or if the conditions to the effectiveness of a new Term Rate  
30 Period and New Term Rate set forth in Section 502D(3) or the conditions to Conversion  
31 to another Rate Period are not satisfied, including as a result of the Remarketing Agent



1 failing to establish a Term Rate as herein provided, then on the day following the last  
2 day of the current Term Rate Period, a Weekly Rate Period shall automatically  
3 commence for such Series 2016B Bonds; provided that, notwithstanding anything to the  
4 contrary in the General Bond Ordinance or this Supplemental Ordinance, unless a  
5 Series 2016B Liquidity Instrument is in effect with respect to such Series 2016B Bonds,  
6 such Series 2016B Bonds shall not be subject to optional tender pursuant to Section  
7 604 and shall bear interest at a rate of interest equal to the Stepped Rate determined on  
8 each Stepped Rate Determination Date, subject to the provisions of Section 611C.

9 E. Fixed Rate. The Interest Rate Determination Method for the Series 2016B  
10 Bonds or subseries thereof may be converted from any Variable Rate to a Fixed Rate in  
11 accordance with the provisions of 503. After such Conversion, such Series 2016B  
12 Bonds shall bear interest at the Fixed Rate. The interest rate to be borne by such  
13 Series 2016B Bonds of each maturity from the Fixed Rate Conversion Date shall be the  
14 rate determined by the Remarketing Agent on the Fixed Rate Computation Date to be  
15 the rate which, if borne by such Series 2016B Bonds, would, in the judgment of the  
16 Remarketing Agent having due regard for prevailing market conditions for Tax-Exempt  
17 Securities which are comparable to such Series 2016B Bonds, be the lowest interest  
18 rate which would enable such Remarketing Agent to place such Series 2016B Bonds of  
19 such maturity for which the Fixed Rate is to be determined at a price of par on the Fixed  
20 Rate Conversion Date.

21 If the City obtains a Favorable Opinion of Bond Counsel with respect to such  
22 actions: (i) in determining the Fixed Rate for any Series 2016B Bond, the Remarketing  
23 Agent, subject to the approval of an Authorized Representative, may also determine on  
24 or before the Business Day next preceding the determination of the Fixed Rate for such  
25 Series 2016B Bonds, redemption dates and redemption premiums, if any, to be paid  
26 upon the optional redemption of such Series 2016B Bonds which differ from such  
27 redemption dates and premiums as are set forth in Section 601D hereof, such  
28 redemption dates and redemption premiums, if any, to be, in the best judgment of the  
29 Remarketing Agent, consistent with then current marketing conditions; and (ii) the  
30 Remarketing Agent, subject to the approval of an Authorized Representative, may also  
31 determine, on or before the Business Day next preceding the determination of the Fixed  
32 Rate for such Series 2016B Bonds, with respect to any Series 2016B Bond constituting

1 a Term Bond, a new maturity date for any portion of such Series 2016B Bond; provided,  
2 however, that such new maturity date shall be a November 15 prior to the original  
3 maturity date; and provided further that such Series 2016B Bond shall continue to be  
4 subject to mandatory redemption from Sinking Fund Installments established for such  
5 Series 2016B Bond unless, on any Sinking Fund Installment due date for such Series  
6 2016B Bond, such Sinking Fund Installment is applied to the payment of that portion of  
7 such Series 2016B Bond which now matures on such Sinking Fund Installment due  
8 date.

9 F. Index Rate.

10 (1) Generally. Upon initial issuance of the Series 2016B Bonds, or  
11 upon the continuation of Series 2016B Bonds or subseries thereof in an Index Rate  
12 Period, and until such Series 2016B Bonds are successfully converted to another  
13 Interest Rate Determination Method pursuant to Section 503, such Series 2016B Bonds  
14 shall bear interest at the Index Rate, as determined by the Index Agent. Except as may  
15 be otherwise specified in a Pricing Notice, the initial Index Rate for each Index Rate  
16 Period with respect to a Series 2016B Bond shall apply to the period commencing on  
17 the first day of such Index Rate Period and ending on the day immediately prior to the  
18 first Interest Payment Date and thereafter, each Index Rate shall apply to the period  
19 commencing on and including an Interest Payment Date (whether or not a Business  
20 Day) to but not including the following Interest Payment Date. The duration of the Index  
21 Rate Period, the Stepped Rate to be applicable to such Series 2016B Bonds should  
22 insufficient funds be available for their purchase at the end of such Index Rate Period,  
23 the next Purchase Date, the Index Rate Index, the frequency with which the Index Rate  
24 will be recalculated, the Interest Payment Dates applicable to such Series 2016B Bonds  
25 and any alternative Index Rate Determination Dates shall be as specified in the Pricing  
26 Notice given with respect to the Conversion of the Series 2016B Bonds or subseries  
27 thereof to the Index Rate Period pursuant to Section 503D or with respect to any new  
28 Index Rate and Index Rate Period for Series 2016B Bonds then bearing interest at an  
29 Index Rate pursuant to 502F(4) or, with respect to the Series 2016B Bonds upon their  
30 initial issuance, as specified in the initial Pricing Notice.

1                   (2)    Determination of Applicable Spread. The Index Rate for the  
2 Series 2016B Bonds or subseries thereof shall be based on the Index Rate Index, which  
3 shall be designated by the City not less than five Business Days prior to the Conversion  
4 Date or Purchase Date or, upon initial issuance, as specified in the initial Pricing Notice.  
5 The Remarketing Agent shall determine the Applicable Spread to be used in calculating  
6 the Index Rate on or before the Index Rate Determination Date preceding the  
7 Conversion Date or Purchase Date, provided that the Applicable Spread for the Series  
8 2016B Bonds upon initial issuance is set forth in the Pricing Notice. Except with respect  
9 to the Series 2016B Bonds upon initial issuance, the “Applicable Spread” shall be the  
10 amount that, when added to or subtracted from the Index Rate Index, will result in the  
11 minimum Index Rate that, in the judgment of the Remarketing Agent under then-existing  
12 market conditions, will result in the remarketing of such Series 2016B Bonds on their  
13 Conversion Date or Purchase Date at a price equal to 100% of the principal amount  
14 thereof. The Remarketing Agent shall provide notice by Electronic means to the Index  
15 Agent, the Series 2016B Paying Agent (if the Series 2016B Paying Agent is not also the  
16 Index Agent) and the City of the Applicable Spread. The Remarketing Agent shall offer  
17 for sale and use its best efforts to sell such Series 2016B Bonds on the Conversion  
18 Date at a price equal to 100% of the principal amount thereof, as provided herein and in  
19 the applicable Remarketing Agreement.

20                   (3)    Calculation of Index Rate. The Index Rate for each Series or  
21 subseries of Index Bonds shall be calculated on each Index Rate Determination Date  
22 (preceding the date on which such Index Rate is to become effective) by the Index  
23 Agent and shall be equal to: (A) the Index Rate Index on the Index Rate Determination  
24 Date, as determined by the Index Agent, plus (B) the Applicable Spread that was  
25 determined pursuant to the preceding paragraph, and such Index Rate shall be rounded  
26 to the nearest one hundred thousandth of one percent (0.00001%). The initial Index  
27 Rate (as calculated from time to time pursuant to the Pricing Notice) shall apply (except  
28 with respect to the initial Index Rate applicable to the Series 2016B Bonds upon initial  
29 issuance, which shall be determined as set forth in the initial Pricing Notice), unless  
30 otherwise specified in the Pricing Notice, to the period commencing on the Conversion  
31 Date or the Purchase Date and ending on the day immediately prior to the first Interest  
32 Payment Date and, notwithstanding anything to the contrary in this Section, may be  
33 calculated by the Remarketing Agent, with the approval of the City, on any Business

1 Day not more than sixty (60) Business Days nor less than two (2) Business Days prior  
2 to such Conversion Date; and thereafter, each Index Rate, as determined above, unless  
3 otherwise specified in the Pricing Notice, shall apply to the period commencing on and  
4 including an Interest Payment Date (whether or not a Business Day) to but not including  
5 the following Interest Payment Date. The Index Agent shall calculate the Index Rate for  
6 each Series or subseries of Index Bonds as provided above and shall furnish such  
7 Index Rate to the Series 2016B Paying Agent (if the Series 2016B Paying Agent is not  
8 also the Index Agent) and the City by Electronic means no later than the Business Day  
9 next succeeding each Index Rate Determination Date. Upon the request of an owner,  
10 the Series 2016B Paying Agent shall confirm by Electronic means the Index Rate then  
11 in effect. In lieu of the notifications provided in the preceding sentences, the Series  
12 2016B Paying Agent may make such information available by readily accessible  
13 Electronic means.

14 The Series 2016B Paying Agent shall, as soon as available and by no later than  
15 the Business Day preceding each Interest Payment Date, notify the City in writing of the  
16 total amount of interest payable with respect to each Series of Index Bonds on such  
17 Interest Payment Date.

18 The determinations of the initial Index Rate and all subsequent Index Rates shall  
19 be conclusive and binding upon the City, the Series 2016B Paying Agent, each Series  
20 2016B Liquidity Provider, the Remarketing Agent, the Index Agent and the owners,  
21 absent manifest error.

22 (4) Index Rate Continuation. On any date the Series 2016B Bonds or  
23 subseries thereof in an Index Period is subject to optional redemption, or as of the  
24 Purchase Date of the Series 2016 Bonds or subseries thereof in an Index Rate Period,  
25 unless the City has given a Conversion Notice with respect to the Conversion of such  
26 Series 2016B Bonds or subseries thereof to another Interest Rate Determination  
27 Method pursuant to Section 503, the City may establish a new Index Rate Period for  
28 such Series 2016B Bonds or subseries thereof with such right to be exercised by  
29 delivery of a written notice of the Treasurer or any other Authorized Representative (an  
30 "Index Rate Continuation Notice") to the Series 2016B Paying Agent, the Index Agent (if  
31 the Series 2016B Paying Agent is not the Index Agent), and the Remarketing Agent for

1 such Series 2016B Bonds or subseries thereof no less than thirty-five (35) days prior to  
2 the effective date of the new Index Rate Period. The Index Rate Continuation Notice  
3 must contain the information required by Sections 503B and 503F. The Authorized  
4 Representative shall also deliver a Pricing Notice to the Series 2016B Paying Agent no  
5 later than five (5) Business Days prior to the effective date of the new Index Rate  
6 Period. The Index Rate Continuation Notice and the Pricing Notice required by this  
7 paragraph shall each be accompanied by the proposed form of an Opinion of Bond  
8 Counsel proposed to be delivered in connection with the continuation of such Series  
9 2016B Bonds or subseries thereof in the Index Rate Period stating that the new Index  
10 Rate Period is authorized and permitted under this Supplemental Ordinance and will  
11 not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of  
12 such Series 2016B Bonds.

13 Each such Series 2016B Bond shall be subject to mandatory tender on the first  
14 day of such new Index Rate Period pursuant to the applicable provisions of Section 605  
15 for purchase at its Purchase Price. No new Index Rate Period shall become effective  
16 unless the Opinion of Bond Counsel referred to above is delivered on (and as of) the  
17 first day of the new Index Rate Period and unless all such Outstanding Series 2016B  
18 Bonds or subseries thereof are successfully remarketed in the new Index Rate Period at  
19 the new Index Rate on the first day of the new Index Rate Period.

20 (5) Notice of Owners. Upon receipt of an Index Rate Continuation  
21 Notice from an Authorized Representative, as soon as possible, but in any event not  
22 less than thirty (30) days prior to the first day of the proposed Index Rate Period, the  
23 Series 2016B Paying Agent shall give notice by first-class mail to the owners of the  
24 affected Series 2016B Bonds, the Index Agent (if the Series 2016B Paying Agent is not  
25 the Index Agent) and the Remarketing Agent, which notice shall (1) state in substance  
26 that a new Index Rate Period is to be established for such Series 2016B Bonds on the  
27 applicable Index Rate Conversion Date if the conditions specified in this Supplemental  
28 Ordinance (and generally described in such notice) are satisfied on or before such date,  
29 (2) state that a new Index Rate Period shall not be established unless the Opinion of  
30 Bond Counsel referred to above is delivered to the Series 2016B Paying Agent on (and  
31 as of) the first day of the new Index Rate Period and all such Series 2016B Bonds are  
32 successfully remarketed in the new Index Rate Period and at the new Index Rate on the

1 first day thereof, and (3) contain the additional information required by Sections 503B  
2 and 503F.

3 (6) End of Index Rate. In the event the City has not given an Index  
4 Rate Continuation Notice or a Conversion Notice with respect to the Series 2016B  
5 Bonds bearing interest at an Index Rate at the time required by Section 502F(4) or  
6 Section 503, as applicable, or if the conditions to the effectiveness of a new Index Rate  
7 Period and new Index Rate set forth in Section 502F(4) or the conditions to Conversion  
8 to another Rate Period are not satisfied, then on the day following the last day of the  
9 current Index Rate Period, a Weekly Rate Period shall automatically commence for  
10 such Series 2016B Bonds; provided that, notwithstanding anything to the contrary in the  
11 General Bond Ordinance or this Supplemental Ordinance, unless a Series 2016B  
12 Liquidity Instrument is in effect with respect to such Series 2016B Bonds, such Series  
13 2016B Bonds shall not be subject to optional tender pursuant to Section 604B and shall  
14 bear interest at a rate of interest equal to the Stepped Rate determined on each  
15 Stepped Rate Determination Date, subject to the provisions of Section 611C.

16 G. Failure to Determine Rate for Certain Rate Periods. If, for any reason, the  
17 Daily Rate or the Weekly Rate on any Series 2016B Bond is not established as  
18 provided herein by the Remarketing Agent pursuant to Sections 502A or 502B or no  
19 Remarketing Agent shall be serving as such hereunder for such Series 2016B Bonds or  
20 any Rate so established is held to be invalid or unenforceable with respect to any such  
21 Rate Period, then an interest rate for such Rate Period equal to 100% of the applicable  
22 Rate Index on the date such Daily Rate or Weekly Rate was (or would have been)  
23 determined as provided above shall be established automatically.

24 If, for any reason, the Remarketing Agent fails to set the length of any  
25 Commercial Paper Rate Period or to establish any Commercial Paper Rate for any  
26 Series 2016B Bond or a court holds any Commercial Paper Rate Period or Commercial  
27 Paper Rate for any Series 2016B Bond to be invalid or unenforceable, a Commercial  
28 Paper Rate Period for such Series 2016B Bond lasting through the next day  
29 immediately preceding a Business Day (or until the earlier stated maturity thereof) and  
30 an interest rate applicable to such Series 2016B Bond equal to 100% of the Daily Rate  
31 Index shall be established automatically.

1 H. Notice of Rates. In a timely fashion following the determination of any  
2 Rate, the Remarketing Agent establishing such Rate shall give written notice or notice  
3 by Electronic means thereof to the City and the Series 2016B Paying Agent. Such  
4 notice shall also include details as to the principal amount of the Series 2016B Bonds  
5 and the Interest Rate Determination Method at the time applicable. Promptly upon  
6 receipt of notice from a Remarketing Agent of any Fixed Rate, the Series 2016B Paying  
7 Agent shall give the owner of each Series 2016B Bond being converted to a Fixed Rate  
8 notice of the Fixed Rate.

9 I. Absence of Remarketing Agent; Binding Determination. If no Remarketing  
10 Agent shall be serving hereunder with respect to Series 2016B Bonds or subseries  
11 thereof, the determination of the applicable Rate Index shall be made by the Series  
12 2016B Paying Agent at the direction of the City. The determination of any Rate or Rate  
13 Index by a Remarketing Agent or, as aforesaid, the Series 2016B Paying Agent, at the  
14 direction of the City, with respect to any Series 2016B Bond, shall be conclusive and  
15 binding upon the City, the Series 2016B Paying Agent, the Remarketing Agent, any  
16 Series 2016B Liquidity Provider for such Series 2016B Bond and the owner of such  
17 Series 2016B Bond.

18 J. No Liability. In determining the interest rate that any Series 2016B Bond  
19 shall bear as provided in this Article V, neither the Remarketing Agent nor the Series  
20 2016B Paying Agent shall have any liability to the City or the owner of such Series  
21 2016B Bond, except for its negligence or willful misconduct.

22 **Section 503** Conversion of Interest Rate Determination Method.

23 A. Right of Conversion. The Interest Rate Determination Method for the  
24 Series 2016B Bonds or any subseries thereof is subject to Conversion from time to time  
25 by the City, with such right to be exercised by delivery of a written notice of an  
26 Authorized Representative (such notice being the "Conversion Notice") to the Series  
27 2016B Paying Agent, the Index Agent, if any, the Remarketing Agent, and the Series  
28 2016B Liquidity Provider, if any, for such Series 2016B Bonds to be converted as  
29 follows:



1 (1) at least four (4) Business Days prior to the thirtieth (30th) day  
2 preceding the effective date of such proposed Conversion, in the event of a  
3 Conversion to a Daily Rate, Weekly Rate, Commercial Paper Rate, or Index  
4 Rate; and

5 (2) at least five (5) Business Days prior to the thirtieth (30th) day  
6 preceding the effective date of such proposed Conversion, in the event of a  
7 Conversion to a Term Rate or a Fixed Rate.

8 Each Authorized Representative is hereby authorized to execute and deliver a  
9 Conversion Notice to change the Interest Rate Determination Method at such time or  
10 times as the officer executing the Conversion Notice determines to be in the best  
11 interests of the City, such determination to be conclusively evidenced by such  
12 execution.

13 The Conversion Notice must be accompanied by (i) the proposed form of an  
14 Opinion of Bond Counsel stating that the Conversion is authorized and permitted under  
15 this Supplemental Ordinance and (unless the Series 2016B Bonds are to be remarketed  
16 after the proposed Conversion as obligations that are not Tax-Exempt) will not, in and of  
17 itself, adversely affect the Tax-Exempt status of the interest on any of the Series 2016B  
18 Bonds to be converted, and (ii) a notice of the new Series 2016B Liquidity Provider and  
19 the new Series 2016B Liquidity Instrument, if any, if at the same time as such Series  
20 2016B Bonds are being converted there will be a change of Series 2016B Liquidity  
21 Provider or Series 2016B Liquidity Instrument with respect to such Series 2016B Bonds.

22 B. Conversion to Index Rate Period. The following provisions shall apply to  
23 the Conversion of the Series 2016B Bonds or any subseries thereof to an Index Rate  
24 Period:

25 On or prior to the fifth Business Day preceding the Conversion of any Series  
26 2016B Bond to the Index Rate Period, the Treasurer or any other Authorized  
27 Representative, in consultation with the applicable Remarketing Agent, may determine:  
28 (a) the duration of the Index Rate Period, (b) the optional redemption provisions  
29 applicable to such Series 2016B Bonds during such Index Rate Period, if any, (c) the  
30 Stepped Rate to be applicable to such Series 2016B Bonds should insufficient funds be



1 available to purchase such bonds at the end of such Index Rate Period, (d) the  
2 proposed next Purchase Date, if any, (e) the Index Rate Index, if other than the One  
3 Month LIBOR Index Rate, (f) the frequency with which the Index Rate shall be  
4 recalculated, (g) the Interest Payment Dates applicable to such Series 2016B Bonds  
5 while bearing interest in an Index Rate Period, and (h) alternative Index Rate  
6 Determination Dates and Stepped Rate Determination Dates, if any. The City shall  
7 provide notice to the Series 2016B Paying Agent of all such determinations in the  
8 Pricing Notice delivered pursuant to Section 503D.

9 The Series 2016B Paying Agent shall give notice by first-class mail of a proposed  
10 conversion of the Series 2016B Bonds or any subseries thereof to the Index Rate  
11 Period to the owners of such Series 2016B Bonds, as provided in Section 502(D). Such  
12 notice shall state for such Series 2016B Bonds: (A) that the interest rate thereon shall  
13 be converted to the Index Rate; (B) the proposed Conversion Date; and (C) that such  
14 Series 2016B Bonds are subject to mandatory tender for purchase on the proposed  
15 Conversion Date and setting forth the Purchase Price and the place of delivery for the  
16 purchase of such Series 2016B Bonds.

17 C. Conversion from Index Rate Period and Term Rate Period at the Option of  
18 the City. Notwithstanding anything herein to the contrary, (i) any Series 2016B Bonds  
19 bearing interest in an Index Rate Period shall be subject to Conversion at the option of  
20 the City on any date such Series 2016B Bonds are subject to optional redemption or  
21 any date on which such Series 2016B Bonds are subject to mandatory tender pursuant  
22 to Section 605 or Section 701; and (ii) any Series 2016B Bonds bearing interest in a  
23 Term Rate Period shall be subject to Conversion at the option of the City on any date  
24 such Series 2016B Bonds are subject to optional redemption or any date on which such  
25 Series 2016B Bonds are subject to mandatory tender pursuant to Section 605 or  
26 Section 701.

27 D. Delivery of Pricing Notice. In connection with any Conversion of Series  
28 2016B Bonds to a Term Rate or an Index Rate, the Authorized Representative shall  
29 also deliver a Pricing Notice to the Series 2016B Paying Agent specifying the  
30 information required by Section 503F. Such Pricing Notice must be accompanied by  
31 the form of an Opinion of Bond Counsel proposed to be delivered in connection with the

1 Conversion stating that the new Term Rate Period or Index Rate Period, as applicable,  
2 is authorized and permitted under this Supplemental Ordinance and (unless the Series  
3 2016B Bonds are to be remarketed after the proposed Conversion as obligations that  
4 are not Tax-Exempt) will not, in and of itself, adversely affect the Tax-Exempt status of  
5 the interest on any of such Series 2016B Bonds.

6 E. Limitations. Any Conversion pursuant to this Section 503 must comply  
7 with the following:

8 (1) the Conversion Date must be a date on which such Series 2016B  
9 Bonds are subject to mandatory tender pursuant to the applicable provisions of  
10 Section 605 or Section 701;

11 (2) the Conversion Date must be a Business Day and, if the  
12 Conversion is from the Commercial Paper Rate, shall be a date determined in  
13 accordance with Section 502C;

14 (3) the Series 2016B Liquidity Instrument for such Series 2016B  
15 Bonds after a Conversion to a Variable Rate must cover (except for conversion  
16 to an Index Rate Period or a Term Rate Period) principal plus accrued interest  
17 (computed at the Maximum Interest Rate then in effect on the basis of a 365-  
18 day year and actual days elapsed or a 360 day year of twelve 30-day months,  
19 as applicable) for the maximum number of days between Interest Payment  
20 Dates permitted under that Interest Rate Determination Method, plus such  
21 additional number of days, if any, as shall be required by each Rating Agency  
22 then rating such Series 2016B Bonds; provided that if the number of days of  
23 interest coverage provided by the Series 2016B Liquidity Instrument is being  
24 changed from the number of days previously in place, the Series 2016B Paying  
25 Agent shall have also received a Rating Confirmation from each of the Rating  
26 Agencies then rating such Series 2016B Bonds;

27 (4) no Conversion shall become effective unless the Opinion of Bond  
28 Counsel referred to in Section 503A is delivered on (and as of) the Conversion  
29 Date and all affected Outstanding Series 2016B Bonds are successfully

1 purchased or deemed purchased and remarketed in the new Interest Rate  
2 Determination Method on the Conversion Date; and

3 (5) upon Conversion of the Series 2016B Bonds or any subseries  
4 thereof to a Fixed Rate Period, an Index Rate Period or a Term Rate Period, an  
5 Authorized Representative may provide in the Conversion Notice to the Series  
6 2016B Liquidity Provider, if any, a request for termination of the Series 2016B  
7 Liquidity Instrument with respect to such Series 2016B Bonds to be effective  
8 upon such Conversion to a Fixed Rate Period, an Index Rate Period or a Term  
9 Rate Period.

10 F. Contents of Conversion Notice; Pricing Notice. The Conversion Notice  
11 must specify: (1) the proposed Conversion Date; (2) the new Interest Rate  
12 Determination Method to take effect; (3) whether the Series 2016B Liquidity Instrument  
13 then in effect, if any, will remain in effect and, if applicable, the terms upon which the  
14 owners of such Series 2016B Bonds shall have the option to tender such Series 2016B  
15 Bonds for purchase during the new Interest Rate Determination Method; (4) if a new  
16 Series 2016B Liquidity Instrument will be in effect after the proposed Conversion Date,  
17 the form and terms of such Series 2016B Liquidity Instrument; (5) if the Conversion is to  
18 the Fixed Rate, the redemption dates and redemption prices applicable to such Fixed  
19 Rate Period; and (6) modifications to the Sinking Fund Installments, if any.

20 The Pricing Notice delivered in connection with a Conversion to or continuation of  
21 a Term Rate must specify: (1) the duration of the Term Rate Period, (2) the optional  
22 redemption provisions applicable to such Series 2016B Bonds during such Term Rate  
23 Period, if any, and (3) the Stepped Rate to be applicable to such Series 2016B Bonds  
24 should insufficient funds be available to purchase such bonds at the end of such Term  
25 Rate Period. The Pricing Notice delivered in connection with a Conversion to or  
26 continuation of an Index Rate must specify: (1) the duration of the Index Rate Period,  
27 (2) the optional redemption provisions applicable to such Series 2016B Bonds during  
28 such Index Rate Period, if any, (3) the Stepped Rate to be applicable to such Series  
29 2016B Bonds should insufficient funds be available to purchase such bonds at the end  
30 of such Index Rate Period, (4) the proposed next Purchase Date, if any, (5) the Index  
31 Rate Index, if other than the One Month LIBOR Index Rate, (6) the frequency with which

1 the Index Rate shall be recalculated, (7) the proposed Interest Payment Dates  
2 applicable to such Series 2016B Bonds while bearing interest in an Index Rate Period,  
3 and (8) alternative Index Rate Determination Dates and Stepped Rate Determination  
4 Dates, if any.

5 G. Notice to Owners. Upon receipt of a Conversion Notice from an  
6 Authorized Representative, as soon as possible, but in any event not less than thirty  
7 (30) days prior to the proposed Conversion Date, the Series 2016B Paying Agent shall  
8 give notice by first-class mail to the affected owners of Series 2016B Bonds, which  
9 notice shall state in substance:

10 (1) that the Interest Rate Determination Method for the Series 2016B  
11 Bonds shall be converted to the specified Variable Rate or the Fixed Rate, as  
12 the case may be, on the applicable Conversion Date if the conditions specified  
13 in this Supplemental Ordinance (and generally described in such notice) are  
14 satisfied on or before such date;

15 (2) the applicable Conversion Date;

16 (3) that the City has delivered to the Remarketing Agent the form of  
17 an Opinion of Bond Counsel proposed to be delivered to the Remarketing  
18 Agent in connection with the Conversion;

19 (4) that the Interest Rate Determination Method for such Series  
20 2016B Bonds shall not be converted unless the Opinion of Bond Counsel  
21 referred to above is delivered to the Remarketing Agent on (and as of) the  
22 Conversion Date and all such Series 2016B Bonds are successfully purchased  
23 and remarketed in the new Interest Rate Determination Method on the  
24 Conversion Date;

25 (5) the CUSIP numbers or other identification information of such  
26 Series 2016B Bonds;

27 (6) that all such Series 2016B Bonds are subject to mandatory tender  
28 for purchase on the Conversion Date at the Purchase Price whether or not the  
29 proposed Conversion becomes effective on such date, unless converting from

1 an Index Rate Period or a Term Rate Period not supported by a Series 2016B  
2 Liquidity Instrument, in which case the Series 2016B Bonds subject to  
3 mandatory tender will be purchased only upon a successful remarketing at the  
4 new Index Rate or Term Rate;

5 (7) that, to the extent that there shall be on deposit with the Series  
6 2016B Paying Agent on the applicable Conversion Date an amount of money  
7 sufficient to pay the Purchase Price thereof, all Series 2016B Bonds to be  
8 converted on the Conversion Date not delivered to the Series 2016B Paying  
9 Agent on or prior to the Conversion Date shall be deemed to have been  
10 properly tendered for purchase and shall cease to constitute or represent a  
11 right on behalf of the owner thereof to the payment of principal thereof or  
12 interest thereon and shall represent and constitute only the right to payment of  
13 the Purchase Price on deposit with the Remarketing Agent, without interest  
14 accruing thereon after the Conversion Date; and

15 (8) such additional matters as are required by Section 503B, if  
16 applicable.

17 H. Failure of Conditions to be Met. If the City fails to deliver the Opinion of  
18 Bond Counsel required by Section 503E(4) to the Remarketing Agent on or before the  
19 Conversion Date or if the Remarketing Agent has not successfully remarketed all of the  
20 Outstanding Series 2016B Bonds or subseries thereof to be converted to the new  
21 Interest Rate Determination Method on the Conversion Date, the Interest Rate  
22 Determination Method shall not be converted but, except if converting from an Index  
23 Rate Period or a Term Rate Period not supported by a Series 2016B Liquidity  
24 Instrument, such Series 2016B Bonds or subseries thereof shall be deemed to have  
25 been tendered for purchase on the Conversion Date specified in the Conversion Notice  
26 and shall be purchased on the Conversion Date specified in the Conversion Notice, and  
27 such Series 2016B Bonds shall continue to bear interest at the Interest Rate  
28 Determination Method in effect prior to the proposed Conversion Date specified in the  
29 Conversion Notice; provided, however, that, except with respect to Series 2016B Bonds  
30 bearing interest in an Index Rate Period or a Term Rate Period not supported by a  
31 Series 2016B Liquidity Instrument, the rate of interest on such Series 2016B Bonds

1 shall be determined on the proposed Conversion Date and, if sufficient funds are not  
2 available for the purchase of such Series 2016B Bonds, the provisions of Section 611C  
3 shall apply. In such event, the City and the owners of such Series 2016B Bonds that  
4 were to be converted to another Interest Rate Determination Method shall be restored  
5 (except as aforesaid with respect to the purchase of Series 2016B Bonds) to their  
6 former positions and rights hereunder with respect to such Series 2016B Bonds, and all  
7 rights of the City hereunder shall continue as if no such proceedings for the Conversion  
8 of the interest rate on such Series 2016B Bonds had taken place.

9 With respect to any Conversion of the Series 2016B Bonds or any subseries  
10 thereof from an Index Rate Period or a Term Rate Period not supported by a Series  
11 2016B Liquidity Instrument, if the City fails to deliver the Opinion of Bond Counsel  
12 required by Section 503E(4) to the Remarketing Agent before the Conversion Date or if  
13 the Remarketing Agent has not successfully remarketed all of the Outstanding Series  
14 2016B Bonds or subseries thereof to be converted to the new Interest Rate  
15 Determination Method on the Conversion Date, the Interest Rate Determination Method  
16 shall not be converted and such Series 2016B Bonds shall not be deemed to have been  
17 tendered for purchase on the Conversion Date specified in the Conversion Notice and,  
18 except as otherwise provided in Section 502D(6) or Section 502F(6) with respect to  
19 failed Conversions on the day following the end of the applicable Index Rate Period or  
20 Term Rate Period, such Series 2016B Bonds shall continue to bear interest at the  
21 Interest Rate Determination Method in effect prior to the proposed Conversion Date  
22 specified in the Conversion Notice. Unsuccessful Conversions attempted prior to the  
23 end of the Index Rate Period or the Term Rate Period do not result in a change in rate  
24 and the owners of the Series 2016B Bonds will continue to hold such Bonds at the  
25 Index Rate or the Term Rate until the end of the Interest Rate Period. Only after the  
26 end of the Interest Rate Period will any Series 2016B Bonds not remarketed bear  
27 interest at the Stepped Rate.

28 The Series 2016B Paying Agent shall immediately notify by Electronic means the  
29 Series 2016B Liquidity Provider and the Remarketing Agent, if any, for such Series  
30 2016B Bonds of each such failed Conversion.

1 I. Notice Failure No Bar. Failure of an owner of a Series 2016B Bond to  
2 receive the notice described in Section 503G, or any defect therein, shall not affect the  
3 validity of any Rate or any continuation of or change in the Interest Rate Determination  
4 Method for any of the Series 2016B Bonds or extend the period for tendering any of the  
5 Series 2016B Bonds for purchase, and the Series 2016B Paying Agent shall not be  
6 liable to any owner of a Series 2016B Bond by reason of the failure of such owner to  
7 receive such notice or any defect therein.

8 J. No Conversion During Continuance of Event of Default. No Conversion  
9 shall occur under this Section 503 if at the time of such Conversion an Event of Default  
10 shall have occurred and be continuing. The Series 2016B Paying Agent and the  
11 Remarketing Agent may conclusively rely upon a certificate of an Authorized  
12 Representative that no such default exists.

13 K. Notice to Remarketing Agent. The City may not elect a change in the  
14 Interest Rate Determination Method for any Series 2016B Bonds or subseries thereof  
15 without written notice to the Remarketing Agent for the affected Series 2016B Bonds

16 L. Rescission of Election. Notwithstanding anything herein to the contrary,  
17 the City may rescind any Conversion Notice given pursuant to this Section 503 by giving  
18 written notice thereof to the Series 2016B Paying Agent, the Series 2016B Liquidity  
19 Provider for such Series 2016B Bonds, if any, and the Remarketing Agent on or prior to  
20 such proposed Conversion Date. If the Series 2016B Paying Agent receives notice of  
21 such rescission prior to the time the Series 2016B Paying Agent has given notice to the  
22 owners of the affected Series 2016B Bonds pursuant to Section 503G, then the  
23 Conversion Notice previously delivered by the City shall be of no force and effect. If the  
24 Series 2016B Paying Agent receives notice from the City of rescission of the  
25 Conversion Notice after the Series 2016B Paying Agent has given notice to the owners  
26 of the affected Series 2016B Bonds pursuant to Section 503G, then such Series 2016B  
27 Bonds shall continue to be subject to mandatory tender for purchase on the Conversion  
28 Date specified in the Conversion Notice (unless such Bonds are in an Index Rate Mode  
29 or in a Term Rate Period not supported by a Series 2016B Liquidity Instrument prior to  
30 such proposed Conversion Date, in which case there will be no purchase or  
31 Conversion) and the Rate Period for such Series 2016B Bonds shall automatically



1 adjust to, or continue as, a Weekly Rate Period on the Conversion Date specified in the  
2 Conversion Notice. No Opinion of Bond Counsel shall be required in connection with  
3 the automatic adjustment to a Weekly Rate Period pursuant to this paragraph.

4 **Section 504** Conversion of Series 2016B Credit Provider Bonds. Notwithstanding  
5 anything to the contrary contained in the General Bond Ordinance or this Supplemental  
6 Ordinance, if all of the Outstanding Series 2016B Bonds or subseries thereof are Series  
7 2016B Credit Provider Bonds, such Series 2016B Bonds may be converted to a Fixed  
8 Rate on a Conversion Date acceptable to the applicable Series 2016B Liquidity  
9 Provider, the Series 2016B Paying Agent, the Remarketing Agent and the City, provided  
10 that on such Conversion Date the City shall deliver to the Remarketing Agent an  
11 Opinion of Bond Counsel stating that the Conversion is authorized and permitted under  
12 this Supplemental Ordinance and will not, in and of itself, adversely affect the Tax-  
13 Exempt status of the interest on the Series 2016B Bonds or any subseries thereof.

14 **Section 505** Stepped Rate Calculation; Weekly Rate Period. The Index Agent shall  
15 calculate the Stepped Rate to be applicable to the Series 2016B Bonds or any  
16 subseries thereof on each Stepped Rate Determination Date and furnish such  
17 calculations to the Series 2016B Paying Agent. The Series 2016B Paying Agent will  
18 furnish the Stepped Rate calculations to the City by Electronic means on each Stepped  
19 Rate Determination Date. The initial Stepped Rate with respect to a Series 2016B Bond  
20 shall be applicable to such Bond during the period from and including the Failed Tender  
21 Date to and including the following Wednesday (unless the Failed Tender Date is a  
22 Wednesday, in which event the initial rate will only apply to such Wednesday) and,  
23 thereafter, the Stepped Rate with respect to a Series 2016B Bond will apply for each  
24 Calendar Week, unless a change in spread occurs within a Calendar Week, until such  
25 Series 2016B Bond is purchased. The Index Agent's calculations of the Stepped Rate  
26 or Rates for any Calendar Week shall reflect any applicable changes in the Stepped  
27 Rate that, by definition, will occur during such period, including any applicable changes  
28 in the spread to be applied to the Stepped Rate Index.

29 Notwithstanding anything to the contrary in this Supplemental Ordinance,  
30 including Section 502B hereof, in a Weekly Rate Period during which the Series 2016B  
31 Bonds or any subseries thereof bears interest at the Stepped Rate, the rate of interest



1 applicable to such Series 2016B Bond during each Calendar Week shall be the Stepped  
2 Rate, calculated as set forth in this Section 505, including any applicable changes in the  
3 actual rate of interest that occur during such Calendar Week as reflected in such  
4 calculations.

5 **ARTICLE VI**  
6 **REDEMPTION AND PURCHASE OF SERIES 2016B BONDS**

7 **Section 601** Optional Redemption.

8 A. Optional Redemption – Commercial Paper Rate Period. Series 2016B  
9 Bonds bearing interest at the Commercial Paper Rate are not subject to optional  
10 redemption prior to their respective Purchase Dates. Series 2016B Bonds bearing  
11 interest at the Commercial Paper Rate are subject to redemption at the option of the  
12 City in whole or in part on their respective Purchase Dates at a redemption price equal  
13 to the Purchase Price thereof.

14 B. Optional Redemption – Daily Rate Period and Weekly Rate Period.  
15 Series 2016B Bonds bearing interest at the Daily Rate or the Weekly Rate are subject  
16 to optional redemption by the City, in whole or in part, in Authorized Denominations on  
17 any day, at a redemption price equal to the principal amount thereof, plus accrued and  
18 unpaid interest, if any, without premium.

19 C. Optional Redemption – Term Rate Period. Series 2016B Bonds bearing  
20 interest at the Term Rate are subject to redemption at the option of the City in whole or  
21 in part, in Authorized Denominations, on: (1) the day following the last day of any Term  
22 Rate Period, at a redemption price equal to the principal amount thereof, plus accrued  
23 and unpaid interest, if any, without premium; and (2) any day designated by the City in  
24 the Pricing Notice relating to such Term Rate Period, at a redemption price equal to the  
25 principal amount thereof, plus accrued and unpaid interest, if any, with premium, if any,  
26 as designated by the City in the Pricing Notice.

27 D. Optional Redemption – Fixed Rate Period. Unless the City obtains a  
28 Favorable Opinion of Bond Counsel as provided in Section 502E(2), Series 2016B  
29 Bonds or any subseries thereof bearing interest at a Fixed Rate are subject to  
30 redemption in whole or in part (and if in part, in such order of maturity as the City shall

1 specify and within a maturity by lot or by such other method as the Series 2016B Paying  
2 Agent determines to be fair and reasonable and in Authorized Denominations), on any  
3 date, at such times and at such redemption prices as follows:

4 (1) If, on the Fixed Rate Conversion Date, the remaining term of the  
5 Series 2016B Bonds is greater than eight years, then such Series 2016B Bonds  
6 will not be subject to optional redemption until the first May 15 or November 15  
7 (whichever is earlier) to follow the eighth (8th) anniversary of the conversion of  
8 such Series 2016B Bonds to a Fixed Rate. On such first May 15 or November  
9 15, such Series 2016B Bonds will be subject to redemption at 102% of the  
10 principal amount thereof, plus accrued interest, if any, to the date of  
11 redemption, which redemption price will decline by one percent (1%) per  
12 annum on each succeeding anniversary of such first May 15 or November 15  
13 until reaching a redemption price of 100% of the principal amount thereof, plus  
14 accrued interest, if any, to the date of redemption, and thereafter at a  
15 redemption price of 100% of the principal amount thereof, plus accrued interest,  
16 if any, to the date of redemption.

17 (2) If, on the Fixed Rate Conversion Date, the remaining term of such  
18 Series 2016B Bonds is less than eight years, then such Series 2016B Bonds  
19 will not be subject to optional redemption.

20 E. Optional Redemption – Index Rate Period. Series 2016B Bonds bearing  
21 interest at the Index Rate are subject to redemption at the option of the City in whole or  
22 in part, in Authorized Denominations, on: (1) the day following the last day of any Index  
23 Rate Period, at a redemption price equal to the principal amount thereof, plus accrued  
24 and unpaid interest, if any, without premium; and (2) any day designated by the City in  
25 the Pricing Notice relating to the current Index Rate Period, at a redemption price equal  
26 to the principal amount thereof, plus accrued and unpaid interest, if any, with premium,  
27 if any, as designated by the City in the Pricing Notice.

28 F. Selection of Bonds for Optional Redemption. The City shall designate  
29 which Series, subseries and maturities of such Series 2016B Bonds or subseries  
30 thereof are to be called for optional redemption pursuant to Section 601; provided that  
31 Series 2016B Credit Provider Bonds shall be redeemed prior to any other Series 2016B

1 Bonds; and provided further that, prior to the successful remarketing of the Series  
2 2016B Bonds and division thereof into applicable subseries, any partial redemption of  
3 the Series 2016B Bonds shall be applied to reduce scheduled Sinking Fund  
4 Installments of any applicable subseries of the Series 2016B Bonds for such date as  
5 designated by the City, subject to minimum Authorized Denominations. If less than all  
6 of the Series 2016B Bonds or subseries thereof maturing by their terms on any one date  
7 are to be redeemed at any one time, the Series 2016B Paying Agent shall select the  
8 Series 2016B Bonds of such maturity date to be redeemed in any manner that it deems  
9 appropriate and fair and shall promptly notify the City in writing of the numbers of the  
10 Series 2016B Bonds so selected for redemption. For purposes of such selection, the  
11 Series 2016B Bonds and any subseries thereof shall be deemed to be composed of  
12 multiples of minimum Authorized Denominations and any such multiple may be  
13 separately redeemed. In the event Term Bonds are designated for redemption, the City  
14 may designate which Sinking Fund Installments under Section 602, or portions thereof,  
15 that are to be reduced as allocated to such redemption.

16 G. Sufficient Funds Required for Optional Redemption. Any optional  
17 redemption of the Series 2016B Bonds and notice thereof shall be rescinded and  
18 cancelled pursuant to Section 602 if for any reason on the date fixed for redemption  
19 moneys are not available in the Redemption Account or otherwise held in trust for such  
20 purpose in an amount sufficient to pay in full on said date the principal of, interest, and  
21 any premium due on the Series 2016B Bonds called for redemption.

22 H. Conditional Notice of Redemption; Rescission. Any notice of optional  
23 redemption of the Series 2016B Bonds may be conditional and if any condition stated in  
24 the notice of redemption shall not have been satisfied on or prior to the redemption  
25 date, said notice shall be of no force and effect and the City shall not be required to  
26 redeem such Series 2016B Bonds and the redemption shall not be made and the Series  
27 2016B Paying Agent shall within a reasonable time thereafter give notice, to the  
28 persons and in the manner in which the notice of redemption was given, that such  
29 condition or conditions were not met and that the redemption was cancelled. In  
30 addition, the City may, at its option, on or prior to the date fixed for redemption in any  
31 notice of redemption of the Series 2016B Bonds, rescind and cancel such notice of  
32 redemption by written request of the City to the Series 2016B Paying Agent, and the

1 Series 2016B Paying Agent shall mail notice of such cancellation to the recipients of the  
2 notice of redemption being cancelled.

3 **Section 602** Mandatory Redemption.

4 A. Mandatory Redemption of Series 2016B Bonds From Sinking Fund  
5 Installments. Except as otherwise provided in Section 502E(2), Series 2016B Bonds  
6 that are Term Bonds and are subject to mandatory redemption from Sinking Fund  
7 Installments for such Series 2016B Bonds, on each date a Sinking Fund Installment for  
8 such Series 2016B Bonds is due, and in the principal amount equal to the Sinking Fund  
9 Installment due on such date at a redemption price equal to the principal amount  
10 thereof, plus accrued interest to the redemption date, without premium. Sinking Fund  
11 Installments for Series 2016B Bonds shall be due in such amounts and on such dates  
12 as set forth in the initial Pricing Notice, except to the extent modified in a subsequent  
13 Pricing Notice.

14 B. Selection of Series 2016B Bonds for Mandatory Sinking Fund  
15 Redemption. If less than all of the Series 2016B Bonds or subseries thereof maturing  
16 by their terms on any one date are to be redeemed at any one time with Sinking Fund  
17 Installments, the Series 2016B Paying Agent shall select the Series 2016B Bonds or  
18 subseries thereof and maturity to be redeemed by lot in any manner that it deems  
19 appropriate; provided that Series 2016B Credit Provider Bonds shall be redeemed prior  
20 to any other Series 2016B Bonds; and provided further that, prior to the successful  
21 remarketing of any Series 2016B Bonds and division thereof into applicable subseries,  
22 any partial redemption of such Series 2016B Bonds shall be applied to reduce  
23 scheduled Sinking Fund Installments of any applicable subseries of the Series 2016B  
24 Bonds for such date as designated by the City, subject to minimum Authorized  
25 Denominations. The Series 2016B Paying Agent shall promptly notify the City in writing  
26 of the numbers of the Series 2016B Bonds so selected for redemption. For purposes of  
27 such selection, the Series 2016B Bonds and any subseries thereof shall be deemed to  
28 be composed of multiples of minimum Authorized Denominations and any such multiple  
29 may be separately redeemed.

30 **Section 603** Purchase In Lieu of Redemption. In lieu of mandatory redemption, the  
31 City may surrender to the Series 2016B Paying Agent for cancellation any Series 2016B

1 Bonds or any subseries thereof purchased on the open market, and such Series 2016B Bonds  
2 or subseries thereof shall be cancelled by the Series 2016B Paying Agent. If any Series  
3 2016B Bonds or any subseries thereof are so cancelled, the City may designate the Sinking  
4 Fund Installments or portions thereof within such Series 2016 Bonds or subseries thereof so  
5 purchased that are to be reduced as a result of such cancellation. The City covenants and  
6 agrees that any Series 2016B Bonds so purchased on the open market in lieu of mandatory  
7 redemption will be surrendered promptly to the Series 2016B Paying Agent for cancellation.

8 **Section 604** Owner's Option to Tender for Purchase. During any Daily Rate Period,  
9 any Series 2016B Bond or (subject to the paragraph immediately below) a portion thereof, may  
10 be tendered for purchase on any Business Day at the applicable Purchase Price, payable in  
11 immediately available funds, upon (A) delivery by the owner or beneficial owner of such Series  
12 2016B Bond to the Remarketing Agent and to the Series 2016B Paying Agent at its Principal  
13 Office of an irrevocable written notice or notice by Electronic means by 11:00 a.m. (New York  
14 City time) on the Purchase Date, which states the principal amount of such Series 2016B Bond  
15 to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2016B  
16 Bond to the Series 2016B Paying Agent on the Purchase Date in accordance with Section 606.  
17 The Series 2016B Paying Agent shall keep a written record of the notice described in  
18 clause (A) above.

19 During any Weekly Rate Period, any Series 2016B Bond or (subject to the paragraph  
20 immediately below) a portion thereof, may be tendered for purchase on any Business Day at  
21 the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by  
22 the owner or beneficial owner of such Series 2016B Bond to the Remarketing Agent and to the  
23 Series 2016B Paying Agent at its Principal Office of an irrevocable written notice or notice by  
24 Electronic means by 5:00 p.m. (New York City time) on any Business Day at least seven (7)  
25 days prior to the Purchase Date, which states the principal amount of such Series 2016B Bond  
26 to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2016B  
27 Bond to the Series 2016B Paying Agent on the Purchase Date in accordance with 606 the  
28 Series 2016B Paying Agent shall keep a written record of the notice described in clause (A)  
29 above.

1 If any Series 2016B Bond is to be purchased in part pursuant to the paragraphs above  
2 in this Section, the amount so purchased and the amount not so purchased must each be an  
3 Authorized Denomination.

4 Any instrument delivered to the Series 2016B Paying Agent in accordance with this  
5 Section shall be irrevocable with respect to the purchase for which such instrument was  
6 delivered and shall be binding upon the Securities Depository and any subsequent owner or  
7 beneficial owner of the Series 2016B Bond to which it relates, including any Series 2016B  
8 Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the  
9 date of such instrument, the owner or beneficial owner of the Series 2016B Bonds specified  
10 therein shall not have any right to optionally tender for purchase such Series 2016B Bonds  
11 prior to the date of purchase specified in such notice. The City, the Remarketing Agent and  
12 the Series 2016B Paying Agent may conclusively assume that any person (other than an  
13 owner ) providing notice of optional tender pursuant to the paragraphs above in this Section is  
14 the beneficial owner of the Series 2016B Bond to which such notice relates, and none of the  
15 City, the Remarketing Agent or the Series 2016B Paying Agent shall assume any liability in  
16 accepting such notice from any person whom it reasonably believes to be a beneficial owner of  
17 Series 2016B Bonds.

18 **Section 605** Mandatory Tender of Series 2016B Bonds for Purchase. The Series  
19 2016B Bonds shall be subject to mandatory tender for purchase at the applicable Purchase  
20 Price, at the following times and upon the occurrence of any of the events stated below:

21 A. with respect to all Series 2016B Bonds, on the Conversion Date for such  
22 Series 2016B Bonds to a new Interest Rate Determination Method specified in a  
23 Conversion Notice (whether or not the proposed Conversion becomes effective on such  
24 date, unless such Series 2016B Bonds are being converted from an Index Rate Period  
25 or a Term Rate Period not supported by a Series 2016B Liquidity Instrument and the  
26 proposed Conversion does not occur, in which case the Series 2016B Bonds subject to  
27 mandatory tender will not be purchased);

28 B. with respect to Series 2016B Bonds bearing interest at a Daily Rate, a  
29 Weekly Rate or a Commercial Paper Rate:(A) on the fifth (5th) Business Day preceding  
30 (i) the scheduled expiration of a Series 2016B Liquidity Instrument or (ii) the Termination  
31 of a Series 2016B Liquidity Instrument at the election of the City as permitted by such

1 Series 2016B Liquidity Instrument; and (B) on the date of the provision of a substitute  
2 Series 2016B Liquidity Instrument pursuant to Section 614 and the resultant termination  
3 of the existing Series 2016B Liquidity Instrument; provided, however, that no mandatory  
4 tender for purchase shall be required pursuant to this subsection if a Rating  
5 Confirmation shall be delivered by each Rating Agency then rating the Series 2016B  
6 Bonds with respect to which the substitute Series 2016B Liquidity Instrument is being  
7 provided pursuant to Section 614 and the existing Series 2016B Liquidity Instrument is  
8 not a letter of credit;

9 C. with respect to each Series 2016B Bond bearing interest at a Commercial  
10 Paper Rate, each Interest Payment Date immediately following each Commercial Paper  
11 Rate Period for such Series 2016B Bond;

12 D. with respect to each Series 2016B Bond bearing interest at a Term Rate,  
13 on the Interest Payment Date immediately following each Term Rate Period for such  
14 Series 2016B Bond;

15 E. with respect to Series 2016B Bonds bearing interest at a Daily Rate, a  
16 Weekly Rate or a Commercial Paper Rate, upon receipt by the Series 2016B Paying  
17 Agent of written notice from the Series 2016B Liquidity Provider for any such Series  
18 2016B Bonds that an event of default or an event of termination (other than an  
19 immediate termination or suspension) has occurred under the related Series 2016B  
20 Liquidity Instrument with the effect that the obligations of such Series 2016B Liquidity  
21 Provider to purchase such Series 2016B Bonds or otherwise provide for the Purchase  
22 Price of such Series 2016B Bonds under such Series 2016B Liquidity Instrument shall  
23 terminate on the date specified in such notice, in which event such Series 2016B Bonds  
24 shall be subject to purchase on a Business Day selected by the Series 2016B Paying  
25 Agent, which date shall be not more than five (5) Business Days after receipt of such  
26 notice, but in no event later than the Business Day preceding the termination date  
27 specified in the notice received from such Series 2016B Liquidity Provider; and

28 F. with respect to Series 2016B Bonds bearing interest at an Index Rate, on  
29 the Purchase Date designated by the Treasurer or any other Authorized Representative  
30 pursuant to Section 502F(4) or Section 503B.

1           The Series 2016B Paying Agent shall give notice by first class mail to the owners of  
2 affected Series 2016B Bonds of each termination of a Series 2016B Liquidity Instrument and  
3 each expiration of a Series 2016B Liquidity Instrument making Series 2016B Bonds subject to  
4 mandatory tender pursuant to this Section 605, which notice shall (i) state the date of such  
5 termination, substitution or expiration; (ii) state that unless a Rating Confirmation is received  
6 with respect to the substitution (in which event no mandatory tender for purchase shall occur),  
7 such Series 2016B Bonds shall be subject to mandatory tender for purchase on the specified  
8 Purchase Date at the applicable Purchase Price (which shall be specified in such notice); and  
9 (iii) be mailed by the Series 2016B Paying Agent not later than the fifteenth (15th) day prior to  
10 such Termination, substitution or expiration.

11           No notice need be given to the owners of any Series 2016B Bond bearing interest at a  
12 Commercial Paper Rate of the mandatory tender for purchase of such Series 2016B Bond on  
13 an Interest Payment Date for such Series 2016B Bond.

14           Upon the expiration of the then current Term Rate Period for the Series 2016B Bonds,  
15 the Series 2016B Paying Agent shall give notice by first class mail to the owner of such Series  
16 2016B Bonds at the address shown on the bond register not later than the fifteenth (15th) day  
17 prior to the date on which such Series 2016B Bonds are subject to mandatory tender pursuant  
18 to this Section 605, which notice shall state that such Series 2016B Bonds are subject to  
19 mandatory tender on the specified Purchase Date at the applicable Purchase Price (which  
20 shall be specified in such notice).

21           With respect to a Series 2016B Bonds or subseries thereof in an Index Rate Period, the  
22 Series 2016B Paying Agent shall give notice by first-class mail, not later than the thirtieth  
23 (30th) day prior to the date on which such Series 2016B Bonds are subject to mandatory  
24 tender pursuant to this Section 605, which notice shall state that such Series 2016B Bonds are  
25 subject to mandatory tender for purchase on the specified Purchase Date at the applicable  
26 Purchase Price (which Purchase Price shall be specified in such notice).

27           The Series 2016B Paying Agent shall give notice by first class mail within two (2)  
28 Business Days of receipt of a notice from a Series 2016B Liquidity Provider pursuant to this  
29 Section 605, to the owners of the affected Series 2016B Bonds at their addresses shown on  
30 the bond register, which notice shall:(1) state such Series 2016B Bonds are subject to



1 mandatory tender for purchase pursuant to this Section 605 at the applicable Purchase Price  
2 (which shall be specified in such notice); and (2) state the Purchase Date.

3 Notice of mandatory tender for purchase on the Conversion Date shall be given by the  
4 Series 2016B Paying Agent to the owners as provided in Section 503G.

5 Notwithstanding anything to the contrary in the General Bond Ordinance or this  
6 Supplemental Ordinance, including without limitation the provisions of this Section 605, the  
7 City may rescind any notice of mandatory tender or Conversion Notice provided to owners of  
8 the Series 2016B Bonds pursuant to this Section 605 in connection with the substitution of a  
9 Series 2016B Liquidity Instrument by giving written notice of such rescission to owners of such  
10 Series 2016B Bonds on or prior to the date set for such substitution and mandatory tender.

11 **Section 606** Delivery of Tendered Series 2016B Bonds. With respect to any Series  
12 2016B Bond that is in book-entry, delivery of such Series 2016B Bond to the Series 2016B  
13 Paying Agent in connection with any optional or mandatory tender for purchase pursuant to  
14 Section 604 or Section 605 shall be effected by the making of, or the irrevocable authorization  
15 to make, appropriate entries on the books of the Securities Depository for such Series 2016B  
16 Bond or any Participant of such Securities Depository to reflect the transfer of the beneficial  
17 ownership interest in such Series 2016B Bond to the account of the Series 2016B Paying  
18 Agent, the account of the applicable Series 2016B Liquidity Provider, or to the account of a  
19 Participant of such Securities Depository acting on behalf of the Series 2016B Paying Agent.  
20 With respect to any Series 2016B Bond that is not in book-entry, delivery of such Series 2016B  
21 Bond to the Series 2016B Paying Agent in connection with any optional or mandatory tender  
22 for purchase pursuant to Section 604 or Section 605 shall be effected by physical delivery of  
23 such Series 2016B Bond to the Series 2016B Paying Agent at its Principal Office, by 1:00 p.m.  
24 (New York City time) on the Purchase Date, accompanied by an instrument of transfer thereof,  
25 in a form satisfactory to the Series 2016B Paying Agent, executed in blank by the owner  
26 thereof with the signature of such owner guaranteed in accordance with the guidelines set forth  
27 by one of the nationally recognized medallion signature programs.

28 **Section 607** Series 2016B Bonds Deemed Purchased. If moneys sufficient to pay the  
29 Purchase Price of Series 2016B Bonds to be purchased pursuant to Section 604 or Section  
30 605 shall be held by the Series 2016B Paying Agent on the applicable Purchase Date, such  
31 Series 2016B Bonds shall be deemed to have been purchased for all purposes of this

1 Supplemental Ordinance, irrespective of whether or not such Series 2016B Bonds shall have  
2 been delivered to the Series 2016B Paying Agent or transferred on the books of a Participant  
3 of the Securities Depository for such Series 2016B Bonds, and neither the former owner or  
4 beneficial owner of such Series 2016B Bonds nor any other person shall have any claim  
5 thereon, under this Supplemental Ordinance or otherwise, for any amount other than the  
6 Purchase Price thereof.

7 In the event of non-delivery of any Series 2016B Bond to be purchased pursuant to  
8 Section 604 or Section 605, the Series 2016B Paying Agent shall segregate and hold  
9 uninvested the moneys for the Purchase Price of such Series 2016B Bond in trust, without  
10 liability for interest thereon, for the benefit of the former owners or beneficial owners of such  
11 Series 2016B Bond, who shall, except as provided in the following sentence, thereafter be  
12 restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of  
13 such Series 2016B Bond. Any moneys that the Series 2016B Paying Agent shall segregate  
14 and hold in trust for the payment of the Purchase Price of any Series 2016B Bond and  
15 remaining unclaimed for two (2) years after the date of purchase shall be paid automatically to  
16 the City. After the payment of such unclaimed moneys to the City, the former owner or  
17 beneficial owner of such Series 2016B Bond shall look only to the City for the payment thereof.

18 **Section 608** Deposit of Series 2016B Bonds. The Series 2016B Paying Agent agrees  
19 to accept and hold all Series 2016B Bonds delivered to it pursuant to Section 604 or Section  
20 605 in trust for the benefit of the respective owners or beneficial owners that shall have so  
21 delivered such Series 2016B Bonds until the Purchase Price of such Series 2016B Bonds shall  
22 have been delivered to or for the account of or to the order of such owners or beneficial  
23 owners pursuant to Section 611. Any Series 2016B Bonds registered for transfer to new  
24 purchasers and delivered to the Series 2016B Paying Agent as described in Section 612 shall  
25 be held in trust by the Series 2016B Paying Agent for the benefit of such new purchasers until  
26 delivery to such new purchasers.

27 **Section 609** Remarketing of Tendered Series 2016B Bonds.

28 A. Daily Put or Commercial Paper Tender Bonds.

29 (1) Not later than 11:15 a.m. (New York City time) on each Business  
30 Day on which the Series 2016B Paying Agent receives a notice from an owner

1 or Beneficial owner of a Series 2016B Bond to be tendered pursuant to Section  
2 604 (the “Daily Put Bonds”), and on each day any Series 2016B Bonds bearing  
3 interest at a Commercial Paper Rate are subject to mandatory tender pursuant  
4 to Section 605 (the “Commercial Paper Tender Bonds”), the Series 2016B  
5 Paying Agent shall give notice by Electronic means to the Remarketing Agent  
6 and the City, specifying the principal amount of Series 2016B Bonds for which it  
7 has received such notice and the names of the owner or owners thereof. The  
8 Remarketing Agent shall thereupon offer for sale and use its best efforts to find  
9 purchasers for such Daily Put Bonds or Commercial Paper Tender Bonds,  
10 other than Series 2016B Credit Provider Bonds, which shall be remarketed  
11 pursuant to Section 613.

12 (2) Not later than 11:30 a.m. (New York City time) on the Purchase  
13 Date described in subparagraph (1) above, the Series 2016B Paying Agent  
14 shall give notice by Electronic means to the Remarketing Agent and the City of  
15 the accrued amount of interest payable with respect to the Daily Put Bonds or  
16 Commercial Paper Tender Bonds, as applicable, as of such Purchase Date and  
17 confirming the aggregate principal amount of the Daily Put Bonds or  
18 Commercial Paper Tender Bonds.

19 (3) Not later than 12:00 noon (New York City time) on any Purchase  
20 Date for Daily Put Bonds or Commercial Paper Tender Bonds, the Remarketing  
21 Agent shall give notice by Electronic means to the City and the Series 2016B  
22 Paying Agent of the principal amount of any Daily Put Bonds or Commercial  
23 Paper Tender Bonds, as applicable, that have not been remarketed in  
24 accordance with the applicable Remarketing Agreement and its commitment to  
25 deliver funds from the Daily Put Bonds or Commercial Paper Tender Bonds that  
26 have been remarketed to the Series 2016B Paying Agent by 12:15 p.m. (New  
27 York City time) on such day pursuant to Section 610.

28 (4) If a Remarketing Agent’s notice pursuant to subparagraph (3)  
29 above indicates that such Remarketing Agent has on hand less remarketing  
30 proceeds than are needed to purchase all the Daily Put Bonds or Commercial  
31 Paper Tender Bonds to be purchased on any Purchase Date or if the Series

1 2016B Paying Agent does not receive a notice from the Remarketing Agent  
2 pursuant to subparagraph (3) above, the Series 2016B Paying Agent shall  
3 demand payment under the applicable Series 2016B Liquidity Instrument then  
4 in effect with respect to the Tendered Bonds by 12:30 p.m. (New York City  
5 time) on such Purchase Date so as to provide by 3:00 p.m. (New York City  
6 time) on such Purchase Date an amount sufficient, together with the  
7 remarketing proceeds to be available for such purchase, calculated solely on  
8 the basis of the notice given by the Remarketing Agent pursuant to  
9 subparagraph (3) above, to pay the Purchase Price of the Daily Put Bonds or  
10 Commercial Paper Tender Bonds, as applicable. The Series 2016B Paying  
11 Agent shall immediately after such demand for payment give notice by  
12 Electronic means to the City of the amount, if any, of such demand.

13 B. Weekly Put Bonds.

14 (1) Not later than 10:30 a.m. (New York City time) on each Business  
15 Day succeeding a day on which the Series 2016B Paying Agent receives a  
16 notice from an owner or beneficial owner of Series 2016B Bonds to be tendered  
17 pursuant to Section 604 (the "Weekly Put Bonds"), the Series 2016B Paying  
18 Agent shall give notice by Electronic means to the Remarketing Agent and the  
19 City, specifying the principal amount of Series 2016B Bonds for which it has  
20 received such notice, the names of the owner or owners thereof and the  
21 Purchase Date. The Remarketing Agent shall thereupon offer for sale and use  
22 its best efforts to find purchasers for such Weekly Put Bonds, other than Series  
23 2016B Credit Provider Bonds, which shall be remarketed pursuant to Section  
24 613.

25 (2) Not later than 11:00 a.m. (New York City time) on the Business  
26 Day immediately preceding the Purchase Date described in subparagraph (1)  
27 above, the Series 2016B Paying Agent shall give notice by Electronic means to  
28 the Remarketing Agent and the City of the accrued amount of interest payable  
29 with respect to the Weekly Put Bonds as of such Purchase Date and confirming  
30 the aggregate principal amount of the Weekly Put Bonds.

1 (3) Not later than 11:30 a.m. (New York City time) on any Purchase  
2 Date for Weekly Put Bonds, the Remarketing Agent shall give notice by  
3 Electronic means to the City and the Series 2016B Paying Agent of the  
4 principal amount of Weekly Put Bonds that have not been remarketed in  
5 accordance with the applicable Remarketing Agreement and its commitment to  
6 deliver funds from the Weekly Put Bonds that have been remarketed to the  
7 Series 2016B Paying Agent by 12:15 p.m. (New York City time) on the  
8 Purchase Date pursuant to Section 610.

9 (4) If a Remarketing Agent's notice pursuant to subparagraph (3)  
10 above indicates that such Remarketing Agent has on hand less remarketing  
11 proceeds than are needed to purchase all the Weekly Put Bonds to be  
12 purchased on any Purchase Date or if the Series 2016B Paying Agent does not  
13 receive a notice from the Remarketing Agent pursuant to subparagraph (3)  
14 above, the Series 2016B Paying Agent shall demand payment under the  
15 applicable Series 2016B Liquidity Instrument then in effect with respect to the  
16 Weekly Put Bonds by 12:30 p.m. (New York City time) on such Purchase Date  
17 so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an  
18 amount sufficient, together with the remarketing proceeds to be available for  
19 such purchase, calculated solely on the basis of the notice given by the  
20 Remarketing Agent pursuant to subparagraph (3) above, to pay the Purchase  
21 Price of the Weekly Put Bonds. The Series 2016B Paying Agent shall  
22 immediately after such demand for payment give notice by Electronic means to  
23 the City of the amount, if any, of such demand.

24 C. Mandatory Tender Bonds.

25 (1) Not later than 9:30 a.m. (New York City time) on each Purchase  
26 Date occurring pursuant to Section 605 with the exception of subsection 605C,  
27 the Series 2016B Paying Agent shall give notice by Electronic means to the  
28 Remarketing Agent and the City specifying the principal amount of all  
29 Outstanding Series 2016B Bonds that are subject to mandatory tender on such  
30 Purchase Date pursuant to any subsection of Section 605 except subsection  
31 605C (the "Mandatory Tender Bonds") and the names of the registered owner

1 or owners thereof. The Remarketing Agent shall thereupon offer for sale and  
2 use its best efforts to find purchasers for such Mandatory Tender Bonds (if  
3 there is still an obligation to remarket), other than Series 2016B Credit Provider  
4 Bonds, which shall be remarketed pursuant to Section 613.

5 (2) Not later than 10:00 a.m. (New York City time) on each Purchase  
6 Date described in subparagraph (1) above, the Series 2016B Paying Agent  
7 shall give notice by Electronic means to the Remarketing Agent and the City of  
8 the accrued amount of interest payable with respect to the Mandatory Tender  
9 Bonds as of the Purchase Date and confirming the aggregate principal amount  
10 of the Mandatory Tender Bonds.

11 (3) Not later than 11:30 a.m. (New York City time) on any Purchase  
12 Date with respect to Mandatory Tender Bonds, the Remarketing Agent shall  
13 give notice by Electronic means to the Series 2016B Paying Agent and the City  
14 of the principal amount of Mandatory Tender Bonds that have not been  
15 remarketed in accordance with the Remarketing Agreement and its written  
16 commitment to deliver funds from the Mandatory Tender Bonds that have been  
17 remarketed to the Series 2016B Paying Agent by 12:15 p.m. (New York City  
18 time) on the Purchase Date pursuant to Section 610.

19 (4) If a Remarketing Agent's notice pursuant to subparagraph (3)  
20 above indicates that such Remarketing Agent has on hand less remarketing  
21 proceeds than are needed to purchase all the Mandatory Tender Bonds to be  
22 purchased on such Purchase Date or if the Series 2016B Paying Agent does  
23 not receive a notice from the Remarketing Agent pursuant to subparagraph (3)  
24 above, the Series 2016B Paying Agent shall demand payment under the  
25 applicable Series 2016B Liquidity Instrument then in effect with respect to the  
26 Mandatory Tender Bonds by 12:30 p.m. (New York City time) on such  
27 Purchase Date so as to provide by 3:00 p.m. (New York City time) on such  
28 Purchase Date an amount sufficient, together with the remarketing proceeds to  
29 be available for such purchase, calculated solely on the basis of the notice  
30 given by the Remarketing Agent pursuant to subparagraph (3) above, to pay  
31 the Purchase Price of the Mandatory Tender Bonds. The Series 2016B Paying

1 Agent shall immediately after such demand for payment give notice to the City  
2 of the amount, if any, of such demand.

3 D. Optional City Deposit. If a Remarketing Agent's notice pursuant to  
4 subparagraph 609A(3), 609B(3) or 609C(3) above indicates that such Remarketing  
5 Agent has remarketed less than all the Daily Put Bonds, Commercial Paper Tender  
6 Bonds, Weekly Put Bonds, or Mandatory Tender Bonds to be purchased on any  
7 Purchase Date and the Series 2016B Paying Agent does not receive sufficient funds  
8 from, or has received notice from a Series 2016B Liquidity Provider that it will not  
9 provide sufficient funds from, draws on the applicable Series 2016B Liquidity Instrument  
10 to pay the Purchase Price of all such Series 2016B Bonds that have not been  
11 remarketed by 12:15 p.m. (New York City time) on the Purchase Date, the Series  
12 2016B Paying Agent shall immediately (but in no event later than 2:30 p.m. (New York  
13 City time)) give notice by Electronic means to the City specifying the principal amount  
14 and the Purchase Price of such Series 2016B Bonds for which moneys will not be  
15 available in the Series 2016B Bond Purchase Fund and requesting the City to deposit  
16 with the Series 2016B Paying Agent as soon as possible on such Purchase Date,  
17 preferably by 3:00 p.m. (New York City time), an amount sufficient to pay that portion of  
18 the Purchase Price for which moneys will not be available in the Series 2016B Bond  
19 Purchase Fund, such notice to be confirmed immediately by Electronic means to the  
20 City. Such deposit by the City shall be at the option of the City.

21 E. Limitations. The Remarketing Agent shall remarket the Series 2016B  
22 Bonds, as provided herein, at not less than the Purchase Price thereof, except for  
23 Series 2016B Credit Provider Bonds, which shall be remarketed pursuant to Section  
24 613.

25 **Section 610** Deposits into Accounts in the Series 2016B Bond Purchase Fund. The  
26 terms of any sale by a Remarketing Agent of any Series 2016B Bond tendered or deemed  
27 tendered for purchase pursuant to Section 604 or Section 605 shall provide for the payment of  
28 the Purchase Price for such tendered or deemed tendered Series 2016B Bond by such  
29 Remarketing Agent to the Series 2016B Paying Agent for deposit in the Series 2016B  
30 Remarketing Account of the Series 2016B Bond Purchase Fund in immediately available funds  
31 at or before 12:15 p.m. (New York City time) on the Purchase Date. The Remarketing Agent



1 shall cause to be paid to the Series 2016B Paying Agent on each Purchase Date for tendered  
2 or deemed tendered Series 2016B Bonds all amounts representing proceeds of the  
3 remarketing of such Series 2016B Bonds, based upon the notice given by the Remarketing  
4 Agent pursuant to Section 609A(3), Section 609B(3), Section 609C(3), as the case may be.  
5 All such amounts shall be deposited in the Series 2016B Remarketing Account.

6 The Series 2016B Paying Agent shall deposit in the Series 2016B Liquidity Instrument  
7 Purchase Account all amounts received under a Series 2016B Liquidity Instrument pursuant to  
8 Section 609A(4), Section 609B(4) or Section 609C(4), as the case may be, and related to the  
9 Series 2016B Bonds.

10 Upon receipt of any notice from the Series 2016B Paying Agent pursuant to Section  
11 609D that insufficient funds will be on deposit in the Series 2016B Bond Purchase Fund to pay  
12 the full Purchase Price of all Series 2016B Bonds to be purchased on a Purchase Date, the  
13 City shall, at its option, deliver or cause to be delivered to the Series 2016B Paying Agent  
14 immediately available funds in an amount equal to such deficiency prior to 3:00 p.m. (New  
15 York City time) on the Purchase Date. All such funds shall be deposited in the Series 2016B  
16 City Account.

17 The Series 2016B Paying Agent shall hold amounts in the Series 2016B Bond Purchase  
18 Fund uninvested.

19 **Section 611** Disbursements From the Series 2016B Bond Purchase Fund.

20 A. Application of Moneys. Moneys in the Series 2016B Bond Purchase Fund  
21 (other than the proceeds of any remarketing of Series 2016B Credit Provider Bonds,  
22 which shall be paid to the applicable Series 2016B Liquidity Provider on the remarketing  
23 date) shall be applied at or before 3:00 p.m. (New York City time) to the purchase of  
24 Series 2016B Bonds as provided herein by the Series 2016B Paying Agent, on each  
25 Purchase Date, as follows:

26 (1) First - Moneys constituting funds in the Series 2016B  
27 Remarketing Account shall be used by the Series 2016B Paying Agent on any  
28 Purchase Date to purchase Series 2016B Bonds tendered or deemed tendered  
29 for purchase pursuant to Section 604 or Section 605 at the Purchase Price.



1                   (2)     Second - In the event such moneys in the Series 2016B  
2 Remarketing Account on any Purchase Date are insufficient to purchase all  
3 Series 2016B Bonds tendered or deemed tendered for purchase pursuant to  
4 Section 604 or Section 605 on such Purchase Date, moneys in the Series  
5 2016B Liquidity Instrument Purchase Account on such Purchase Date shall be  
6 used by the Series 2016B Paying Agent at that time to purchase such  
7 remaining Series 2016B Bonds at the Purchase Price thereof.

8                   (3)     Third - If the amount of money in any Series 2016B Remarketing  
9 Account and Series 2016B Liquidity Instrument Purchase Account, if  
10 applicable, on any Purchase Date is insufficient to pay in full the Purchase  
11 Price of all Series 2016B Bonds tendered or deemed tendered for purchase  
12 pursuant to Section 604 or Section 605 on such Purchase Date, moneys in the  
13 Series 2016B City Account on such Purchase Date, if any, shall be used by the  
14 Series 2016B Paying Agent at that time to purchase such remaining Series  
15 2016B Bonds at the Purchase Price thereof.

16                   Notwithstanding anything to the contrary in this Section, if the Series 2016B  
17 Bonds tendered or deemed tendered for purchase pursuant to Section 604 or Section  
18 605 are in book entry, payment of the Purchase Price of such Series 2016B Bonds shall  
19 be made in accordance with the rules and procedures of the applicable Securities  
20 Depository.

21                   B.     Nondeliveries. The Series 2016B Paying Agent shall, as to any Series  
22 2016B Bonds that are not in book entry and that have not been delivered to it as  
23 required by Section 606, (i) notify the Remarketing Agent in writing of such nondelivery  
24 and (ii) place a stop transfer against an appropriate amount of Series 2016B Bonds  
25 registered in the name of the owner of such Series 2016B Bonds on the bond register.  
26 The Series 2016B Paying Agent shall place and maintain such stop transfer  
27 commencing with the lowest serial number Series 2016B Bond registered in the name  
28 of such owner until stop transfers have been placed against an appropriate amount of  
29 Series 2016B Bonds until the appropriate Series 2016B Bonds are delivered to the  
30 Series 2016B Paying Agent as required by Section 606. Upon such delivery, the Series  
31 2016B Paying Agent shall make any necessary adjustments to the bond register.

1 C. Insufficient Funds. Except as set forth in this Section 611C with respect to  
2 any Series 2016B Bonds bearing interest in an Index Rate Period or a Term Rate  
3 Period and not supported by a Series 2016B Liquidity Instrument, if sufficient funds are  
4 not available for the purchase of all Series 2016B Bonds or all Bonds of a subseries  
5 thereof tendered or deemed tendered and required to be purchased on any Purchase  
6 Date, all Series 2016B Bonds or all Bonds of a subseries thereof shall bear interest at  
7 the lesser of the One Month LIBOR Index Rate plus three percent and the Maximum  
8 Interest Rate from the date of such failed purchase until all such Series 2016B Bonds  
9 are purchased as required in accordance with this Supplemental Ordinance, and all  
10 tendered Series 2016B Bonds or all Bonds of a subseries thereof shall be returned to  
11 their respective owners. Notwithstanding any other provision of this Supplemental  
12 Ordinance, such failed purchase and return shall not constitute an Event of Default.  
13 Thereafter, the Series 2016B Paying Agent shall continue to take all such action  
14 available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient  
15 other funds from the Series 2016B Liquidity Provider for such Series 2016B Bonds, if  
16 any. In addition, the Remarketing Agent shall remain obligated to remarket such Series  
17 2016B Bonds or subseries thereof and such Series 2016B Bonds or subseries thereof  
18 shall remain subject to optional and mandatory redemption, mandatory tender for  
19 purchase, and Conversion as provided in this Supplemental Ordinance.

20 For any Series 2016B Bonds or Bonds of any subseries thereof bearing interest  
21 in an Index Rate Period or a Term Rate Period and not supported by a Series 2016B  
22 Liquidity Instrument, if sufficient funds are not available for the purchase of all such  
23 Series 2016B Bonds or all Bonds of any subseries thereof tendered or deemed  
24 tendered and required to be purchased on the Purchase Date following the end of the  
25 applicable Index Rate Period or Term Rate Period, all Series 2016B Bonds or Bonds of  
26 any such subseries shall automatically convert to a Weekly Rate Period and bear  
27 interest at a rate of interest equal to the Stepped Rate from such Failed Tender Date  
28 until all such Series 2016B Bonds are purchased as required in accordance with this  
29 Supplemental Ordinance, such rate to be determined in accordance with Section 505,  
30 and all tendered Series 2016B Bonds or Bonds of a subseries thereof shall be returned  
31 to their respective owners. Notwithstanding anything to the contrary in this  
32 Supplemental Ordinance, such Series 2016B Bonds bearing interest in a Weekly Rate  
33 Period at the Stepped Rate shall not be subject to optional tender pursuant to Section

1 604. No Opinion of Bond Counsel shall be required in connection with this automatic  
2 adjustment to a Weekly Rate Period. Notwithstanding any other provision of this  
3 Supplemental Ordinance, such failed purchase and return shall not constitute an Event  
4 of Default. In addition, the Remarketing Agent shall remain obligated to remarket such  
5 Series 2016B Bonds or Bonds of a subseries thereof and such Series 2016B Bonds or  
6 Bonds of a subseries thereof bearing interest at a Stepped Rate shall remain subject to  
7 optional and mandatory redemption, mandatory tender for purchase, and Conversion as  
8 provided in this Supplemental Ordinance.

9 **Section 612** Delivery of Series 2016B Bonds. If the Series 2016B Bonds are not in  
10 book entry, a principal amount of Series 2016B Bonds equal to the amount of Series 2016B  
11 Bonds successfully remarketed by each Remarketing Agent shall be delivered to the Series  
12 2016B Paying Agent for registration or transfer to such persons as shall be designated by the  
13 Remarketing Agent. Such Series 2016B Bonds shall be held available at the office of the  
14 Series 2016B Paying Agent and shall be picked up at a location designated by the Series  
15 2016B Paying Agent by the applicable Remarketing Agent at or after 1:00 p.m. (New York City  
16 time) on the Purchase Date against delivery of funds for deposit into the Series 2016B  
17 Remarketing Account of the Series 2016B Bond Purchase Fund equal to the Purchase Price of  
18 the Series 2016B Bonds that have been remarketed. If the Series 2016B Bonds are in book  
19 entry, transfer of ownership of the remarketed Series 2016B Bonds shall be effected in  
20 accordance with the procedures of the applicable Securities Depository against delivery of  
21 funds for deposit into the Series 2016B Remarketing Account of the Series 2016B Purchase  
22 Fund equal to the Purchase Price of Series 2016B Bonds that have been remarketed.

23 Any Series 2016B Bonds purchased with funds in the Series 2016B Liquidity Instrument  
24 Purchase Account of the Series 2016B Bond Purchase Fund shall be delivered and held in  
25 accordance with Section 613. Any Series 2016B Bonds purchased with funds in the Series  
26 2016B City Account of the Series 2016B Purchase Fund shall be delivered and held in  
27 accordance with the instructions of the City furnished to the Series 2016B Paying Agent. Such  
28 Series 2016B Bonds shall be held available for registration of transfer and delivery by the  
29 Series 2016B Paying Agent in such manner as may be agreed between the Series 2016B  
30 Paying Agent and the applicable Series 2016B Liquidity Provider or the City, as the case may  
31 be.

1           **Section 613**   Liquidity Instruments; Series 2016B Credit Provider Bonds. Unless all  
2 the Outstanding Series 2016B Bonds or Bonds of a subseries thereof are Series 2016B Credit  
3 Provider Bonds or bear interest at a Fixed Rate, a Term Rate not intended to be supported by  
4 a Series 2016B Liquidity Instrument or an Index Rate, the City shall provide, or cause to be  
5 provided, to the Series 2016B Paying Agent a Series 2016B Liquidity Instrument for such  
6 Series 2016B Bonds or Bonds of a subseries thereof. The City shall not reduce the amount of  
7 a Series 2016B Liquidity Instrument or permit a substitution of a Series 2016B Liquidity  
8 Provider thereunder without obtaining a Rating Confirmation with respect to such action unless  
9 such action is considered a substitution of a Series 2016B Liquidity Instrument subjecting the  
10 Series 2016B Bonds affected thereby to mandatory purchase pursuant to Section 605B. Each  
11 Series 2016B Liquidity Instrument and each substitute Series 2016B Liquidity Instrument shall  
12 include provisions that are consistent with the timing requirements of this Supplemental  
13 Ordinance. The City shall have the right at any time to provide, pursuant to Section 614, a  
14 substitute Series 2016B Liquidity Instrument for any Series 2016B Liquidity Instrument then in  
15 effect. If there shall have been delivered to the Series 2016B Paying Agent (i) a substitute  
16 Series 2016B Liquidity Instrument meeting the requirements of Section 614 and (ii) the  
17 opinions and documents required by Section 614, then the Series 2016B Paying Agent shall  
18 accept such substitute Series 2016B Liquidity Instrument and, if so directed by the City, on or  
19 after the effective date of such substitute Series 2016B Liquidity Instrument promptly surrender  
20 the Series 2016B Liquidity Instrument being so substituted in accordance with the respective  
21 terms thereof for cancellation; provided the Series 2016B Paying Agent shall not surrender any  
22 Series 2016B Liquidity Instrument until all draws or requests to purchase Series 2016B Bonds  
23 made under such Series 2016B Liquidity Instrument have been honored in accordance with  
24 the terms thereof, including all draws required to be made in connection with such substitution.  
25 In the event that the City elects to provide a substitute Series 2016B Liquidity Instrument, the  
26 affected Series 2016B Bonds shall be subject to the mandatory tender provisions of Section  
27 605B. Notwithstanding the foregoing, if at any time there shall cease to be any Series 2016B  
28 Bonds Outstanding or if all the Outstanding Series 2016B Bonds have been converted to a  
29 Fixed Rate, an Index Rate or a Term Rate not intended to be supported by a Series 2016B  
30 Liquidity Instrument, or a Series 2016B Liquidity Instrument shall be terminated pursuant to its  
31 terms, the Series 2016B Paying Agent shall promptly surrender such Series 2016B Liquidity  
32 Instrument in accordance with its terms for cancellation. The Series 2016B Paying Agent shall  
33 comply with the procedures set forth in each Series 2016B Liquidity Instrument relating to the

1 termination thereof. The termination or suspension of a Series 2016B Liquidity Instrument  
2 shall not affect the provisions of this Section obligating the City to provide a Series 2016B  
3 Liquidity Instrument to the Series 2016B Paying Agent.

4 Notwithstanding anything to the contrary in this Supplemental Ordinance, including  
5 without limitation the provisions of this Section, any reduction in the amount of a Series 2016B  
6 Liquidity Instrument with respect to the Series 2016B Bonds may occur: (i) without a Rating  
7 Confirmation or a mandatory purchase of such Series 2016B Bonds in conjunction with the  
8 payment of a portion of the principal of such Series 2016B Bonds pursuant to this  
9 Supplemental Ordinance or in conjunction with a redemption or defeasance of all or a portion  
10 of such Series 2016B Bonds pursuant to this Supplemental Ordinance; or (ii) without a Rating  
11 Confirmation in connection with the mandatory purchase of all or a portion of such Series  
12 2016B Bonds by the applicable Series 2016B Liquidity Provider upon (A) the conversion of the  
13 interest mode of such Series 2016B Bonds to a rate that is not supported by such Series  
14 2016B Liquidity Instrument, (B) the occurrence of the stated expiration of the such Series  
15 2016B Liquidity Instrument or (C) the passage of a period of time specified in the Series 2016B  
16 Liquidity Instrument following the occurrence of an event of default specified in the Series  
17 2016B Liquidity Instrument.

18 In the event that a Series 2016B Liquidity Instrument is in effect, the Series 2016B  
19 Paying Agent shall make a demand for payment under such Series 2016B Liquidity  
20 Instrument, subject to and in accordance with its terms, in order to receive payment thereunder  
21 on each Purchase Date as provided in Section 609A(4), Section 609B(4) or Section 609C(4),  
22 as applicable.

23 Each such demand for payment shall be made pursuant to and in accordance with this  
24 Supplemental Ordinance. The Series 2016B Paying Agent shall give notice of each such  
25 demand for payment to the City at the time of each such demand. The proceeds of each such  
26 demand shall be deposited in the Series 2016B Liquidity Instrument Purchase Account within  
27 the Series 2016B Bond Purchase Fund and used in the order of priority established by Section  
28 611. At the time of making any demand under a Series 2016B Liquidity Instrument pursuant to  
29 the paragraph immediately above, the Series 2016B Paying Agent shall direct the applicable  
30 Series 2016B Liquidity Provider to pay the proceeds of such demand directly to the Series  
31 2016B Paying Agent for deposit in the Series 2016B Liquidity Instrument Purchase Account.

1 The Series 2016B Paying Agent shall comply with all provisions of each Series 2016B Liquidity  
2 Instrument in order to realize upon any demand for payment thereunder, and will not demand  
3 payment under any Series 2016B Liquidity Instrument of any amounts for payment of:(i) Series  
4 2016B Credit Provider Bonds; or (ii) Series 2016B Bonds held by the City or actually known by  
5 the Series 2016B Paying Agent to be held by any affiliate of the City or any nominee of the City  
6 unless such Series 2016B Liquidity Instrument specifically permits such demand.

7 Any Series 2016B Bonds purchased with payments made under a Series 2016B  
8 Liquidity Instrument pursuant to the paragraph above shall constitute Series 2016B Credit  
9 Provider Bonds and shall be registered in the name of, or as otherwise directed by, the  
10 applicable Series 2016B Liquidity Provider and delivered to or upon the order of, or as  
11 otherwise directed by, such Series 2016B Liquidity Provider.

12 Unless otherwise provided in a Series 2016B Liquidity Instrument, Series 2016B Credit  
13 Provider Bonds shall be remarketed by the applicable Remarketing Agent prior to any other  
14 Series 2016B Variable Rate Bonds of such Series 2016B Bonds or Bonds of a subseries  
15 thereof tendered for purchase pursuant to Section 604 or Section 605 and shall be remarketed  
16 in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by  
17 the City and the Series 2016B Paying Agent of written notification from a Series 2016B  
18 Liquidity Provider that a Series 2016B Liquidity Instrument has been fully reinstated with  
19 respect to principal and interest and (ii) release by the applicable Series 2016B Liquidity  
20 Provider of any Series 2016B Credit Provider Bonds that the Remarketing Agent has  
21 remarketed, such Series 2016B Bonds shall be made available to the purchasers thereof and  
22 shall no longer constitute Series 2016B Credit Provider Bonds for purposes of this  
23 Supplemental Ordinance. The proceeds of any remarketing of Series 2016B Credit Provider  
24 Bonds shall be paid to the applicable Series 2016B Liquidity Provider by the Series 2016B  
25 Paying Agent on such remarketing date in immediately available funds with interest on the sale  
26 price being calculated as if such Bond were not a Series 2016B Credit Provider Bond;  
27 provided, however, if all such Bonds Series 2016B Credit Provider Bonds, at par plus accrued  
28 interest, and the remarketing date will be considered an Interest Payment Date.

29 Each of the City and the Series 2016B Paying Agent agrees that it will, promptly upon  
30 receipt, send to the applicable Series 2016B Liquidity Provider (by Electronic means) a copy of  
31 every notice received by it hereunder relating to any Series 2016B Credit Provider Bonds.

1 Notwithstanding anything to the contrary herein or in the Series 2016B Bonds, all  
2 obligations of the City under or in connection with any Series 2016B Liquidity Instrument  
3 (including, without limitation, payment of any Series 2016B Credit Provider Bonds and any  
4 Obligations under any Series 2016B Liquidity Instrument) shall be governed by the terms of  
5 the applicable Series 2016B Liquidity Instrument.

6 The Series 2016B Paying Agent shall provide to the Remarketing Agent and to each  
7 Rating Agency then rating the Series 2016B Bonds written notice of the extension of any  
8 Series 2016B Liquidity Instrument in effect with respect to such Series 2016B Bonds.

9 Whenever requested in writing by the City, the Series 2016B Paying Agent shall submit  
10 to the applicable Series 2016B Liquidity Provider a reduction certificate or other appropriate  
11 documentation necessary under the applicable Series 2016B Liquidity Instrument to reduce  
12 the principal amount of the Series 2016B Bonds and related interest to reflect any purchase or  
13 redemption of such Series 2016B Bonds by the City and the cancellation of such Series 2016B  
14 Rate Bonds.

15 If at any time any Rating Agency reduces the short-term ratings of a Series 2016B  
16 Liquidity Provider below “A-1” by S&P or “P-1” by Moody’s or “F1” by Fitch, the City shall use  
17 its best efforts to replace such Series 2016B Liquidity Provider.

18 **Section 614** Substitute Liquidity Instruments. So long as any Series 2016B Bonds  
19 bear interest at a Variable Rate other than an Index Rate, a Term Rate not supported by a  
20 Series 2016B Liquidity Instrument or a Fixed Rate, on or prior to the expiration or termination  
21 of any existing Series 2016B Liquidity Instrument, including any renewals or extensions thereof  
22 (other than an expiration of such Series 2016B Liquidity Instrument at the final maturity of the  
23 Series 2016B Bonds), the City shall provide to the Series 2016B Paying Agent (with a copy to  
24 the applicable Remarketing Agent) a renewal or extension of the term of the existing Series  
25 2016B Liquidity Instrument for such Series 2016B Bonds or a substitute Series 2016B Liquidity  
26 Instrument meeting the requirements set forth below.

27 The City may at any time provide a substitute Series 2016B Liquidity Instrument in  
28 accordance with the provisions hereof and upon delivery to the Series 2016B Paying Agent of  
29 the items specified below.

1 Any such substitute Series 2016B Liquidity Instrument must meet the following  
2 conditions:

3 A. The obligations of the Series 2016B Liquidity Provider under the substitute  
4 Series 2016B Liquidity Instrument to purchase such Series 2016B Bonds or otherwise  
5 provide for the Purchase Price of such Series 2016B Bonds tendered or deemed  
6 tendered pursuant to Section 604 or Section 605 shall not be subject to suspension or  
7 termination on less than fifteen (15) days' notice to the City and the Series 2016B  
8 Paying Agent; provided, however, that the obligations of a Series 2016B Liquidity  
9 Provider to purchase Series 2016B Bonds or otherwise provide for the Purchase Price  
10 of such Series 2016B Bonds may be immediately suspended or terminated (A) without  
11 such notice upon the occurrence of such events as may be provided in a Series 2016B  
12 Liquidity Instrument and that are disclosed to the owners of such Series 2016B Bonds in  
13 connection with the provision of such Series 2016B Liquidity Instrument or, (B) if  
14 applicable, upon the remarketing of such Series 2016B Bonds upon the mandatory  
15 tender thereof as a result of provision of such substitute Series 2016B Liquidity  
16 Instrument pursuant to Section 605B;

17 B. the substitute Series 2016B Liquidity Instrument must take effect on or  
18 before the Purchase Date for the Series 2016B Bonds established pursuant to Section  
19 605B; and

20 C. the substitute Series 2016B Liquidity Instrument must be in an amount  
21 sufficient to pay the maximum Purchase Price of the affected Series 2016B Bonds that  
22 will be applicable during the Rate Period commencing on such substitution.

23 On or prior to the date of the delivery of a substitute Series 2016B Liquidity Instrument  
24 to the Series 2016B Paying Agent pursuant to this Section, the City shall cause to be furnished  
25 to the Series 2016B Paying Agent (i) an Opinion of Bond Counsel addressed to the Series  
26 2016B Paying Agent to the effect that the delivery of such substitute Series 2016B Liquidity  
27 Instrument to the Series 2016B Paying Agent is authorized under this Supplemental Ordinance  
28 and complies with the terms hereof and will not, in and of itself, adversely affect the Tax-  
29 Exempt status of interest on the affected Series 2016B Bonds and (ii) an opinion or opinions of  
30 counsel to the Series 2016B Liquidity Provider for such substitute Series 2016B Liquidity  
31 Instrument addressed to the Series 2016B Paying Agent, to the effect that the substitute



1 Series 2016B Liquidity Instrument has been duly authorized, executed and delivered by the  
2 applicable Series 2016B Liquidity Provider and constitutes the valid, legal and binding  
3 obligation of such Series 2016B Liquidity Provider enforceable against such Series 2016B  
4 Liquidity Provider in accordance with its terms and (iii) if the affected Series 2016B Bonds are  
5 not subject to mandatory tender for purchase, the Rating Confirmation required by Section  
6 605B.

7 The Series 2016B Paying Agent shall give notice by first class mail to the owners of the  
8 affected Series 2016B Bonds of the proposed substitution of a Series 2016B Liquidity  
9 Instrument not later than the fifteenth (15th) day prior to the substitution date.

10 Notwithstanding anything to the contrary in this Supplemental Ordinance, including this  
11 Section 614, a new Series 2016B Liquidity Instrument may not be substituted for an existing  
12 Series 2016B Liquidity Instrument that is in the form of a letter of credit unless a mandatory  
13 tender and purchase of all of the Series 2016B Bonds supported by the existing letter of credit  
14 occurs (and such a mandatory tender and purchase must occur whether or not a Rating  
15 Confirmation with respect to the substitution is obtained).

16 Notwithstanding anything to the contrary in this Supplemental Ordinance, including  
17 without limitation the provisions of this Section 614, in connection with the substitution,  
18 pursuant to the terms of this Supplemental Ordinance, of a Series 2016B Liquidity Instrument  
19 providing support for the Series 2016B Bonds bearing interest at the Weekly Rate, the Weekly  
20 Rate with respect to such Series 2016B Bonds for the first Calendar Week (or portion thereof)  
21 following such substitution shall be set by the applicable Remarketing Agent on the Business  
22 Day immediately preceding the date of such substitution. Such Weekly Rate will be effective  
23 only if the substitution is effected.

24 **Section 615** Remarketing Agents for the Series 2016B Bonds. The City shall appoint  
25 and employ, no later than 30 days before the initial Purchase Date or Conversion the Series  
26 2016B Bonds, a Remarketing Agent for Series 2016B Bonds or subseries thereof. All  
27 references in this Supplemental Ordinance to the term "Remarketing Agent" shall mean the  
28 one or more banks, trust companies or members of the National Association of Securities  
29 Dealers Inc. appointed by the City to perform the duties and obligations of the Remarketing  
30 Agent hereunder with respect to the Series 2016B Bonds, or any subseries thereof; provided  
31 that any such bank, trust company or member of the National Association of Securities

1 Dealers, Inc. so appointed shall be organized and doing business under the laws of any state  
2 of the United States of America and shall have, together with its parent, if any, a capitalization  
3 of at least fifteen million dollars (\$15,000,000) as shown in its or its parent's most recently  
4 published annual report. The City shall execute and deliver to each Remarketing Agent a  
5 Remarketing Agreement, which shall designate the Series 2016B Bonds or subseries thereof  
6 for which it shall act as Remarketing Agent and the Remarketing Agent's Principal Office and  
7 in which such Remarketing Agent shall agree: (i) to perform the duties and comply with the  
8 requirements imposed upon it by such Remarketing Agreement and this Supplemental  
9 Ordinance; and (ii) to keep such books and records with respect to its activities as  
10 Remarketing Agent as shall be consistent with prudent industry practice and to make such  
11 books and records available for inspection by each of the City and the Series 2016B Paying  
12 Agent at all reasonable times.

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14

**ARTICLE VII**  
**PURCHASE OF SERIES 2016B BONDS AT DIRECTION OF CITY**

15 **Section 701** Mandatory Tender for Purchase of Series 2016B Bonds at the Direction  
16 of City. In addition to the provision relating to the mandatory tender for purchase of Series  
17 2016B Bonds pursuant to Section 605, the Series 2016B Bonds, or any of them, shall be  
18 subject to mandatory tender for purchase by the City, in whole or in part (such that the portion  
19 that is subject to mandatory tender for purchase pursuant to this Section 701 and the portion  
20 not subject to such mandatory tender shall each be in an Authorized Denomination), at the  
21 applicable Optional Purchase Price on each Optional Purchase Date. In the event that the City  
22 determines to purchase any Series 2016B Bonds on any Optional Purchase Date, the City  
23 shall provide the Series 2016B Paying Agent with written notice of such determination at least  
24 thirty-five (35) days prior to the Optional Purchase Date, which notice shall specify the Series  
25 2016B Bonds or subseries thereof and the principal amount of such Series 2016B Bonds of  
26 each maturity that are to be purchased and the Optional Purchase Date on which such  
27 purchase is to occur.

28 When the Series 2016B Paying Agent shall receive notice from the City of its  
29 determination to purchase Series 2016B Bonds pursuant to the above paragraph, the Series  
30 2016B Paying Agent shall give notice, in the name of the City, of the mandatory tender for  
31 purchase of such Series 2016B Bonds, which notice shall be mailed, by first class mail,  
32 postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional

1 Purchase Date to the owners of any Series 2016B Bonds or portions of Series 2016B Bonds to  
2 be purchased at their addresses appearing in the bond register, with a copy to the applicable  
3 Remarketing Agent. Such notice shall specify the Series 2016B Bonds or subseries thereof  
4 and the maturities of such Series 2016B Bonds to be purchased, the Optional Purchase Date,  
5 the Optional Purchase Price and the place or places where the Optional Purchase Price due  
6 upon such tender for purchase shall be payable and, if less than all of the Series 2016B Bonds  
7 or subseries thereof and like maturity are to be purchased, the letters and numbers or other  
8 distinguishing marks of such Series 2016B Bonds so to be purchased, and, in the case of  
9 Series 2016B Bonds to be purchased in part only, such notice shall also specify the respective  
10 portions of the principal amount thereof to be purchased. Such notice shall further state that  
11 on such Optional Purchase Date there shall become due and payable upon each Series  
12 2016B Bond to be purchased, the Optional Purchase Price thereof, or the Optional Purchase  
13 Price of the specified portions of the principal amount thereof to be purchased in the case of  
14 Series 2016B Bonds to be purchased in part only, and that from and after such Optional  
15 Purchase Date interest on such Series 2016B Bond for the benefit of the current owner of such  
16 Series 2016B Bond or the portion of such Series 2016B Bond to be purchased shall cease to  
17 accrue and be payable.

18 Receipt of such notice of mandatory tender for purchase shall not be a condition  
19 precedent to the mandatory tender for purchase of the Series 2016B Bonds and failure of any  
20 owner of a Series 2016B Bond to receive any such notice or any defect in such notice shall not  
21 affect the validity of the proceedings for the mandatory tender for purchase of the Series  
22 2016B Bonds pursuant to this Section.

23 If at the time the Series 2016B Paying Agent sends any notice of mandatory tender for  
24 purchase of the Series 2016B Bonds pursuant to this Section, the City has not deposited with  
25 the Series 2016B Paying Agent an amount sufficient to pay the full Optional Purchase Price of  
26 the Series 2016B Bonds, or the portions thereof, to be purchased, such notice shall state that  
27 such mandatory tender for purchase is conditional upon the receipt by the Series 2016B  
28 Paying Agent on or prior to the Optional Purchase Date fixed for such purchase of moneys  
29 sufficient to pay the Optional Purchase Price of such Series 2016B Bonds, or the portions  
30 thereof to be purchased, and that if such moneys shall not have been so received said notice  
31 shall be of no force and effect and the City shall not be required to purchase such Series  
32 2016B Bonds. In the event that such notice of mandatory tender for purchase contains such a

1 condition and such moneys are not so received, no purchase of the Series 2016B Bonds  
2 identified in the notice of mandatory tender for purchase shall be made and the Series 2016B  
3 Paying Agent shall, within a reasonable time thereafter, give notice, to the Remarketing Agent  
4 and to the persons and in the manner in which the notice of tender was given, that such  
5 moneys were not so received and that there will be no purchase of Series 2016B Bonds  
6 pursuant to the notice of mandatory tender for purchase.

7 If less than all of the Outstanding Series 2016B Bonds or subseries thereof are to be  
8 called for mandatory tender for purchase pursuant to this Section, the principal amount and  
9 maturity of such Series 2016B Bonds to be purchased shall be selected by the City in its sole  
10 discretion. If less than all of the Series 2016B Bonds or subseries thereof of like maturity shall  
11 be called for mandatory tender for purchase pursuant this Section, except as otherwise  
12 provided in a Representation Letter, the particular Series 2016B Bonds or portions of Series  
13 2016B Bonds to be purchased shall be selected at random by the Series 2016B Paying Agent  
14 in such manner as the Series 2016B Paying Agent in its discretion may deem fair and  
15 appropriate; provided, however, that in selecting portions of Series 2016B Bonds for purchase,  
16 the Series 2016B Paying Agent shall treat each Series 2016B Bond or each Bond of a  
17 subseries thereof as representing that number of Series 2016B Bonds of the minimum  
18 Authorized Denomination for the Series 2016B Bonds that is obtained by dividing the principal  
19 amount of such Series 2016B Bond by the minimum Authorized Denomination for the Series  
20 2016B Bonds.

21 **Section 702** Delivery of Tendered Series 2016B Bonds. With respect to any Series  
22 2016B Bond that is in book entry form, delivery of such Series 2016B Bond to the Series  
23 2016B Paying Agent in connection with any mandatory tender for purchase pursuant to  
24 Section 701 shall be effected by the making of, or the irrevocable authorization to make,  
25 appropriate entries on the books of the Securities Depository for such Series 2016B Bond or  
26 any Participant thereof to reflect the transfer of the beneficial ownership interest in such Series  
27 2016B Bond to the account of the Series 2016B Paying Agent, on behalf of the City, or to the  
28 account of a Participant acting on behalf of the City. With respect to any Series 2016B Bond  
29 that is not in book entry form, delivery of such Series 2016B Bond to the Series 2016B Paying  
30 Agent in connection with any mandatory tender for purchase pursuant to Section 701 shall be  
31 effected by physical delivery of such Series 2016B Bond to the Series 2016B Paying Agent at  
32 its Principal Office, by 1:00 p.m. (New York City time) on the Optional Purchase Date,

1 accompanied by an instrument of transfer thereof, in a form satisfactory to the Series 2016B  
2 Paying Agent, executed in blank by the owner thereof with the signature of such owner  
3 guaranteed in accordance with the guidelines set forth by one of the nationally recognized  
4 medallion signature programs.

5 **Section 703** Series 2016B Bonds Deemed Purchase. If moneys sufficient to pay the  
6 Optional Purchase Price of Series 2016B Bonds to be purchased pursuant to Section 701 on  
7 an Optional Purchase Date shall be held by the Series 2016B Paying Agent on such Optional  
8 Purchase Date, such Series 2016B Bonds shall be deemed to have been purchased for all  
9 purposes of this Supplemental Ordinance, irrespective of whether or not such Series 2016B  
10 Bonds shall have been delivered to the Series 2016B Paying Agent or transferred on the  
11 books of the Securities Depository for the Series 2016B Bonds, and neither the former owner  
12 or former Beneficial owner of such Series 2016B Bonds nor any other person shall have any  
13 claim thereunder, under this Supplemental Ordinance or otherwise, for any amount other than  
14 the Optional Purchase Price thereof.

15 In the event of non-delivery of any Series 2016B Bond to be purchased pursuant to  
16 Section 701, the Series 2016B Paying Agent shall segregate and hold uninvested the moneys  
17 for the Optional Purchase Price of such Series 2016B Bond in trust, without liability for interest  
18 thereon, for the benefit of the former owners or beneficial owners of such Series 2016B Bond,  
19 who shall, except as provided in the following sentence, thereafter be restricted exclusively to  
20 such moneys for the satisfaction of any claim for the Optional Purchase Price of such Series  
21 2016B Bond. Any moneys that the Series 2016B Paying Agent shall segregate and hold in  
22 trust for the payment of the Optional Purchase Price of any Series 2016B Bond remaining  
23 unclaimed for two (2) years after the Optional Purchase Date shall be paid automatically to the  
24 City. After the payment of such unclaimed moneys to the City, the former owner or former  
25 beneficial owner of such Series 2016B Bond shall look only to the City for the payment thereof.

26 **Section 704** Deposit of Series 2016B Bonds. The Series 2016B Paying Agent agrees  
27 to accept and hold all Series 2016B Bonds delivered to it pursuant to Section 701 in trust for  
28 the benefit of the respective owners or beneficial owners that shall have so delivered such  
29 Series 2016B Bonds until the Optional Purchase Price of such Series 2016B Bonds shall have  
30 been delivered to or for the account of or to the order of such owners or beneficial owners  
31 pursuant to Section 705. Any Series 2016B Bonds purchased pursuant to Section 701 and

1 registered for transfer to the Series 2016B Paying Agent shall be held in trust by the Series  
2 2016B Paying Agent for the benefit of the City until delivery to the City.

3 **Section 705** Payment of Optional Purchase Price of Series 2016B Bonds. Moneys  
4 held by the Series 2016B Paying Agent for the payment of the Optional Purchase Price of  
5 Series 2016B Bonds subject to mandatory tender for purchase pursuant to Section 701 shall  
6 be applied at or before 3:00 p.m. (New York City time) to the purchase of such Series 2016B  
7 Bonds. Except as otherwise provided with respect to Series 2016B Bonds that are in book  
8 entry form, payment of the Optional Purchase Price of Series 2016B Bonds tendered for  
9 purchase pursuant to Section 701 shall be made only upon the surrender of such Series  
10 2016B Bonds to the Series 2016B Paying Agent. Notwithstanding anything to the contrary in  
11 this Section, if the Series 2016B to be tendered for purchase pursuant to Section 701 are in  
12 book entry form, payment of the Optional Purchase Price for tendered Series 2016B Bonds  
13 shall be made in accordance with the rules and procedures of the applicable Securities  
14 Depository.

15 The Series 2016B Paying Agent shall, as to any Series 2016B Bonds that are not in  
16 book entry form and that have not been delivered to it as required by Section 702, place a stop  
17 transfer against an appropriate amount of Series 2016B Bonds registered in the name of the  
18 owner of such Series 2016B Bonds on the bond register. The Series 2016B Paying Agent  
19 shall place and maintain such stop transfer commencing with the lowest serial number Series  
20 2016B Bond registered in the name of such owner until stop transfers have been placed  
21 against an appropriate amount of Series 2016B Bonds until the appropriate Series 2016B  
22 Bonds are delivered to the Series 2016B Paying Agent. Upon such delivery, the Series 2016B  
23 Paying Agent shall make any necessary adjustments to the bond register.

24 **Section 706** Series 2016B Bonds Owned by City. Any Series 2016B Bonds  
25 purchased by the City pursuant to Section 701 shall not be cancelled by the Series 2016B  
26 Paying Agent unless such cancellation is directed by an Authorized Representative but shall  
27 remain Outstanding for all purposes of this Supplemental Ordinance, except as otherwise  
28 provided herein or the General Bond Ordinance.

29 The City covenants and agrees that it shall not transfer or cause the transfer of any  
30 Series 2016B Bond purchased by the City pursuant to Section 701 unless the City delivers to

1 the Series 2016B Paying Agent a Favorable Opinion of Bond Counsel with respect to such  
2 transfer.

3 The City covenants and agrees that, in the event that at any time there are insufficient  
4 funds in the Bond Fund to pay the principal of and interest then due on the Outstanding Series  
5 2016B Bonds, it will surrender or cause to be surrendered to the Series 2016B Paying Agent  
6 for cancellation any Series 2016B Bonds held by the City.

7 If all Outstanding Series 2016B Bonds or subseries thereof bearing interest in a Term  
8 Rate Period or in an Index Rate Period are purchased by the City pursuant to Section 701,  
9 then, notwithstanding anything to the contrary in the Pricing Notice or this Supplemental  
10 Ordinance, including Section 502, (i) the date of such purchase by the City will be deemed to  
11 be the Purchase Date for such Series 2016B Bonds or subseries thereof, and (ii) the Term  
12 Rate or Index Rate, as applicable, will be deemed to have expired on the day immediately  
13 preceding such Purchase Date. Upon the City's successful purchase of such Series 2016B  
14 Bonds or subseries thereof, notwithstanding anything to the contrary in this Supplemental  
15 Ordinance, such Series 2016B Bonds or subseries thereof shall be subject to Conversion and  
16 remarketing without notice of Conversion being provided by the City pursuant to this  
17 Supplemental Ordinance.

18 **ARTICLE VIII**  
19 **MISCELLANEOUS**

20 **Section 801** Tax Covenants. In furtherance of Section 1037 of the General Bond  
21 Ordinance, the City, for and on behalf of the Department, represents and specifically agrees as  
22 follows (except to the extent that Series 2016B Bonds are remarketed after a Conversion as  
23 obligations that are not Tax-Exempt):

24 A. General Covenants.

25 (1) The City hereby covenants that it shall not (i) make any use of the  
26 proceeds of the Series 2016B Bonds, any funds reasonably expected to be  
27 used to pay the principal of or interest on the Series 2016B Bonds, or any other  
28 funds of the City; (ii) make or permit any use of the Airport Facilities financed or  
29 refinanced with the proceeds of the Refunded Bonds refunded through the  
30 Series 2016B Refunding Project or (iii) take (or omit to take) any other action



1 with respect to the Series 2016B Bonds, the proceeds thereof, or otherwise, if  
2 such use, action or omission would, under the Tax Code, cause the interest on  
3 the Series 2016B Bonds to be included in gross income for federal income tax  
4 purposes.

5 (2) In particular, without limitation, the City hereby covenants that it  
6 shall not take (or omit to take) or permit or suffer any action to be taken if the  
7 result of the same causes the Series 2016B Bonds to be "arbitrage bonds"  
8 within the meaning of § 148 of the Tax Code or to be "private activity bonds"  
9 within the meaning of Section 141 of the Tax Code.

10 B. Rebate.

11 (1) Except as otherwise expressly provided therein, the City shall pay  
12 to the United States in accordance with the requirements of § 148(f) of the Tax  
13 Code an amount equal to the sum of (i) the excess of the amount earned on all  
14 nonpurpose investments allocable to the Series 2016B Bonds (other than  
15 investments attributable to such excess) over the amount that would have been  
16 earned if such nonpurpose investments were invested at a rate equal to the  
17 yield on the Series 2016B Bonds, plus (ii) any income attributable to such  
18 excess.

19 (2) The City shall maintain within the Airport System Fund a special  
20 and separate account hereby created and to be known as the "City and County  
21 of Denver, Colorado, for and on behalf of its Department of Aviation, Airport  
22 System Revenue Bonds, Series 2016B Rebate Fund" (the "Series 2016B  
23 Rebate Fund"). The City shall maintain within the Series 2016B Rebate Fund  
24 such subaccounts as may be necessary, and the City shall deposit to the credit  
25 of, and make disbursements to the United States and otherwise from, the  
26 Series 2016B Rebate Fund such amounts, at such times, as shall be necessary  
27 hereunder.

28 (3) Any amounts so deposited to the credit of the Series 2016B  
29 Rebate Fund shall be derived from the Net Revenues of the Airport System or  
30 from such other legally available sources as the City may determine; provided,



1           however, that the accumulation and application of Net Revenues for such  
2           purpose shall be subordinate in priority to the accumulation and application of  
3           Net Revenues required by Section 508 of the General Bond Ordinance.

4                   (4)   Notwithstanding any provision of this Section 801B, if the  
5           Treasurer shall obtain an opinion of an attorney or firm of attorneys whose  
6           experience in matters relating to the issuance of obligations by states and their  
7           political subdivisions is nationally recognized that any action required under this  
8           Section 801B is no longer required or that some further action is required to  
9           maintain the exclusion from federal income tax of interest on the Series 2016B  
10          Bonds, the City may rely conclusively on such opinion in complying with the  
11          requirements of this Section 801B, and the covenants contained herein shall be  
12          deemed to be modified to that extent.

13           C.    Tax Certificate. The Treasurer is hereby authorized to execute one or  
14          more tax certificates on behalf of the City in implementation of the covenants and  
15          agreements set forth in this Section 801, or to make any election permitted by the Tax  
16          Code and determined by the Treasurer to be to the advantage of the City; and the  
17          representations, agreements, and elections set forth therein shall be deemed the  
18          representations, agreements, and elections of the City, as if the same were set forth  
19          herein.

20           Section 802   Preservation of Enterprise Status. The City hereby covenants that it  
21          shall not take (or omit to take) any action with respect to the Department that would cause the  
22          Department to lose its status as an “enterprise” within the meaning of Section 20, Article X,  
23          State Constitution.

24           Section 803   Applicability of General Bond Ordinance. Except as otherwise provided  
25          herein, the provisions of the General Bond Ordinance govern the Series 2016B Bonds and the  
26          Series 2016B Refunding Project. The rights, undertakings, covenants, agreements,  
27          obligations, warranties, and representations of the City set forth in the General Bond  
28          Ordinance shall in respect of the Series 2016B Bonds be deemed the rights, undertakings,  
29          covenants, agreements, obligations, warranties, and representations of the City for and on  
30          behalf of the Department.

1           **Section 804** Amendments to General Bond Ordinance. The Series 2016B Bonds  
2 shall also be governed, to the extent permitted by Article XIII of the General Bond Ordinance,  
3 by any Supplemental Ordinance amending and restating the General Bond Ordinance and  
4 including, among others, the amendments set forth in Appendix C to the Official Statement and  
5 identified therein as the Proposed Amendments (the “Proposed Amendments”); provided that  
6 certain of the Proposed Amendments may be adopted only with the written consent of the  
7 owners of Bonds which constitute more than 50% in aggregate principal amount of all Bonds  
8 outstanding at the time of the adoption of any such Supplemental Ordinance, after notice and  
9 otherwise in the manner provided by Article XIII of the General Bond Ordinance.

10           **Section 805** Consent to Proposed Amendments. By the purchase and acceptance of  
11 the Series 2016B Bonds from time to time, the owners (including without limitation Participants  
12 in the Securities Depository and beneficial owners) thereof shall be deemed to have  
13 irrevocably (i) consented to the adoption by Supplemental Ordinance of amendments to the  
14 General Bond Ordinance in substantially the form of the Proposed Amendments and (ii)  
15 appointed the Consent Agent as their agent, with irrevocable instructions to file a written  
16 consent to that effect at the time and place, and otherwise in the manner provided by Article  
17 XIII of the General Bond Ordinance. A notation to this effect, shall be printed on the Series  
18 2016B Bonds. In so acting, the Consent Agent (who shall be compensated by the City for  
19 such services) may rely on an Attorney’s Opinion, which shall be full and complete  
20 authorization and protection of the Consent Agent in respect of any action taken or suffered by  
21 it under the General Bond Ordinance in good faith.

22           **Section 806** Endorsement of Bonds. A notation in substantially the following form  
23 shall be endorsed on the Series 2016B Bonds in respect of the Proposed Amendments:

24           “By the purchase and acceptance of this Bond from time to time, the  
25 owners (including without limitation Participants in the Securities Depository and  
26 beneficial owners) hereof are deemed to have irrevocably (i) consented to the  
27 adoption by Supplemental Ordinance of amendments to the General Bond  
28 Ordinance in substantially the form of the Proposed Amendments set forth as  
29 Appendix C to the Official Statement and (ii) appointed the Consent Agent as  
30 their agent, with irrevocable instructions to file a written consent to that effect at

1 the time and place and otherwise in the manner provided by the General Bond  
2 Ordinance.”

3 In addition, copies of this notation, together with copies of the Proposed Amendments,  
4 shall be filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market  
5 Access System.

1 COMMITTEE APPROVAL DATE: October 19, 2016

2 MAYOR-COUNCIL DATE: October 25, 2016

3 PASSED BY THE COUNCIL \_\_\_\_\_

4 \_\_\_\_\_ - PRESIDENT

5 APPROVED: \_\_\_\_\_ - MAYOR \_\_\_\_\_

6 ATTEST: \_\_\_\_\_ - CLERK AND RECORDER,  
7 EX-OFFICIO CLERK OF THE  
8 CITY AND COUNTY OF DENVER

9 NOTICE PUBLISHED IN THE DAILY JOURNAL \_\_\_\_\_ 2016 AND \_\_\_\_\_ 2016

10 PREPARED BY: HOGAN LOVELLS US LLP and BECKER STOWE PARTNERS LLC; DATE:  
11 October 27, 2016

12 Pursuant to section 13-12, D.R.M.C., this proposed ordinance has been reviewed by the office  
13 of the City Attorney. We find no irregularity as to form, and have no legal objection to the  
14 proposed ordinance. The proposed ordinance is submitted to the City Council for approval  
15 pursuant to § 3.2.6 of the Charter.

16 Kristin M. Bronson, City Attorney

17 BY: \_\_\_\_\_, Assistant City Attorney                      DATE: \_\_\_\_\_

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**EXHIBIT A**

**(FORM OF BOND)**

**No. R-** \_\_\_\_\_ **\$** \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF COLORADO  
CITY AND COUNTY OF DENVER  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION  
AIRPORT SYSTEM REVENUE BOND  
SERIES 2016B**

<b>INTEREST RATE</b>	<b>MATURITY DATE</b>	<b>ISSUE DATE</b>	<b>CUSIP</b>
Variable	November 15, 20__	_____, 2016	

**REGISTERED OWNER:** CEDE & CO.

**PRINCIPAL AMOUNT:** \_\_\_\_\_ **DOLLARS**

The City and County of Denver, in the State of Colorado (the “City” and the “State,” respectively), for and on behalf of its Department of Aviation (the “Department”), for value received, hereby promises to pay (solely from the special funds provided therefor, as hereinafter set forth) in lawful money of the United States of America, to the registered Owner hereof, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount specified above, together with interest thereon from the Issue Date set forth above until the principal hereof shall have been paid, at the interest rates and on the dates (each, an “Interest Payment Date”) described herein. The principal of and premium, if any, on this Bond are payable to the registered Owner hereof upon presentation and surrender of this Bond at the principal office of Zions Bank, a division of ZB, National Association, as paying agent (together with any successor as paying agent, the “Paying Agent”). Interest on this Bond shall be paid by check and mailed on the applicable Interest Payment Date to the registered Owner hereof as of the close of business on the Record Date at such registered

1 Owner's address as it appears on the Bond Register. As used herein, "Record Date"  
2 means:(a) for any Interest Payment Date in respect of any Daily Rate Period, Weekly  
3 Rate Period, Commercial Paper Rate Period or Index Rate Period, the Business Day  
4 next preceding such Interest Payment Date; and (b) for any Interest Payment Date in  
5 respect of any Term Rate Period or Fixed Rate Period, the fifteenth (15th) day (whether  
6 or not a Business Day) of the month preceding the month in which such Interest  
7 Payment Date occurs.

8 This Bond is one of a duly authorized issue of bonds of the City, designated as  
9 "City and County of Denver, Colorado, for and on behalf of its Department of Aviation,  
10 Airport System Revenue Bonds, Series 2016B" (the "Bonds"), all of which are being  
11 issued pursuant to the home-rule powers granted to the City in accordance with its  
12 Charter under article XX of the State Constitution, and pursuant to Ordinance No. 626,  
13 Series of 1984, which was adopted by the City Council of the City on November 26,  
14 1984, as amended and supplemented, including by Ordinance No. \_\_\_\_, Series of 2016  
15 (collectively, as amended or supplemented from time to time, the "General Bond  
16 Ordinance"). This recital is conclusive evidence of the validity of the Bonds and the  
17 regularity of their issuance. Said authorized issue of Bonds is not limited in aggregate  
18 principal amount and consists or may consist of one or more series of varying  
19 denominations, dates, maturities, interest rates and other provisions, as in the General  
20 Bond Ordinance provided. Capitalized terms used herein and not otherwise defined  
21 shall have the meaning given such terms in the General Bond Ordinance.

22 **THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, EQUALLY AND**  
23 **RATABLY SECURED BY AN IRREVOCABLE LIEN ON THE NET REVENUES AND**  
24 **CERTAIN FUNDS AND ACCOUNTS TO THE EXTENT PROVIDED IN THE GENERAL**  
25 **BOND ORDINANCE. THE BONDS DO NOT CONSTITUTE A DEBT OR AN**  
26 **INDEBTEDNESS OF THE CITY, FOR AND ON BEHALF OF THE DEPARTMENT,**  
27 **WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY**  
28 **PROVISION OR LIMITATION, AND SHALL NOT BE CONSIDERED OR HELD TO BE**  
29 **GENERAL OBLIGATIONS OF THE CITY, FOR AND ON BEHALF OF THE**  
30 **DEPARTMENT. THE CITY, FOR AND ON BEHALF OF THE DEPARTMENT, HAS**

1 **NOT PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT OF THE**  
2 **BONDS.**

3 Reference is hereby made to the General Bond Ordinance for a description of  
4 the terms on which the Bonds are issued and to be issued, the provisions with regard to  
5 the nature and extent of the pledge of Net Revenue and the rights of the registered  
6 Owners of the Bonds and all the terms of the General Bond Ordinance are hereby  
7 incorporated herein and constitute a contract between the City and the registered  
8 Owner from time to time of this Bond, and to all the provisions thereof the registered  
9 Owner of this Bond, by its acceptance hereof, consents and agrees. Additional Bonds  
10 may be issued and other indebtedness may be incurred on a parity with the Series of  
11 Bonds of which this Bond is a part, but only subject to the conditions and limitations  
12 contained in the General Bond Ordinance.

13 This Bond is payable both as to principal and interest, and as to any premium  
14 upon the redemption hereof, solely from Net Revenues of the Airport System and  
15 certain Airport System funds and accounts, all as provided in the General Bond  
16 Ordinance.

17 **Interest Rate Determination Method, Rate Periods, Interest Payment Dates and**  
18 **Authorized Denominations**

19 In the manner provided in the General Bond Ordinance, the term of this Bond will  
20 be divided into consecutive Rate Periods, which, as set forth and defined in the General  
21 Bond Ordinance, may be the Daily Rate Period, the Weekly Rate Period, the  
22 Commercial Paper Rate Period, the Term Rate Period, the Index Rate Period or the  
23 Fixed Rate Period. During each such Rate Period, this Bond shall bear interest at the  
24 Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate, the Index  
25 Rate, the Fixed Rate or the Stepped Rate, pursuant to the terms of and as defined in  
26 the General Bond Ordinance.

27 The initial Rate Period for this Bond shall be an Index Rate Period and during  
28 such initial Rate Period, subject to prior redemption or Conversion, this Bond shall bear

1 interest at an Index Rate calculated on each Index Rate Determination Date by the  
2 Index Agent in accordance with the General Bond Ordinance until the Purchase Date of  
3 [\_\_\_\_\_]. Subsequent Rate Period(s) and interest rate(s) for this Bond shall be  
4 determined in accordance with the provisions of the General Bond Ordinance.

5 This Bond shall bear interest payable to the registered Owner hereof from the  
6 latest of:(i) its Issue Date; (ii) the most recent Interest Payment Date to which interest  
7 has been paid or duly provided for, or (iii) if the date of authentication of this Bond is  
8 after a Record Date but prior to the immediately succeeding Interest Payment Date, the  
9 Interest Payment Date immediately succeeding such date of authentication. During  
10 Daily Rate Periods, Weekly Rate Periods, Index Rate Periods, or Commercial Paper  
11 Rate Periods, interest on this Bond shall be computed on the basis of a 365- or 366-day  
12 year for the number of days actually elapsed. During a Term Rate Period or the Fixed  
13 Rate Period, interest on this Bond shall be computed upon the basis of a 360-day year,  
14 consisting of twelve 30-day months. The term "Interest Payment Date" means:(a) with  
15 respect to this Bond:(i) in the Daily Rate Period or the Weekly Rate Period, the first  
16 Business Day of each calendar month; (ii) in the Commercial Paper Rate Period, the  
17 day immediately succeeding the last day of each Commercial Paper Rate Period  
18 applicable to this Bond; (iii) each Conversion Date; (iv) in the Term Rate Period or the  
19 Fixed Rate Period, each May 15 and November 15 occurring during such Term Rate  
20 Period or Fixed Rate Period, respectively; and (v) in the Index Rate Period, the first  
21 Business Day of each calendar month, or, if the City obtains a Favorable Opinion of  
22 Bond Counsel, such other periodic dates as shall be selected by the City in accordance  
23 with the General Bond Ordinance; (b) with respect to this Bond while bearing interest at  
24 the Daily Rate or the Weekly Rate, as applicable, any mandatory tender date on which  
25 a Series 2016B Liquidity Instrument providing support for Bonds of the Series or  
26 subseries of Bonds of which this Bond is one is substituted; and (c) in all events, the  
27 final maturity date or redemption date of this Bond.

28 Pursuant to the General Bond Ordinance, at any one time, each Bond shall have  
29 the same Interest Rate Determination Method and shall bear interest at the same rate,  
30 except for Bonds that are Series 2016B Credit Provider Bonds, Bonds during a



1 Commercial Paper Rate Period and Bonds of different maturities bearing interest at a  
2 Fixed Rate. At the times and subject to the conditions set forth in the General Bond  
3 Ordinance, the City may elect that the Bonds shall bear interest based on an Interest  
4 Rate Determination Method and for a Rate Period, different from the Interest Rate  
5 Determination Method or Rate Period then applicable. Notice of adjustment of the  
6 Interest Rate Determination Method or Rate Period shall be given by the Paying Agent  
7 to the Owner of this Bond as set forth in the General Bond Ordinance.

8           During each Daily Rate Period, this Bond shall bear interest at the Daily Rate,  
9 determined by the Remarketing Agent on each Business Day.

10           During each Weekly Rate Period except for a Weekly Rate Period in which this  
11 Bond is bearing interest at the Stepped Rate, this Bond shall bear interest at the Weekly  
12 Rate, determined by the Remarketing Agent by 5:00 p.m., New York City time on each  
13 Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a  
14 Business Day) for the next Calendar Week, provided that the Weekly Rate for the first  
15 Calendar Week (or portion thereof) following a Conversion Date resulting in a change in  
16 the Interest Rate Determination Method to a Weekly Rate shall be set by the  
17 Remarketing Agent on the Business Day immediately preceding such Conversion Date.

18           During each Weekly Rate Period in which this Bond is bearing interest at a  
19 Stepped Rate, this Bond shall bear interest at such Stepped Rate or Rates as  
20 determined by the Index Agent on the applicable Stepped Rate Determination Date for  
21 such Calendar Week or portion thereof as provided in the General Bond Ordinance.

22           During each Commercial Paper Rate Period, this Bond shall bear interest at the  
23 Commercial Paper Rate or rates applicable to this Bond. The Remarketing Agent shall  
24 select the Commercial Paper Rate Period or Periods for each of the Bonds on a  
25 Business Day selected by the Remarketing Agent not more than five (5) Business Days  
26 prior to the first day of such Commercial Paper Rate Period and not later than  
27 12:30 p.m., New York City time, on the first day of such Commercial Paper Rate Period.  
28 Each Commercial Paper Rate Period shall be a period of not less than one (1) nor more  
29 than two hundred seventy (270) days.

1           During an Index Rate Period, this Bond shall bear interest at the Index Rate  
2 calculated on each Index Rate Determination Date by the Index Agent in accordance  
3 with the General Bond Ordinance. The City shall determine the Purchase Date, if any,  
4 with respect to such Index Rate Period in accordance with the General Bond Ordinance,  
5 and a new Index Rate Period shall take effect upon satisfaction of the conditions in the  
6 General Bond Ordinance.

7           During a Term Rate Period after the initial Term Rate Period, this Bond shall bear  
8 interest at the Term Rate determined by the Remarketing Agent by 5:00 p.m. on the  
9 Term Rate Computation Date. The City shall select the duration of each Term Rate  
10 Period and each Term Rate Period shall end on a day that precedes a Business Day  
11 selected by the City that is a minimum of 180 days after commencement of such Term  
12 Rate Period but in no event later than the maturity date of this Bond.

13           During the Fixed Rate Period, this Bond shall bear interest at the Fixed Rate,  
14 determined by the Remarketing Agent on the Fixed Rate Computation Date in  
15 accordance with the provisions of the General Bond Ordinance.

16           In no event shall the interest rate on this Bond be greater than the Maximum  
17 Interest Rate.

18           This Bond shall be deliverable in the form of a fully registered Bond in the  
19 following denominations:(a) during any Daily Rate Period, Weekly Rate Period or  
20 Commercial Paper Rate Period, \$100,000 and any integral multiple of \$5,000 in excess  
21 thereof; and (b) during a Term Rate Period, an Index Rate Period or the Fixed Rate  
22 Period, \$5,000 and any multiple thereof; provided, however, that if as a result of a  
23 Conversion of a this Bond from a Term Rate Period or an Index Rate Period to a Daily  
24 Rate Period, Weekly Rate Period or Commercial Paper Rate Period, it is not possible to  
25 deliver all the Bonds of the same Series required or permitted to be Outstanding in a  
26 denomination described above, Bonds of this Series may be delivered, to the extent  
27 necessary, in different denominations (such denominations being referred to herein as  
28 "Authorized Denominations").

1 **Optional and Mandatory Tender Provisions**

2 Bonds shall be subject to optional and mandatory tender as specified in the  
3 General Bond Ordinance.

4 **Optional and Mandatory Redemption Provisions**

5 Bonds shall be subject to optional and mandatory redemption as specified in the  
6 General Bond Ordinance.

7 **Mandatory Tender and Purchase at Direction of City**

8 On each date on which this Bond is subject to redemption at the option of the  
9 City, this Bond is also subject to mandatory tender for purchase by the City, in whole or  
10 in part, at a purchase price equal to the amount that would be payable upon the  
11 redemption of this Bond at the option of the City on such date. Notice of such  
12 mandatory tender for purchase shall be given by mail not more than 60 days nor less  
13 than 30 days before the date of purchase (the "Optional Purchase Date"). Such notice  
14 may be conditional and if conditional notice is given and the Paying Agent does not  
15 have sufficient funds available on the Optional Purchase Date to pay the purchase price  
16 of the Bonds (the "Optional Purchase Price") subject to mandatory tender for purchase  
17 on such Optional Purchase Date, then such purchase shall be cancelled and the City  
18 shall be under no obligation to purchase this Bond. If moneys sufficient to pay the  
19 Optional Purchase Price of the Bonds subject to mandatory tender for purchase are  
20 held by the Paying Agent on the Optional Purchase Date, all Bonds subject to  
21 mandatory tender for purchase on such Optional Purchase Date shall be deemed  
22 purchased by the City and neither the former Owner or former Beneficial Owner of this  
23 Bond nor any other person shall have any claim thereunder, under the General Bond  
24 Ordinance or otherwise, for any amount other than the Optional Purchase Price.

25 **Amendments and Modifications**

26 The rights and obligations of the City and of the Holders and registered Owners  
27 of the Bonds may be modified or amended at any time in the manner, to the extent, and

1 upon the terms provided in the General Bond Ordinance, which provides, in certain  
2 circumstances, for modifications and amendments without the consent of or notice to  
3 the registered Owners of Bonds.

#### 4 **Transfer and Exchange Provisions**

5 This Bond is transferable or exchangeable as provided in the General Bond  
6 Ordinance, only upon the Bond Register at the Principal Office of the Series 2016B  
7 Bonds Registrar, by the registered Owner hereof in person, or by his or her duly  
8 authorized attorney, upon surrender of this Bond at the Principal Office of the Series  
9 2016B Bonds Registrar, together with a written instrument of transfer satisfactory to the  
10 Series 2016B Bonds Registrar duly executed by the registered Owner or his or her duly  
11 authorized attorney, and thereupon a new Bond or Bonds of the same series, maturity  
12 and in the same aggregate principal amount, shall be issued to the transferee in  
13 exchange therefor as provided in the General Bond Ordinance, upon payment of any  
14 charges therein prescribed.

#### 15 **Persons Deemed Owners**

16 The person in whose name this Bond is registered shall be deemed and  
17 regarded as the absolute Owner hereof for all purposes, including receiving payment of,  
18 or on account of, the principal, Purchase Price or Optional Purchase Price hereof and  
19 any redemption premium and interest due hereon.

20 It is hereby certified, recited and warranted that all the requirements of law have  
21 been fully complied with by the proper officers of the City in the issuance of this Bond;  
22 that it is issued pursuant to and in strict conformity with the Constitution and laws of the  
23 State, and in particular the Charter and the General Bond Ordinance; and that this Bond  
24 does not contravene any constitutional, Charter or statutory limitation. The Bonds are  
25 also issued pursuant to Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Act"), as  
26 amended. Pursuant to Section 11-57-210 of the Supplemental Act, this recital shall be  
27 conclusive evidence of the validity and the regularity of the issuance of the Bonds after  
28 their delivery for value.

1 No recourse shall be had for the payment of the principal, interest or premium, if  
2 any, of this Bond or for any claim based thereon, or otherwise, upon the General Bond  
3 Ordinance or other instrument pertaining thereto, against any individual member of the  
4 City Council of the City, or any officer or other agent of the City, past, present or future,  
5 either directly or indirectly through the City Council of the City or the City, or otherwise,  
6 whether by virtue of any constitution, statute, or rule of law, or by the enforcement of  
7 any penalty, or otherwise, all such liability, if any, being by the acceptance of this Bond  
8 and as a part of the consideration of its issuance specially waived and released.

9 By the purchase and acceptance of this Bond from time to time, the owners and  
10 any bond insurer and Series 2016B Liquidity Provider (including without limitation  
11 Participants in the Securities Depository and beneficial owners) hereof are deemed to  
12 have irrevocably (i) consented to the adoption by Supplemental Ordinance of  
13 amendments to the General Bond Ordinance in substantially the form set forth in the  
14 writing provided to the Initial Purchaser and (ii) appointed UMB Bank, and its  
15 successors, as their agent, with irrevocable instructions to file a written consent to that  
16 effect at the time and place and otherwise in the manner provided by the General Bond  
17 Ordinance.

18 Reference is made to the General Bond Ordinance, and to any and all  
19 modifications and amendments thereof, for an additional description of the nature and  
20 extent of the security for the Bonds, the funds and accounts or revenues pledged, the  
21 nature and extent and manner of enforcement of the pledge, the rights and remedies of  
22 the owners of the Bonds with respect thereto, the terms and conditions upon which the  
23 Bonds are issued, and a statement of rights, duties, immunities and obligations of the  
24 City and other rights and remedies of the owners of the Bonds.

25 This Bond shall not be entitled to any benefit under the General Bond Ordinance,  
26 or become valid or obligatory for any purpose, until the certificate of authentication  
27 hereon endorsed shall have been manually signed by the Series 2016B Bonds  
28 Registrar.



1

**CERTIFICATE OF AUTHENTICATION**

2

This is one of the Series 2016B Bonds described in the within-mentioned  
3 General Bond Ordinance, and this Bond has been duly registered on the registration  
4 books kept by the undersigned as the Series 2016B Bonds Registrar for such Series  
5 2016B Bonds.

6

ZIONS BANK, a division of ZB, National  
7 Association

7

8

\_\_\_\_\_  
9 as the Series 2016B Bonds Registrar

9

10 Date of Authentication: \_\_\_\_\_, 2016

11

By: \_\_\_\_\_  
12 Authorized Signatory

12

1 **[DTC LEGEND]**

2 Unless this Bond is presented by an authorized representative of The Depository Trust  
3 Company to the issuer or its agent for registration of transfer, exchange or payment, and any  
4 Bond issued is registered in the name of Cede & Co. or such other name as requested by an  
5 authorized representative of The Depository Trust Company and any payment is made to  
6 Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR  
7 OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered Owner hereof,  
8 Cede & Co., has an interest herein.

9 **[FORM OF ASSIGNMENT]**

10 FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

11 \_\_\_\_\_  
12 (Please Print or Type Name and Address of Assignee)

13 PLEASE INSERT SOCIAL SECURITY OR OTHER TAX IDENTIFICATION NUMBER OF  
14 ASSIGNEE

15 \_\_\_\_\_  
16 the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints  
17 \_\_\_\_\_

18 to transfer the within Bond on the books kept for registration thereof with full power of  
19 substitution in the premises.

20 Dated: \_\_\_\_\_

21 Signature: \_\_\_\_\_

22 (Signature of Assignor)

23 Notice: The signature on this assignment must correspond with the name of the registered  
24 Owner as it appears upon the face of the within Bond in every particular without alteration or  
25 enlargement or any change whatsoever

26 SIGNATURE GUARANTEED, by a Member of the Medallion Signature Program:  
27 \_\_\_\_\_  
28



CITY AND COUNTY OF DENVER, COLORADO  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION  
AIRPORT SYSTEM REVENUE BONDS  
SERIES 2016B – MAXIMUM PRINCIPAL AMOUNT OF \$ \_\_\_\_\_

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## APPENDIX C

### PROPOSED AMENDMENTS TO THE SENIOR BOND ORDINANCE

*The amendments to the Senior Bond Ordinance that have been proposed but not yet adopted are set forth below. These Proposed Amendments may become effective only upon adoption of a Supplemental Ordinance by the City Council. The City Council is under no obligation to adopt any of these Proposed Amendments, and no representation is made herein regarding which of the remaining Proposed Amendments, if any, may eventually be adopted. By purchase and acceptance of the Series 2016B Bonds, the Owners and Beneficial Owners thereof are deemed to have consented to the adoption of the Proposed Amendments, either in whole or in part, substantially in the form set forth below and to the appointment of UMB Bank, n.a. as their agent with irrevocable instructions to file a written consent to that effect at the time and place and in the manner provided by the Senior Bond Ordinance. The purchasers of all Senior Bonds issued by the City in 2000 and thereafter have likewise been deemed to have consented to the Proposed Amendments. See also "SECURITY AND SOURCES OF PAYMENT — Other Matters Related to the Senior Bonds." **The Proposed Amendments are shown in blackline.***

#### DEFINITIONS — SECTION 102 A.

The following definitions are to be amended to read as follows:

**(8.1) "Balloon Maturities" means, with respect to any series of Bonds or other Obligations 50% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, that portion of that series which matures within that Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of those Bonds or other Obligations required to be redeemed or otherwise prepaid prior to their stated maturity date. Similar structures with respect to commercial paper, bond anticipation notes or other Short-Term/Demand Obligations shall not be Balloon Maturities for purposes of this Instrument.**

**(22.1) "Contract Obligations" means capital leases, installment purchase agreements, guaranty agreements, or other similar contracts, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured under this Instrument. The term does not include (a) Bonds, Credit Facility Obligations, or Hedge Facility Obligations; or (b) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).**

**(47) "Minimum Bond Reserve" means (i) so long as any Bonds issued prior to August 1, 2000 are Outstanding, the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding, and (ii) if no Bonds issued prior to August 1, 2000 are Outstanding, an amount equal to the lesser of (A) the maximum amount of Bond Requirements in any Fiscal Year, or portion thereof, during the period commencing on the date of such computation and ending on the last date on which any Bonds to which such Bond Requirements relate will be Outstanding or (B) 125% of the average annual aggregate Bond Requirements on the Bonds then Outstanding; provided that if no Bonds issued prior to August 1, 2000 remain Outstanding, the Minimum Bond Reserve may be reduced to the maximum amount which**

is permitted to be capitalized for such purpose from the proceeds of such Bonds under then current law in order to maintain the exclusion from gross income for federal income tax purposes of interest on such Bonds; and provided further that no Minimum Bond Reserve shall be required for any Short-Term/Demand Obligations. With respect to any series of Bonds, ~~25%~~ 50% or more of the aggregate principal amount (or stated face amount) of which is payable as a Bond Requirement in any Fiscal Year, if such principal (or stated face amount) is not required to be redeemed or prepaid prior to such date of payment, it shall be assumed for purposes of determining the Minimum Bond Reserve that ~~(i) such~~ (x) such series of Bonds matures over a ~~twenty~~ thirty-year term date from its date of issuance, ~~(ii) bears~~ (y) bears interest at a rate determined by the Treasurer to be the rate on bonds of comparable term and credit under then existing market conditions, provided that the rate so determined shall not be less than the actual rate or rates borne by such series of Bonds, and ~~(iii) is~~ (z) is payable on a substantially level annual debt service basis assuming the rate so determined.

(50) “Net Rent Lease” means a lease or license of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals or other payments during the term thereof for the use of certain facilities, and to pay in addition all operation and maintenance expenses relating to ~~the leased~~ such facilities, including, without limitation, maintenance costs, insurance, and all property taxes and assessments now or hereafter lawfully levied.

(56.1) “Other Defeasance Securities” means any type of security or obligation, in addition to Federal Securities, that the Rating Agencies then maintaining ratings on any Bonds to be defeased have determined are permitted defeasance securities and qualify the Bonds to be defeased thereby for a rating in the highest category of, or are otherwise approved by, such Rating Agencies; provided that such security or obligation must be a permitted investment under the City’s investment policy as then in effect.

(58) The terms “owner” or any similar term, when used in connection with any Bonds means the registered owner of any Bond or the owner of record as to any Bond issued in book-entry form; provided that with respect to any series of Bonds which is insured by a bond insurance policy, the term “owner” for purposes of all consents, directions, and notices provided for in this Instrument and any applicable Supplemental Ordinance, shall mean the issuer of such bond insurance policy so long as such policy issuer has not defaulted under its policy.

(71.2) “Released Revenues” means revenues of the Airport System in respect of which the following have been filed with the Clerk:

(a) a certificate of the Manager describing such revenues and requesting that such revenues be excluded from the term Gross Revenues;

(b) either (i) an Independent Accountant’s certificate to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues covered by the Manager’s request are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, or (B) an amount not less than 135% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues; or (ii) an Airport Consultant’s certificate containing the estimates required by Section 704B, to the effect that, based upon reasonable assumptions, projected Net Revenues for each of the three full Fiscal Years following the Fiscal Year in which such

certificate is delivered, after the revenues covered by the Manager's certificate are excluded, will not be less than the larger of (A) the amounts needed for making the required deposits to the credit of the several subaccounts in the Bond Fund, the Bond Reserve Fund, and the Operation and Maintenance Reserve Account, of (B) an amount not less than 150% of the average Debt Service Requirements for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Gross Revenues and from the pledge and lien of this Instrument will not, in and of itself, cause the interest on any outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of such revenues from the pledge and lien of this Instrument will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues described in the Manager's certificate shall no longer be included in Gross Revenues and shall be excluded from the pledge and lien of this Instrument.

(74.1) "Short-Term/Demand Obligations" means each series of Bonds issued pursuant to this Instrument, (a) the payment of principal of which is either (i) payable on demand by or at the option of the owner at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (A) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper or other similar program, or (B) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar program, and (b) the purchase price, payment or refinancing of which is additionally secured by a Credit Facility.

(77) "Special Facilities" means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to art. VIII hereof. The Cost of any Special Facilities may include the types of costs included herein under the definition of "Cost," and may also include indirect costs for improvements to other parts of the Airport System or public utilities and other infrastructure not owned by the City that the Manager deems necessary and desirable in connection with such Special Facilities.

The following new subparagraphs (e), (f), and (g) are to be added to the definition of "Debt Service Requirements":

(e) The Debt Service Requirements of any series of Bonds (other than Bonds that mature within one year of the date of issuance thereof) or other Obligations all or a portion of which constitutes a Balloon Maturity shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds are authorized, be calculated by assuming that principal and interest on such Balloon Maturity is to be amortized over a 30-year period, beginning on the date of issuance or incurrence, assuming level debt service payable in each year at a rate of interest equal to the actual rate of interest of such Balloon Maturity on the date of calculation, provided that if the date of calculation is within 12 months of the final due date of such Balloon Maturity, the full amount of principal to become due shall be included in the calculation unless provision (g) of this definition than applies to such maturity.

(f) If all or any portion of an outstanding series of Bonds constitutes Short-Term/Demand Obligations, then, for purposes of determining Debt Service Requirements, each maturity that constitutes Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Bonds are authorized, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Short-Term/Demand Obligations were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date calculation as published by The Bond Buyer, or if that index is no longer published, another similar index designated by the Manager, taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Bonds only a portion of which constitutes Short-Term/Demand Obligations, the remaining portion shall be assumed to be paid in accordance with any amortization schedule established by the Supplemental Ordinance setting forth the terms of such Bonds or shall be treated as described in such other provision of this definition as shall be applicable.

(g) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (e) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Debt Service Requirements is made, shall be assumed to become due and payable on the stated maturity date, and provision (e) above shall not apply thereto, unless the Treasurer shall file a certificate with the Clerk stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that City has the financial ability to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service Requirements; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (e) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

The following new subparagraph (i) is to be added to the definition of "Gross Revenues":

(i) Any Released Revenues in respect of which there have been filed with the Clerk a Manager's certificate, an Airport Consultant's certificate, and an opinion of Bond Counsel and the other documents contemplated in the definition of "Released Revenues."

## OTHER PROVISIONS

The last paragraph of Section 603 (Deposition and Investment of Moneys) is to be amended to read as follows:

Moneys held in the Bond Fund, Capitalized Interest Account and the Bond Reserve Fund shall not be invested and reinvested in any obligations of the City included within the definition of Investment Securities. Investments of money in the Bond Reserve Fund shall mature not later than ~~ten years from the date of investment, and in no event later than~~ the final fixed maturity date of Bonds the payment of which is secured thereby. For purposes of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor or a third party is, on demand, obligated to



pay a fixed sum in discharge of the whole of such obligations. In scheduling each such investment or reinvestment, the Treasurer may rely upon estimates of appropriate officers or employees of the City.

A new Section 709 is to be added as follows:

**Section 709. Contract Obligations.**

**The City or the City for and on behalf of the Department may incur Contract Obligations for any Improvement Project or Refunding Project. Such Contract Obligations shall be incurred pursuant to a Supplemental Ordinance, which (i) may pledge all or any designated portion of the Net Revenues to the payment of such Contract Obligations; (ii) shall provide the terms and conditions of such Contract Obligations; (iii) shall provide for the payment of such Contract Obligations; and (iv) may provide for such other matters as the Manager and the City shall determine. Prior to the incurrence of any Contract Obligations there shall be filed with the Clerk the certificates, opinions and reports described in subsections B and C of Section 704 hereof; provided that for the purposes of such certificates, opinions and reports Contract Obligations shall be treated, as nearly as practicable, as Bonds.**

A New Section 806 is to be added as follows:

**Section 806. Loan Agreements for Special Facilities Bonds.**

**In connection with Special Facilities to be used by one or more person, in lieu of a Net Rent Lease the City may also enter into a loan or financing Agreement under which the user or users of the Special Facilities agree to pay all expenses of operation and maintenance and to make payments sufficient to pay the principal of, interest on, and any redemption premium due in connection with Special Facilities Bonds to be issued by the City to finance such Special Facilities. Except for ground rentals or payments in lieu of ground rentals to be received by the City, all or part of the payments to be made under such loan or financing agreement may be assigned by the City to secure the payment of Special Facilities Bonds issued by the City to finance such Special Facilities.**

The last paragraph of Section 1101 (Defeasance) is to be amended to read as follows:

For all purposes of this section, the term “Federal Securities” shall be deemed to include those Investment Securities described in (but subject to the limitations of) § 102A(44)(b)(i) hereof **and Other Defeasance Securities.**

A new Section 1106 is to be added as follows:

**Section 1106. Notice to Ratings Agencies.**

**The Treasurer shall provide or cause to be provided to each of the Rating Agencies a copy of each notice given to owners of the Bonds, such notices to be sent to the address of each Rating Agency as filed with the Treasurer.**

Paragraph (F) of Section 1303 (Amendments) is to be amended to read as follows:

F. Prejudicial Modification. ~~Modifications~~ Other modifications materially and prejudicially affecting the rights of the owners of ~~any~~ some (but not all) Bonds then Outstanding.

### **OTHER CHANGES**

The General Bond Ordinance may be changed in other respects as necessary to implement the foregoing amendments and integrate them into the existing text of the Ordinance.

\* \* \*

## APPENDIX D

### DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the City nor the Department takes any responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

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

DTC will act as securities depository for the Series 2016B Bonds. The Series 2016B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the Series 2016B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the DTC. The Series 2016B Bonds may in the future be registered in such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of Series 2016B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016B Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016B Bonds except in the event that use of the book-entry system for the Series 2016B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Series 2016B Bonds may wish to ascertain that the nominee holding the Series 2016B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2016B Bonds within a maturity of the Series 2016B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consider or vote with respect to the Series 2016B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2016B Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to

time. Payments with respect to the Series 2016B Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative to DTC, is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016B Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Series 2016B Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

The City may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2016B Bonds. In that event, certificates representing the Series 2016B Bonds will be printed and delivered to DTC.

\* \* \*

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## **APPENDIX E**

### **ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2015 AND 2014**

This appendix includes the following sections from the 2014 and 2015 Annual Financial Reports of the Airport System: Independent Auditors' Report (pages 8, 9 and 10); Management's Discussion and Analysis (pages 11 through 22); Financial Statements and Notes thereto (pages 23 through 63); and Supplemental Information (pages 64 through 71). The Introduction (pages 1 through 7) and Annual Financial Information (unaudited) (pages 72 through 77) have not been included but are available from the sources set forth in "Request for Information" on page 22 of this appendix.

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City and County of Denver  
Municipal Airport System  
**ANNUAL FINANCIAL REPORT**  
December 31, 2015 and 2014

## Independent Auditor's Report

Audit Committee  
City and County of Denver  
Denver, Colorado

We have audited the accompanying financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver, Colorado (the City), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit Committee  
City and County of Denver

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System, and enterprise fund of the City and County of Denver, as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2a to the financial statements, in fiscal year 2015 the Airport System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefit plan information and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Audit Committee  
City and County of Denver

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information listed in the table of contents under “Introductory Section” and “Other Information Section” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

Denver, Colorado  
May 27, 2016

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

### Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

### Financial Highlights

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower facility rentals due to changes in leased space, reduced rates, and the 2014 United Airlines hanger buy out and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year. Hotel revenue is a new revenue source for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel revenue was \$3.2 million.

Operating expenses, exclusive of depreciation and amortization, were \$437 million for the year ended December 31, 2015, an increase of \$23.2 million, or 5.6%, as compared to the year ended December 31, 2014. The increase over the prior year was related to an increase in personnel expenses and increases in repairs and maintenance projects, supplies, and materials. Hotel expenses is a new expense category for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel expenses were \$2.6 million.

### Overview of the Financial Statements

The Airport System is an enterprise fund of the City. An enterprise fund is established to account for operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

The Airport System's financial statements consist of its statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The statements of net position present information on the Airport System's assets, deferred outflows, liabilities, deferred inflows and net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statements of revenues, expenses, and changes in net position present information showing how the Airport System's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

This report also includes required supplementary information for the Airport System's pension information, other postemployment benefit plan and other information presented for the purposes of additional analysis.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board (GASB), because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – current year, the prior year and the year preceding the prior year (i.e., 2015, 2014, and 2013). During 2015, the Airport System adopted GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Financial information for 2014 and 2013 has not been adjusted for adoption of GASB 68.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Summary of Revenues, Expenses, and Changes in Net Position**

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 687,536	\$ 711,491	\$ 661,637
Operating expenses before depreciation and amortization	(436,803)	(413,563)	(431,935)
Operating income before depreciation and amortization	250,733	297,928	229,702
Depreciation and amortization	(163,714)	(183,560)	(184,721)
Operating income	87,019	114,368	44,981
Nonoperating revenues	187,437	167,803	128,718
Nonoperating expenses	(178,331)	(176,816)	(184,624)
Capital grants and contributions	20,483	20,533	31,413
Increase in net position	116,608	125,888	20,488
Net position, beginning of year	699,412	573,524	553,036
Cumulative effect of change in accounting principle	(90,567)	-	-
Net position, beginning of year, as adjusted	<u>608,845</u>	<u>573,524</u>	<u>553,036</u>
Net position, end of year	<u>\$ 725,453</u>	<u>\$ 699,412</u>	<u>\$ 573,524</u>

The following is a summary of operating revenues for the years ended December 31, 2015, 2014, and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues			
Facility rentals	\$ 194,004	\$ 235,774	\$ 214,251
Concession revenues	59,677	55,863	52,022
Parking revenues	178,478	167,851	159,465
Car rental revenues	65,309	59,655	50,002
Landing fees	147,379	147,840	137,550
Aviation fuel tax	19,458	26,298	28,101
Hotel	3,205	-	-
Other sales and charges	20,026	18,210	20,246
	<u>\$ 687,536</u>	<u>\$ 711,491</u>	<u>\$ 661,637</u>

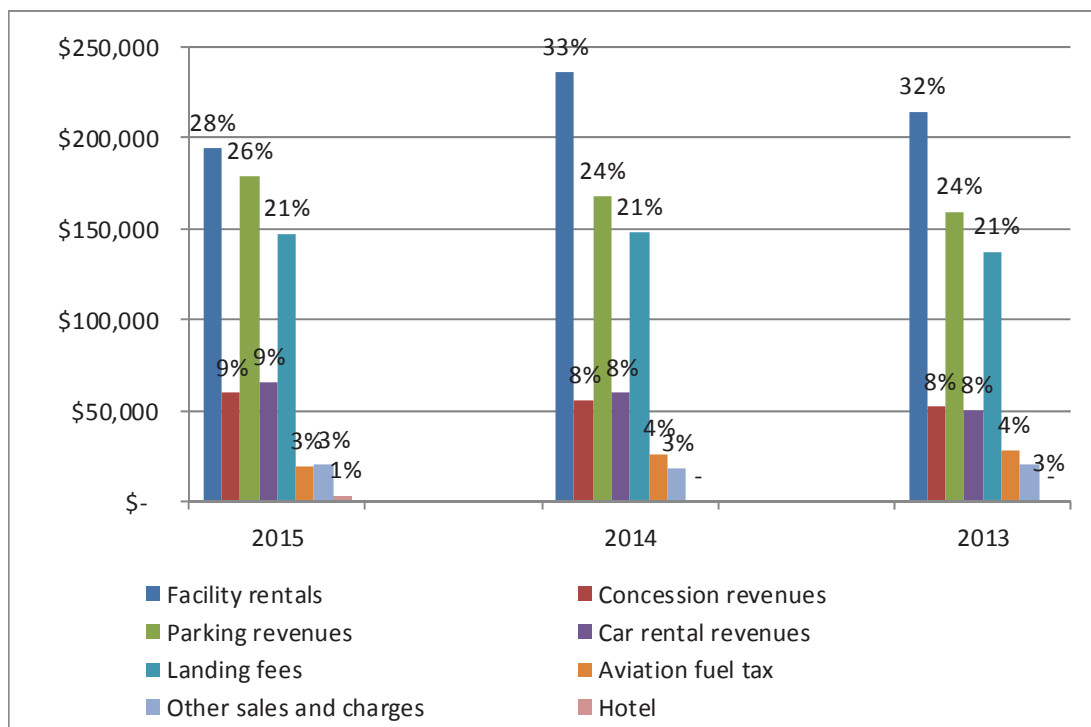
City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Percentage of Total Operating Revenues**

(\$ in thousands)



In order to understand some of the variances in the Airport System financial statement changes, the analysis below helps explain the changes in revenues.

The Airport System's activities changed as described below for the year ended December 31, 2015, as compared to 2014:

	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
Enplanements (in thousands)	27,019	26,737	1.1%
Passengers (in thousands)	54,015	53,473	1.0%
Aircraft operations (in thousands) <sup>(1)</sup>	548	575	-4.7%
Cargo (in 000's tons)	273	260	5.0%
Landed weight (in millions lbs)	30,055	30,351	-1.0%

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

The Airport System's activities changed as described below for the year ended December 31, 2014, as compared to 2013:

	<b>2014</b>	<b>2013</b>	<b>Percentage Change</b>
Enplanements (in thousands)	26,737	26,285	1.7%
Passengers (in thousands)	53,473	52,556	1.7%
Aircraft operations (in thousands) <sup>(1)</sup>	575	587	-2.0%
Cargo (in 000's tons)	260	249	4.4%
Landed weight (in millions lbs)	30,351	30,601	-0.8%

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

**2015/2014**

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower facility rentals due to changes in leased space, reduced rates, and the 2014 United Airlines hanger buy out and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year.

Facility rentals decreased by \$41.8 million due to rental rates and space adjustments.

Concession revenues between 2015 and 2014 increased \$3.8 million, or 6.8%, due to the openings of new locations along with fewer locations closed for remodeling.

Parking revenue increased by \$10.6 million, or 6.3%, due to an increase in daily rates in the garages, the economy lots, and valet on August 15, 2014, along with a higher percentage of O&D passengers.

Car rental revenue increased by \$5.6 million, or 9.5%, due to strong industry pricing and an increase in O&D passengers.

Landing fees decreased by \$0.5 million, or 0.3%, due to reduced airfield expenses.

Aviation fuel tax decreased in 2015 by \$6.8 million, or 26%, due to economic conditions with a decrease in the price of fuel during the year.

Hotel revenue is a new revenue source for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel revenue was \$3.2 million.

Other sales and charges increased by \$1.8 million, or 10.0%, primarily due to an increase in ground transportation rates and O&D passenger traffic.

**2014/2013**

Operating revenues increased by \$49.9 million, or 7.5%, to \$711.5 million in 2014, primarily due to the increased rates for landing fees, additional facility rental revenues, increased rates and surcharges for parking and car rental revenues.

Facility rentals increased by \$21.5 million, or 10.0%, which is primarily attributable to a \$9.7 million hangar lease buy out by United Airlines and increased rates.



City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

Concession revenues between 2014 and 2013 increased \$3.8 million, or 7.4%, primarily due to the increase in food and beverage sales and an increase in O&D passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger to \$12.07 in 2014 from \$11.22 in 2013, as new locations opened for business.

Parking revenue increased by \$8.4 million, or 5.3%, which is attributable to the 6.0% increase in O&D passenger traffic and an increase in daily rates in the garages, the economy lots, and valet on August 15, 2014.

Car rental revenue increased by \$9.7 million, or 19.3%, to \$59.7 million, due to an amendment to the agreement between the Airport and rental car agencies that will include extra sources of revenue as well as an increase in O&D passenger traffic.

Landing fees increased by \$10.3 million, or 7.5%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight to \$4.67 for signatory and \$5.61 for non-signatory airlines in 2014, from \$4.52 for signatory and \$5.43 for non-signatory airlines in 2013.

Aviation fuel tax decreased in 2014 by \$1.8 million, or (6.4%), due to a decrease in the price of fuel in 2014.

Other sales and charges decreased by \$2.0 million, or (10.1%), due to a decrease in revenue from natural resource royalties.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2015, 2014, and 2013:

**Operating Expenses Before Depreciation and Amortization**  
(In thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating expenses before depreciation and amortization			
Personnel services	\$ 148,518	\$ 134,699	\$ 125,608
Contractual services	197,459	194,712	194,666
Repair and maintenance projects	55,358	57,049	81,234
Maintenance, supplies, and materials	32,911	27,103	30,427
Hotel	2,557	-	-
Total operating expenses before depreciation and amortization	<u>\$ 436,803</u>	<u>\$ 413,563</u>	<u>\$ 431,935</u>

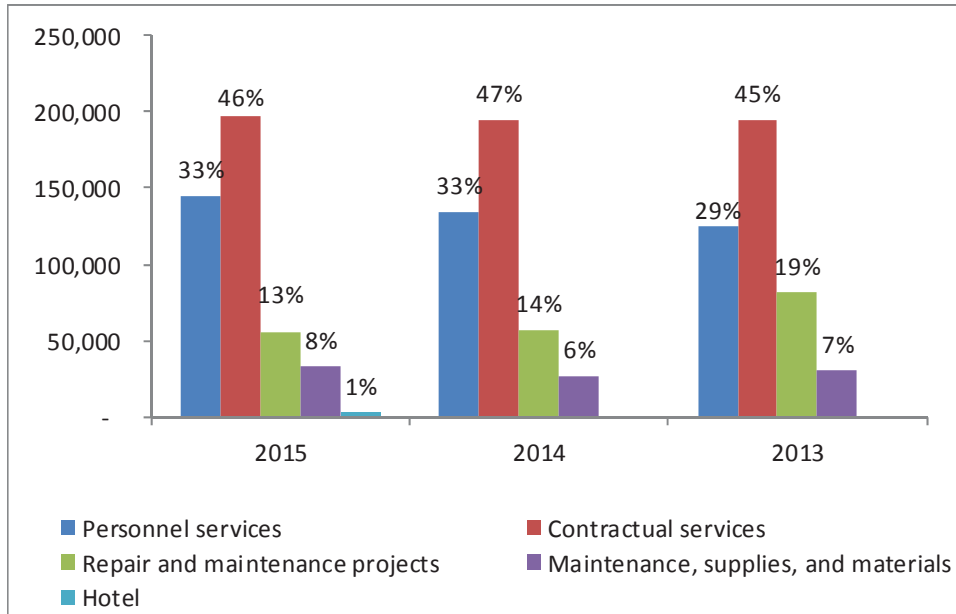
City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Percentage Total Operating Expenses before Depreciation and Amortization**

(\$ in thousands)



**2015/2014**

Operating expenses, exclusive of depreciation and amortization, were \$436.8 million for the year ended December 31, 2015, an increase of \$23.2 million, or 5.6%, as compared to the year ended December 31, 2014.

Personnel services increased \$13.8 million, or 10.3%, in 2015, primarily due to annual salary increases and benefits along with additional FTEs due to new facilities.

Contractual services increased by \$2.7 million, or 1.4%, driven primarily by snow removal related expenses, glycol, conveyances, utilities, and computer software subscriptions.

Repair and maintenance decreased by \$1.7 million, or 3.0%, due to a major airfield rehabilitation project that qualified for capitalization.

Maintenance, Supplies, and Materials increased by \$5.8 million, or 21.4%. This was due to increased spend on computer equipment and snow related chemicals.

Hotel expenses is a new expense category for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel expenses were \$2.6 million.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**2014/2013**

Operating expenses before depreciation and amortization decreased by \$18.4 million, or (4.3%), to \$413.6 million in 2014.

Personnel services increased \$9.1 million, or 7.2%, in 2014, which was due to an increase in personnel costs from permanent salaries, healthcare, FICA, retirement, other benefits, and other city agencies overtime.

Contractual services was flat due to decrease in snow removal, demolition services, R&M of technical equipment, which were offset by increases in professional and management services and shuttle bus operations.

Repair and maintenance projects decreased by \$24.2 million, or (29.8%), due to the completion of many airfield related projects in 2013.

Maintenance, supplies and materials decreased by \$3.3 million, or (10.9%), to \$27.1 million due to the decrease in materials and supplies related to snow removal, and offset by an increase in periodicals and bulletins, and software under \$500.

**Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions**

**2015/2014**

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

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

**2014/2013**

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

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

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Summary of Net Position**

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2015, 2014, and 2013 (in thousands):

Assets:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets, unrestricted	\$ 122,471	\$ 175,656	\$ 584,785
Restricted assets, current	103,272	163,207	723,511
Noncurrent investments	757,338	731,523	140,167
Long-term receivables	10,410	10,876	10,320
Capital assets, net	3,482,899	3,340,329	3,197,418
Bond insurance costs, net	3,063	4,072	4,487
Interest rate swaps	46,282	46,656	38,232
Investments – restricted	793,556	899,008	720,552
Total assets	<u>5,319,291</u>	<u>5,371,327</u>	<u>5,419,472</u>
 Deferred outflows of resources	 209,432	 217,098	 228,930

Liabilities:

Current liabilities, unrestricted	145,944	119,983	109,086
Current liabilities, restricted	253,178	238,363	253,116
Bonds payable, noncurrent	4,070,819	4,289,099	4,480,581
Interest rate payable swaps, noncurrent	196,761	216,834	201,820
Notes payable, noncurrent	12,184	15,347	20,316
Compensated absences payable, noncurrent	6,734	6,295	6,424
Net pension liability	115,000	-	-
Total liabilities	<u>4,800,620</u>	<u>4,885,921</u>	<u>5,071,343</u>
 Deferred inflows of resources	 2,650	 3,092	 3,535

Net position (deficit)

Net investment in capital assets	(626,147)	(730,285)	(719,304)
Restricted	669,009	665,439	669,309
Unrestricted	682,591	764,258	623,519
Total net position	<u>\$ 725,453</u>	<u>\$ 699,412</u>	<u>\$ 573,524</u>

**2015/2014**

Total assets decreased by \$52.0 million in 2015 compared to 2014. This was primarily due to a decrease in cash and investments of \$175.7 million offset by an increase in capital assets of \$299.6 million related to the construction of the hotel and transit center and depreciation of \$157.0 million.

Total deferred outflows of resources decreased by \$7.7 million due to the changes in fair value of effective hedging derivatives due to amortization of deferred losses on refunding and an addition of \$20.8 million due to the adoption of GASB 68.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

Total liabilities decreased by \$85.3 million in 2015 compared to 2014. This decrease was primarily attributed to the reduction of bond debt of \$195.9 million offset by an addition of pension liabilities of \$115.0 million related to the adoption of GASB 68.

Total deferred inflows of resources decreased by the amortization of deferred gains on refunding.

Of the Airport System's 2015 total net position, 92% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$636.5 million for debt service and \$32.5 million for capital projects, respectively.

At December 31, 2015, the remaining net position of \$682.6 million was unrestricted and may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements.

In addition, (\$626.1) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

**2014/2013**

Total assets decreased by \$48.0 million in 2014, compared to 2013. This was primarily due to a decrease in cash and investments of \$209.7 million offset by an increase in capital assets of \$142.9 million related to the construction of the hotel and transit center.

Total deferred outflows of resources decreased by \$11.8 million due to the changes in fair value of effective hedging derivatives due to amortization of deferred losses on refunding.

Total liabilities decreased by \$185.4 million in 2014, compared to 2013. This decrease was primarily attributed to the reduction of bond debt coupled with a decrease in vouchers payable.

Total deferred inflows of resources decreased by the amortization of deferred gains on refunding.

Of the Airport System's 2014 total net position, 95% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$642.3 million for debt service and \$23.1 million for capital projects, respectively.

At December 31, 2014, the remaining net position of \$764.3 million was unrestricted and may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements.

In addition, (\$730.3) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

**Long-term Debt**

As of December 31, 2015 and 2014, the Airport System had approximately \$4.1 and \$4.3 billion, respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately \$368.7 million in 2015.

The Airport System's senior lien debt is currently rated by Standard & Poor's, Moody's, and Fitch at A+, A1 and A+, respectively, with all three agencies giving the Airport a stable outlook.

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2015 and 2014 were 184% and 187% of total debt service, respectively.

On November 20, 2015, the Airport System issued \$195,940,000 of Series 2015A Bonds in a fixed rate mode to refund all of the outstanding Series 2005A Bonds via direct placement with Bank of America, resulting in a net present value savings of approximately \$38 million.

On December 12, 2014, the Airport System closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Bonds (closed on October 24, 2014), which refunded a \$114,325,000 portion of the Series 2007F1-F4 Bonds, will defer annual principal maturing with a goal of providing an estimated amount of debt service relief to the airlines of \$25 million per year between 2015 and 2025.

Additional information related to the Airport's long-term debt can be found in notes 8, 9, 10, 11 and 12.

### Capital Assets

As of December 31, 2015 and 2014, the Airport System had capital assets of approximately \$3.5 billion and \$3.3 billion, respectively. These amounts are net of accumulated depreciation of approximately \$2.9 billion and \$2.8 billion, respectively.

The Hotel and Transit Center Program consisting of a variety of projects which are, in part, under construction made up of three independent, yet physically integrated projects, which include the design and construction of:

Westin Hotel and Conference Center: Hotel with 519 rooms, conference center space for meetings, banquets, conventions and trade shows, full service restaurant, full gym and indoor pool. The hotel officially opened to the public on November 19, 2015.

Public Transit Center: Aviation commuter rail station with trains connecting the Airport with Denver's Union Station as part of the Regional Transportation District's east rail line under construction by Denver Transit Partners. This portion of the program was under construction as of December 31, 2015 with completion and initiation of rail service in April 2016.

Public Plaza: A connection of the hotel and transit center to the Jeppesen Terminal that also provides a venue for programs and events where passengers and visitors can find entertainment, relaxation, art and restaurants. The plaza was officially opened to the public on November 19, 2015.

The Airport's current capital program represents the expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities from 2013-2018. The 2013-2018 Capital Program has an estimated total cost of approximately \$1.4 billion and is expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper, grants, and Airport System monies. The Airport is in the process of developing its 2016-2020 capital plan which is expected to be finalized in mid-2016.

**Construction Commitments** – As of December 31, 2015, the Airport System had outstanding contractual construction and professional services commitments of approximately \$118.6 million.

Additional information related to the Airport's capital assets can be found in note 5.

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

**PFC** – In 1992, the PFC program authorized the imposition of a fee of \$3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of \$4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the PFC fee from \$3.00 to \$4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from \$3.00 to \$4.50 effective April 1, 2001. As of December 31, 2015 a total of \$1.7 billion has been remitted to the Airport, (including interest earned), of which \$106.2 million has been expended on approved projects. \$1.6 billion has been used to pay debt service on the Airport's general airport revenue bonds, and \$7.9 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of February 1, 2029, or upon collection of the authorized maximum PFC total of \$3.3 billion.

**CFC** – Effective January 1, 2014, the Airport imposed a CFC of two dollars and fifteen cents (\$2.15) per Rental Car Transaction Day. The CFC is imposed pursuant to the provisions of Chapter 5 and Sections 5-15 and 5-16 of the Revised Municipal Code of the City and County of Denver. The CFC shall be established through a cost recovery methodology based on the estimated costs associated with the management of, improvements to, and expansion of the existing rental car facility area and related transportation facilities and the planning and design of future phases of the rental car program.

### **Economic Factors**

Passenger traffic increased 1.0%, compared to the previous year. Also, the national average increased by 5.0%, in 2015 compared to 2014 as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International is United Airlines, which together with its affiliates account for approximately 42.3% of passenger enplanements at the Airport in 2015.

Southwest Airlines (Southwest) has the second-largest market share at the Airport for 2015. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airline's fourth busiest station in its system. Southwest currently leases 22 gates under a use and lease agreement. Southwest accounted for approximately 29.3% of passenger enplanements at the Airport in 2015.

Frontier maintained the third largest market share at the Airport for 2015. The Airport serves as Frontier's largest station. Frontier accounted for 12.4% of passenger enplanements at the Airport in 2015.

As previously discussed, operating revenues were down 3.4% in 2015 compared to 2014. Operating income before depreciation and amortization of \$250.7 million represented a decrease of \$47.2 million compared to 2014. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreement was \$130.1 million. The airlines will receive \$40 million with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Budgetary Highlights**

**Operating Income**

(In thousands)

	<b>2015 Budget</b>	<b>2015 Actual</b>	<b>% Over / Under</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>% Over / Under</b>
Operating Revenues						
Airline Revenues	\$ 342,313	\$ 341,383	(0.3%)	\$ 367,593	\$ 383,614	4.4%
Other Operating Revenues	345,758	346,153	0.1%	301,232	327,876	8.8%
Total Operating Revenues	688,071	687,536	(0.1%)	668,825	711,490	6.4%
Total Operating Expenses*	401,678	381,445	(5.0%)	369,727	356,514	(3.6%)
Total Operating Income	\$ 286,393	\$ 306,091	6.9%	\$ 299,098	\$ 354,976	18.7%

\*Operating expenses exclusive of repair and maintenance of projects

**2015**

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower landing fees due to reduced airfield expenses, lower facility rentals due to changes in leased space and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year.

Operating expenses were under budget primarily due to vacant positions, AGTS contractual savings, and City indirect costs savings.

**2014**

Other operating revenues were over budget primarily as a result of a parking rate increase, as well as an amendment to the agreement between the rental car agencies and the Airport.

Operating expenses were under budget primarily as a result of reduced snow removal expenses, the elimination of a letter of credit, as well as reductions in other service contracts.

**Request for Information**

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Finance Department, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available online at [www.flydenver.com](http://www.flydenver.com).



City and County of Denver  
Municipal Airport System

**STATEMENTS OF NET POSITION**

December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,529,487	\$ 33,357,820
Investments	35,334,372	77,417,367
Accounts receivable (net of allowance for doubtful accounts \$328,034 and \$155,023)	39,281,954	39,559,853
Due from other City agencies	60,613	32,309
Accrued interest receivable	6,814,961	8,149,313
Other receivables	498,126	825,898
Inventories	9,629,837	14,780,837
Prepaid expenses and other	1,321,835	1,532,124
Total current unrestricted assets	122,471,185	175,655,521
Restricted assets:		
Cash and cash equivalents	48,956,803	40,995,251
Investments	37,024,159	95,142,440
Accrued interest receivable	1,100,049	2,307,350
Prepaid expenses and other	4,920,275	5,960,280
Grants receivable	2,115,978	10,415,841
Passenger facility charges receivable	9,154,827	8,385,990
Total current restricted assets	103,272,091	163,207,152
Total current assets	225,743,276	338,862,673
Noncurrent assets:		
Investments	757,337,714	731,522,705
Long-term receivables, net of current portion	10,409,362	10,875,757
Capital assets:		
Buildings	2,315,457,426	2,072,964,404
Improvements other than buildings	2,422,915,273	2,278,187,375
Machinery and equipment	814,247,542	771,108,855
	5,552,620,241	5,122,260,634
Less accumulated depreciation and amortization	(2,920,388,618)	(2,763,392,655)
	2,632,231,623	2,358,867,979
Art	5,329,702	891,797
Capacity rights	12,399,824	12,399,824
Construction in progress	537,635,927	672,867,604
Land, land rights and air rights	295,301,825	295,301,825
Total capital assets	3,482,898,901	3,340,329,029
Prepaid bond insurance, net of accumulated amortization	3,063,376	4,071,561
Interest rate swaps	46,282,293	46,656,510
Investments - restricted	793,555,695	899,008,297
Total noncurrent assets	5,093,547,341	5,032,463,859
Total assets	5,319,290,617	5,371,326,532
<b>Deferred Outflows of Resources</b>	209,431,544	217,098,040

City and County of Denver  
Municipal Airport System

**STATEMENTS OF NET POSITION**

December 31, 2015 and 2014

	2015	2014
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Unrestricted		
Vouchers payable	\$ 56,644,134	\$ 33,120,882
Due to other City agencies	5,497,110	4,823,942
Compensated absences payable	2,337,681	2,607,792
Other liabilities	15,307,251	13,958,100
Revenue credit payable	40,000,000	40,000,000
Advance rent	26,158,194	25,472,443
Total current unrestricted liabilities	145,944,370	119,983,159
Restricted		
Vouchers payable	23,479,479	20,109,978
Retainages payable	20,665,334	30,839,397
Accrued interest and matured coupons	24,495,505	25,881,991
Notes payable	4,892,922	5,640,290
Other liabilities	9,094,673	7,751,754
Revenue bonds	170,550,000	148,140,000
Total current restricted liabilities	253,177,913	238,363,410
Total current liabilities	399,122,283	358,346,569
<b>Noncurrent liabilities:</b>		
Bonds payable:		
Revenue bonds, net of current portion	3,941,940,000	4,135,885,000
Plus: net unamortized premiums	128,878,934	153,213,718
Total bonds payable, noncurrent	4,070,818,934	4,289,098,718
Interest rate swaps	196,760,824	216,833,543
Notes payable	12,184,062	15,346,954
Compensated absences payable	6,733,411	6,294,753
Net pension liability	115,000,000	-
Total noncurrent liabilities	4,401,497,231	4,527,573,968
Total liabilities	4,800,619,514	4,885,920,537
<b>Deferred Inflows of Resources</b>	2,649,526	3,092,220
<b>Net Position</b>		
Net investment in capital assets (deficit)	(626,147,375)	(730,285,402)
Restricted for:		
Capital projects	32,479,368	23,120,816
Debt service	636,529,546	642,317,797
Unrestricted	682,591,582	764,258,604
Total net position	\$ 725,453,121	\$ 699,411,815

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Operating revenues:		
Facility rentals	\$ 194,004,325	\$ 235,773,863
Concession	59,676,864	55,863,189
Parking	178,478,347	167,850,663
Car rental	65,308,527	59,654,772
Landing fees	147,378,640	147,840,516
Aviation fuel tax	19,457,756	26,297,725
Hotel	3,205,350	-
Other sales and charges	20,025,946	18,210,095
Total operating revenues	687,535,755	711,490,823
Operating expenses:		
Personnel services	148,518,107	134,699,132
Contractual services	197,458,943	194,712,277
Repair and maintenance projects	55,357,824	57,049,087
Maintenance, supplies and materials	32,911,165	27,102,457
Hotel	2,556,897	-
Total operating expenses, before depreciation and amortization	436,802,936	413,562,953
Operating income before depreciation and amortization	250,732,819	297,927,870
Depreciation and amortization	163,714,183	183,559,687
Operating income	87,018,636	114,368,183
Nonoperating revenues (expenses):		
Passenger facility charges	106,006,728	103,958,931
Customer facility fees	18,597,856	17,214,747
Investment income	40,648,169	44,030,400
Interest expense	(169,413,131)	(176,177,132)
Operating grants	621,760	516,301
Other revenue	12,645,059	1,443,440
Total nonoperating revenues (expenses), net	9,106,441	(9,013,313)
Change in net position before capital grants and contributions	96,125,077	105,354,870
Capital grants	20,483,204	20,533,407
Change in net position	116,608,281	125,888,277
Net position, beginning of year, as previously reported	699,411,815	573,523,538
Cumulative effect of change in accounting principle	(90,566,975)	
Net position, beginning of year, as adjusted	608,844,840	
Net position, end of year	\$ 725,453,121	\$ 699,411,815

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Receipts from customers	\$ 695,295,973	\$ 729,185,846
Payments to suppliers	(240,191,165)	(274,681,013)
Interfund activity payments to other funds	(33,677,993)	(17,360,688)
Payments to employees	(128,002,315)	(133,530,272)
Net cash provided by operating activities	293,424,500	303,613,873
Cash flows from noncapital financing activities:		
Operating grants received	438,637	423,500
Net cash provided by noncapital financing activities	438,637	423,500
Cash flows from capital and related financing activities:		
Proceeds from issuance of notes payable	1,846,254	-
Principal paid on notes payable	(5,756,514)	(4,816,494)
Principal paid on revenue bonds	(151,325,000)	(159,045,000)
Interest paid on revenue bonds	(213,720,940)	(220,593,015)
Bond insurance and issue costs paid	(465,522)	(352,690)
Interest paid on notes payable	(468,965)	(581,858)
Capital grant receipts	28,966,190	13,592,845
Passenger Facility Charges	105,237,891	104,611,078
Car Rental Facility Fees	18,626,187	17,214,747
Purchases of capital assets	(216,407,262)	(225,874,905)
Payments from accrued expenses for capital assets	(50,701,714)	(74,953,960)
Payments to escrow for current refunding of debt	(20,870,406)	-
Proceeds from sale of capital assets	904,053	864,352
Net cash used in capital and related financing activities	(504,135,748)	(549,934,900)
Cash flows from investing activities:		
Purchases of investments	(1,946,362,831)	(2,220,346,798)
Proceeds from sales and maturities of investments	2,126,201,700	2,313,260,253
Proceeds from sales of assets held for disposition	10,256,125	1,319,266
Payments to maintain assets held for disposal	(797,733)	(1,849,609)
Insurance recoveries for Stapleton environmental remediation	302,099	1,805,451
Interest and dividends on investments and cash equivalents	24,806,470	28,290,088
Net cash provided by investing activities	214,405,830	122,478,651
Net increase (decrease) in cash and cash equivalents	4,133,219	(123,418,876)
Cash and cash equivalents, beginning of the year	74,353,071	197,771,947
Cash and cash equivalents, end of the year	\$ 78,486,290	\$ 74,353,071

(continued)

City and County of Denver  
Municipal Airport System

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 87,018,636	\$ 114,368,183
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	163,714,183	183,559,687
Miscellaneous income	6,242,507	1,753,852
Changes in assets and liabilities:		
Receivables, net of allowance	831,961	841,649
Due from other City agencies	(28,304)	-
Inventories	5,151,000	(5,284,796)
Prepaid expenses and other	1,132,468	(1,025,135)
Vouchers and other payables	23,523,252	(4,789,935)
Advance rent	685,751	3,446,462
Due to other City agencies	673,168	469,793
Compensated absences	168,547	(11,602)
Pension related items	3,623,989	-
Other operating liabilities	687,342	10,285,715
Net cash provided by operating activities	\$ 293,424,500	\$ 303,613,873

Noncash activities:

On November 20, 2015, the Airport system closed on a bond refunding via direct placement with Bank of America.

The approximately \$216 million in outstanding Series 2005A Senior Bonds were refunded with Series 2015A

Subordinate Bonds, resulting in a net present value savings of approximately \$38 million over a ten year period. On

December 12, 2014, the Airport system closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds.

Unrealized gain (loss) on investments	\$ (8,729,248)	\$ 14,828,983
Unrealized gain on derivatives	20,968,938	6,197,200
Capital assets added through incurrence of vouchers and retainages payable	43,330,401	50,701,713
Amortization of bond premiums, deferred losses on bond refundings, and prepaid bond insurance	6,637,081	5,666,145
Refunding bond proceeds delivered directly to an irrevocable trust	195,940,000	116,000,000
Credit facility and reimbursement agreements proceeds delivered directly to an irrevocable trust	-	172,501,638

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(1) Organization and Reporting Entity**

**(a) Nature of Operations**

Pursuant to Article XX of the State of Colorado Constitution and the City and County of Denver, Colorado (the City) Charter, the City acquired, owns, operates, and maintains certain airport facilities. These facilities include Denver International Airport (Denver International) and certain assets of Stapleton International Airport (Stapleton) and are referred to herein as the City and County of Denver Municipal Airport System (the Airport System). The Airport System is operated as the Department of Aviation, with a Chief Executive Officer appointed by and reporting to the Mayor.

Denver International consists of a landside terminal building, three airside concourses, six runways, roadways, and ancillary facilities on a 53-square mile site. Stapleton was closed to all air traffic on February 27, 1995. See note 6 for further discussion.

**(b) Reporting Entity**

The accompanying financial statements present only the Airport System enterprise fund and are not intended to present fairly the financial position of the City, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Airport System is an enterprise fund of the City and, as such, is an integral part of the City. An enterprise fund is established to account for an activity that is financed with debt secured solely by a pledge of net revenues from fees and charges of the activity or when laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges rather than with taxes or similar revenues. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). As an enterprise fund, the Airport System uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

During the year ended December 31, 2015, the Airport System adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, (Statement No. 68), as amended, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Airport System provides its employees with pension benefits through the Denver Employees Retirement Plan (DERP).

Statement No. 68 requires employers to record their proportionate share of the plan's unfunded pension liability. Statement No. 68 also includes recognition of deferred inflows and outflows of resources associated with the net difference between projected and actual earnings on pension plan investments, changes of assumptions or other inputs, and the net difference between expected and actual experience. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period or the service life, as appropriate. The adoption of Statement No. 68 resulted in a \$90,566,975 decrease in net position as of January 1, 2015. The fiscal year 2014 financial statements were not restated as it was not practical to do so as the actuarial data required to restate fiscal year 2014 was not available. Information regarding DERP's current funding status can be found in their annual financial report.

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**(b) Cash and Cash Equivalents**

Cash and cash equivalents, which the City primarily manages, consist principally of cash on hand, demand deposits, certificates of deposit, local government investment pools, and state and local government securities with original maturities of less than 90 days. See note 3 for further discussion.

**(c) Investments**

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2015 and 2014. The Airport System's investments are maintained in pools at the City and include municipal securities, corporate bonds, multi-national fixed income, structured products, U.S. Treasury securities, and U.S. Agency securities.

**(d) Inventories**

Inventories consist of materials and supplies which have been valued at the lower of cost (weighted average cost method) or market.

**(e) Capital Assets**

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Repairs and maintenance are expensed as incurred, unless they have the effect of improving and extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2015 and 2014 was \$47,052,696 and \$43,717,567, respectively.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Roadways	30 - 40 years
Runways/taxiways	35 - 40 years
Other improvements	15 - 40 years
Major system equipment	15 - 25 years
Vehicles and other equipment	5 - 10 years

**(f) Prepaid Bond Insurance, Deferred Gains (Losses) on Bond Refundings, and Unamortized Premiums (Discounts)**

Bond insurance premiums and premiums (discounts) on bonds are recorded as assets or liabilities and amortized over the life of the bonds that were issued using the effective interest method. Unamortized premiums on bonds are recorded as an addition to the face amount of the bonds payable. Gains (losses) on bond refundings are deferred and amortized over the life of the old bonds, or the remaining life of the refunding bonds, whichever is shorter, using the effective interest method. Gains (losses) on bond refundings are recorded as deferred inflows or outflows of resources, respectively.

**(g) Compensated Absences Payable**

Accumulated vested sick and vacation benefits are recorded as an expense and a liability as benefits accrue to employees. The Airport System uses the vesting method for estimating sick leave compensated absences payable.

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(h) **Advance Rent**

Advance rent is recorded when rental payments are received by the Airport System prior to a legal claim to them. Included in advance rent are customer credits and deposits.

(i) **Pensions**

For purposes of recording the net pension liability, deferred outflows of resources and deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the Denver Employees Retirement Plan (DERP) and additions to/reductions from DERP's fiduciary net position have been determined on the same basis as they are reported by DERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(j) **Net Position**

**2015**

The Airport System assets exceeded liabilities by \$725,453,121 as of December 31, 2015, a \$26,041,306 increase in net position from the prior year-end, which is net of a cumulative effect adjustment of \$90,566,975, relating to the adoption of Statement No. 68. Of the Airport System's 2015 net position, 92% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$636,529,546 and are externally restricted for debt service. The net position restricted for capital projects represent \$32,479,368.

The remaining net position included unrestricted net position of \$682,591,582 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65,760,442 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, (\$626,147,375) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

**2014**

The Airport System assets exceeded liabilities by \$699,411,815 as of December 31, 2014, a \$125,888,276 increase in net position from the prior year-end. Of the Airport System's 2014 net position, 95% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$642,317,797 and are externally restricted for debt service. The net position restricted for capital projects represent \$23,120,816.

The remaining net position included unrestricted net position of \$764,258,604 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65,760,442 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, (\$730,285,402) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.



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**(k) *Restricted and Unrestricted Resources***

Uses of restricted and unrestricted resources are made on a case-by-case basis by management depending on overall requirements. Generally, management applies restricted resources and then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

**(l) *Operating Revenues and Expenses***

The statement of revenues, expenses, and changes in net position distinguish operating revenues and expenses from nonoperating activity and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denver International's principal ongoing operations. The principal operating revenues of the Airport System are charges to airline tenants for facility rentals, landing fees and parking. Operating expenses include the cost of providing services, administrative costs, and depreciation on capital assets.

**(m) *Nonoperating Revenues and Expenses***

All revenues and expenses not meeting the above definition of operating revenues and expenses are reported as nonoperating revenues and expenses or capital contributions. Such items include Passenger Facility Charges (PFCs), Car Rental Customer Facility Fees (CFCs), interest expense, interest income, operating grants from the federal government and Stapleton demolition and remediation expenses.

**(n) *Governmental Grants***

The Airport System periodically receives grant revenues from federal agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred by the Airport System. Revenues from capital grants are reported as capital contributions on the statements of revenues, expenses, and changes in net position and revenues from operating grants are reported as nonoperating revenues.

**(o) *Rates and Charges***

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2015, the Airport System had accrued a liability to the airlines of \$3,150,356. As of December 31, 2014, the Airport System had accrued a receivable from the airlines in the amount of \$7,671,897.

50% of Net Revenues (as defined by the bond ordinance) with an annual cap of \$40,000,000 remaining at the end of the year are to be credited in the following year to the passenger airlines signatory use and lease agreement. The Net Revenues credited to the airlines totaled \$40,000,000 for both 2015 and 2014. Liabilities for these amounts were accrued as of December 31, 2015 and 2014, and are reported in the statements of net position as revenue credit payable.

**(p) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

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**(3) Cash, Cash Equivalents, and Investments**

**(a) Deposits**

As a department of the City and County of Denver (the City), the Airport System's deposits are pooled with the City's. Deposits are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's Investment Policy (the Policy) requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2015, the amount of the Airport System's deposits was \$27,157,881. In addition, the Airport System had \$4,543,230 in uncashed payroll and vendor checks at December 31, 2015. At December 31, 2014, the amount of the Airport System's deposits was \$46,739,795 (includes \$25,346,556 of certificates of deposit). In addition, the Airport System had \$1,029,141 in uncashed payroll and vendor checks at December 31, 2014.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities.

**(b) Investments**

The Airport System's investments are managed by the City and are subject to the Policy of the City. The objectives of the City's Policy, in order of priority are to maintain principal, to ensure the availability of funds to meet obligations promptly, and to maximize yield on the investment portfolio. The City's Policy applies to all investment activity of the City under the control of the Chief Financial Officer (CFO), including investments of certain monies related to business-type activities, and trust and agency funds. The City's Policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the CFO for investment shall also be administered in accordance with the Policy.

The City Charter, Section 2.5.3(c), and Denver Revised Municipal Code, Section 20-21, authorizes the type of investments that the City can hold. The Policy generally requires that investments shall be managed in accordance with portfolio theory management principles to compensate for actual or anticipated changes in market interest rates. To the extent possible, investment maturity will be matched with anticipated cash flow requirements of each investment pool. Additionally, to the extent possible, investments will be diversified by security type and obligor. This diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Deviations from expectations shall be reported in a timely fashion and appropriate action taken to control adverse developments.

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At December 31, 2015 and 2014, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash equivalents (including cash on hand)	\$ 28,292	\$ 21,387
Certificate of deposit	-	25,347
Local government investment pools	50,194	24,391
Municipal Securities	55,740	28,959
Commercial Paper	-	3,613
State & local government securities	-	3,230
Corporate Bonds	292,007	292,687
Multinational fixed income	114,129	66,495
Structured products	182,985	46,275
U.S. Treasury securities	354,604	449,757
U.S. Agency securities	623,787	915,303
	\$ 1,701,738	\$ 1,877,444

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2015 and 2014, is as follows (amount expressed in thousands).

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents	\$ 29,529	\$ 33,358
Investments	792,672	808,940
Restricted cash equivalents	48,957	40,995
Restricted investments	830,580	994,151
	\$ 1,701,738	\$ 1,877,444

**Interest Rate Risk** – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the CFO by limiting their maximum maturity of investments. Commercial paper can have a maximum maturity of 270 days. U.S. Treasury and Agency securities can have a maximum maturity of 10 years. Structured products, such as Mortgage Pass-Through Securities and Collateralized Mortgage Obligations can have a maximum of 31 years.

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At December 31, 2015, the Airport System’s investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

Investment type	Investments maturity in years				
	Fair value	Less than 1	1-5	6-10	Greater than 10
Corporate Bonds	\$ 292,007	\$ 9,883	\$ 282,124	\$ -	\$ -
Municipal Securities	55,740	-	40,234	15,506	-
Multinational Fixed Income	114,129	13,069	74,519	26,541	-
Structured Products	182,985	3,235	125,748	52,952	1,050
U.S. Treasury Securities	354,604	11,497	280,100	63,007	-
U.S. Agency securities	623,787	34,674	487,859	101,254	-
Total	\$ 1,623,252	\$ 72,358	\$ 1,290,584	\$ 259,260	\$ 1,050

As of December 31, 2015, the Airport System’s portfolio included callable U.S. Agency securities with a fair value of \$8,739,369. If a callable U.S. Agency security is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date.

**Credit Quality Risk** – Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. Moody’s, Standard & Poor’s, and Fitch are the three primary Nationally Recognized Securities Rating Organizations (NRSRO) that assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are assigned credit quality ratings AAA or its equivalent. Of the City’s investments at December 31, 2015, local government investment pools and corporation obligations were subject to credit quality risk. The Policy requires the local government investment pool to be in compliance with Title 24, Article 75, Part 7 of the Colorado Revised Statutes and have an office in Denver. The Policy also requires corporate debt obligations to be rated A- or higher, or the equivalent, by at least two NRSROs. All constraints are imposed at the time of purchase.

As of December 31, 2015, the Airport’s investments were in compliance with the City’s investment policy.

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City’s name, and are held by either the counterparty to the investment purchase or are held by the counterparty’s trust department or agent but not held in the City’s name.

None of the Airport System’s investments owned at December 31, 2015, were subject to custodial credit risk.

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**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single type of investment, or in a single issuer. The City’s Policy states that a maximum of 5% of the portfolio, based on market value, may be invested in commercial paper, municipal securities, corporate debt obligations, or certificates of deposit issued by any one provider. The Policy limits investments in money market funds, local government investment pool and supranationals to 10% per provider. Investments in money market funds, local government investment pools are limited to 25% of total investments with asset-back securities and municipal securities limited to 15% of the portfolio. Corporate bonds are limited to 20% of total investments and federal agency securities limited to 80% of the portfolio. All constraints are imposed at time of purchase.

More than 5.0% of the Airport System’s investments are in individual issuers: Federal Home Loan Bank (13.1%), Federal Home Loan Mortgage Corp. (7.2%), Federal National Mortgage Association (11%), and Tennessee Valley Authority (5.7%).

**(4) Accounts Receivables**

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management’s assessment of the probability of collection. As of December 31, 2015 and 2014, an allowance of \$328,034 and \$155,023, respectively, had been established.

**(5) Capital Assets**

Changes in capital assets for the years ended December 31, 2015 and 2014 were as follows (in thousands):

	2015				
	January 1, 2015	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2015
Depreciable:					
Buildings	\$ 2,072,964	\$ -	\$ 242,852	\$ (358)	\$ 2,315,458
Improvements other than buildings	2,278,188	-	144,728	-	2,422,916
Machinery and equipment	771,109	12,400	37,330	(6,592)	814,247
	5,122,261	12,400	424,910	(6,950)	5,552,621
Less accumulated depreciation and amortization	(2,763,393)	(163,714)	-	6,718	(2,920,389)
	2,358,868	(151,314)	424,910	(232)	2,632,232
Nondepreciable:					
Art	892	-	4,438	-	5,330
Capacity rights	12,400	-	-	-	12,400
Construction in progress	672,867	298,034	(429,348)	(3,918)	537,635
Land, land rights, and air rights	295,302	-	-	-	295,302
Total capital assets	<u>\$ 3,340,329</u>	<u>\$ 146,720</u>	<u>\$ -</u>	<u>\$ (4,150)</u>	<u>\$ 3,482,899</u>

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	2014				
	January 1, 2014	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2014
Depreciable:					
Buildings	\$ 2,009,211	\$ -	\$ 63,753	\$ -	\$ 2,072,964
Improvements other than buildings	2,274,526	-	4,426	(764)	2,278,188
Machinery and equipment	767,295	4,228	8,829	(9,243)	771,109
	<u>5,051,032</u>	<u>4,228</u>	<u>77,008</u>	<u>(10,007)</u>	<u>5,122,261</u>
Less accumulated depreciation and amortization	(2,589,185)	(183,560)	-	9,352	(2,763,393)
	<u>2,461,847</u>	<u>(179,332)</u>	<u>77,008</u>	<u>(655)</u>	<u>2,358,868</u>
Nondepreciable:					
Art	1,058	-	-	(166)	892
Capacity rights	12,400	-	-	-	12,400
Construction in progress	426,810	330,215	(77,008)	(7,150)	672,867
Land, land rights, and air rights	295,303	-	-	(1)	295,302
Total capital assets	<u>\$ 3,197,418</u>	<u>\$ 150,883</u>	<u>\$ -</u>	<u>\$ (7,972)</u>	<u>\$ 3,340,329</u>

**(6) Disposal of Stapleton**

The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is continuing to dispose of the Stapleton property. Certain portions of Stapleton were acquired with proceeds from federal grants, which provide for the return of certain federal funds. In addition, certain portions of the property are also subject to deed restrictions, under which the property would revert to the United States government. The City is able to seek releases from the grant assurances and deed restrictions from the Secretary of Transportation as dispositions occur, provided that: 1) the property is sold at fair market value, and 2) the proceeds are used to develop, improve, and construct Denver International. The City intends to continue to seek such releases and, in accordance with certain use and lease agreements, use any net proceeds from sales of Stapleton to retire or defease subordinate debt.

The Airport System reduced the carrying value of Stapleton by the amount of proceeds from sales of parcels each year. As of December 31, 2015 and 2014, the carrying value has been reduced to \$0, but there are some parcels that have not been sold. All proceeds from sales received after the carrying amount became \$0 are recorded as revenue. The current and anticipated costs accrued in restricted other liabilities for the environmental liability for Stapleton were \$7,785,859 and \$6,063,929, at December 31, 2015, and 2014, respectively. The Airport System has accrued \$6,924,281 and \$6,849,517 of insurance recoveries in accounts receivable at December 31, 2015 and 2014, respectively. The airport has received payments for insurance recoveries totaling \$267,762 in 2015 and \$1,805,451 in 2014.

**(7) Due to Other City Agencies**

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2015 and 2014 totaled \$19,854,878 and \$17,360,688, respectively, and have been included in operating expenses.

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In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other City personnel which are reflected as personnel services expenses. The total services paid for City service and personnel are \$34,895,811 and \$32,132,967 at December 31, 2015 and 2014, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled \$5,497,110 and \$4,823,942 at December 31, 2015 and 2014, respectively.

The outstanding receivable from the City and its related agencies totaled \$60,613 and \$32,309 at December 31, 2015 and 2014, respectively.

**(8) Bonds Payable**

Changes in long-term debt for the years ended December 31, 2015 and 2014 were as follows (in thousands):

	2015					Amounts due within one year
	January 1, 2015	Additions	Refunded debt	Retirements	December 31, 2015	
Airport System revenue bonds	\$ 4,240,750	\$ 195,940	\$ (216,150)	\$ (148,130)	\$ 4,072,410	\$ 170,550
Economic defeasance	40,080	-	-	-	40,080	-
Baggage defeasance	3,195	-	-	(3,195)	-	-
Plus unamortized net premiums	153,213	-	(6,214)	(18,120)	128,879	-
Total bond debt	<u>\$ 4,437,238</u>	<u>\$ 195,940</u>	<u>\$ (222,364)</u>	<u>\$ (169,445)</u>	4,241,369	<u>\$ 170,550</u>
Less current portion					(170,550)	
Noncurrent portion					<u>\$ 4,070,819</u>	

	2014					Amounts due within one year
	January 1, 2014	Additions	Refunded debt	Retirements	December 31, 2014	
Airport System revenue bonds	\$ 4,398,110	\$ 116,000	\$ (114,325)	\$ (159,035)	\$ 4,240,750	\$ 148,130
Economic defeasance	40,080	-	-	-	40,080	-
Baggage defeasance	3,205	-	-	(10)	3,195	10
Plus unamortized net premiums	172,681	-	-	(19,468)	153,213	-
Total bond debt	<u>\$ 4,614,076</u>	<u>\$ 116,000</u>	<u>\$ (114,325)</u>	<u>\$ (178,513)</u>	4,437,238	<u>\$ 148,140</u>
Less current portion					(148,140)	
Noncurrent portion					<u>\$ 4,289,098</u>	

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest on fixed rate bonds is payable semi-annually. The variable rate bonds are issued in weekly mode (except for the Series 2007G1-G2 bonds which are currently in a daily mode). Auction rate bonds carry interest rates that are periodically reset for 7-day periods. As such, the actual interest rate on the bonds will vary based on market conditions in the short-term tax-exempt bond market.



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The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2015 and 2014 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding	
			2015	2014
Airport system revenue bonds				
Series 1992F, G*	November 15, 2031	0.721%	\$ 34,900,000	\$ 34,900,000
Series 2002C*	November 15, 2031	0.721%	28,200,000	28,200,000
Series 2005A	Annually November 15, 2016 to 2025	4.00-5.00%	-	216,230,000
Series 2006A	Annually November 15, 2016 to 2025	4.00-5.00%	259,345,000	268,360,000
Series 2006B	November 15, 2015	5.00%	-	11,365,000
Series 2007A	November 15, 2023, 2024, 2026, 2027 and 2030	5.00%	188,350,000	188,350,000
Series 2007B	November 15, 2032	5.00%	24,250,000	24,250,000
Series 2007C	November 15, 2016, 2017 and 2033	5.00%	34,635,000	34,635,000
Series 2007D	Annually November 15, 2016 to 2023	5.25-5.50%	147,815,000	147,815,000
Series 2007D2	November 15, 2015	5.00%	-	16,365,000
Series 2007E	November 15, 2032	5.00%	47,400,000	47,400,000
Series 2007F1-F2**	November 15, 2025	0.37% - 0.42%	75,550,000	75,550,000
Series 2007G1-G2*	November 15, 2031	1.071%	131,500,000	135,600,000
Series 2008A1	November 15, 2016 and 2017	5.00-5.50%	20,900,000	53,990,000
Series 2008B*	November 15, 2031	0.914%	61,700,000	65,000,000
Series 2008C1-C3*	November 15, 2031	0.914% - 0.918%	292,600,000	292,600,000
Series 2009A	November 15, 2016 to 2036	5.00-5.25%	164,850,000	164,850,000
Series 2009B	November 15, 2039	6.414%	65,290,000	65,290,000
Series 2009C*	November 15, 2031	1.071%	104,655,000	104,655,000
Series 2010A	Annually November 15, 2016 to 2032	4.00-5.00%	171,360,000	171,360,000
Series 2011A	Annually November 15, 2016 to 2023	4.00-5.25%	285,695,000	301,830,000
Series 2011B	Annually November 15, 2016 to 2018 and 2024	4.00-5.00%	82,765,000	113,550,000
Series 2011C	November 15, 2016	4.00-5.00%	1,925,000	4,895,000
Series 2012A	Annually November 15, 2016 to 2043	3.00-5.00%	290,340,000	299,530,000
Series 2012B	Annually November 15, 2016 to 2043	4.00-5.00%	505,315,000	507,980,000
Series 2012C	November 15, 2026	3.592%	30,285,000	30,285,000
Series 2013A	Annually November 15, 2016 to 2043	4.00-5.50%	322,460,000	326,260,000
Series 2013B	Annually November 15, 2016 to 2043	3.00-5.25%	392,360,000	393,655,000
Series 2014A *	December 1, 2031	0.431%	112,025,000	116,000,000
Series 2015A	November 15, 2016 to 2021 and 2023 to 2035	2.220%	195,940,000	-
Economic Defeasance				
LOI 1998/1999	November 15, 2024 and 2025	6.125%	40,080,000	40,080,000
ABS baggage defeasance	November 15, 2015 to 2021	4.00-5.00%	-	3,195,000
Total revenue bonds			4,112,490,000	4,284,025,000
Less current portion			(170,550,000)	(148,140,000)
Net unamortized premiums			128,878,934	153,213,718
Total bonds payable noncurrent			<u>\$ 4,070,818,934</u>	<u>\$ 4,289,098,718</u>

\* Variable rates are as of December 31, 2015

\*\* Auction rates are as of December 31, 2015



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Most of the Airport term bonds are subject to certain mandatory redemption requirements and most of the Airport System bonds are subject to certain optional redemption provisions. Certain of the Airport System bonds are subject to certain mandatory sinking fund redemption requirements.

***Economic Defeasances***

On November 1, 1999, the Airport System entered into an economic defeasance of \$54,880,000 of Airport System Revenue Bonds through the use of certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under a 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the City. Escrow A proceeds will be used to pay principal and interest on \$40,080,000 of the Series 1992C Bonds maturing on November 15, 2025. Escrow B proceeds were used to pay principal and interest on \$14,800,000 of the Series 1991D Bonds maturing on November 15, 2013.

A special escrow account (ABS Baggage System defeasance) was funded between December 27, 2006 and December 31, 2011 with PFC and net revenues. This escrow was used to pay principal and interest on the Airport System revenue bonds related to the ABS baggage system. As of December 31, 2015, the bonds were paid off.

The economically defeased bonds are considered outstanding for the purposes of the General Bond Ordinance and were not considered legal defeasances or in-substance defeasances under accounting principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

***Bond Issuances***

On November 20, 2015, the Airport system closed on a bond refunding via direct placement with Bank of America. The approximately \$216 million in outstanding Series 2005A Senior Bonds were refunded with \$196 million in Series 2015A Subordinate Bonds, resulting in a net present value savings of approximately \$38 million over a 10 year period. The difference between the reacquisition price of \$216,810,406 and the net carrying amount of the old debt of \$221,745,529 resulted in the recognition of a deferred gain on refunding in the amount of \$4,935,123. The deferred gain on refunding is being amortized over the remaining life of the old debt.

On December 12, 2014, the Airport system closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Refunding Bonds and Series 1992F-G Bonds (closed on October 24, 2014), completed the debt restructuring component by deferring annual principal maturing with a goal of providing an estimated amount of debt service relief of \$25 million per year between 2015 and 2025.

***Defeased Bonds***

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2015 and 2014, respectively, \$49,360,000 and \$70,800,000 of bonds outstanding are considered defeased.

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**(9) Bond and Notes Payable Debt Service Requirements**

**(a) Bonds Payable**

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2015 are as follows:

<b>Airport System Bonds Payable</b>	<b>Principal</b>	<b>Interest</b>
<b>Year:</b>		
2016	\$ 170,550,000	\$ 163,930,176
2017	172,120,000	155,961,094
2018	190,655,000	148,035,652
2019	195,140,000	140,805,878
2020	200,405,000	134,393,053
2021-2025	1,232,100,000	552,949,083
2026-2030	887,355,000	351,134,465
2031-2035	563,295,000	183,649,682
2036-2040	303,205,000	83,334,589
2041-2043	157,585,000	14,914,350
Total	\$ 4,072,410,000	\$ 1,929,108,022

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2015, are as follows:

<b>LOI of Airport System</b>	<b>Principal</b>	<b>Interest</b>
<b>Year:</b>		
2016	\$ -	\$ 2,454,900
2017	-	2,454,900
2018	-	2,454,900
2019	-	2,454,900
2020	-	2,454,900
2021-2025	40,080,000	10,800,825
Total	\$ 40,080,000	\$ 23,075,325

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**(b) Notes Payable**

The Airport System entered into a Master Installment Purchase Agreement on March 15, 2004, with GE Capital Public Finance Inc. for \$13 million, to finance various capital equipment purchases at rates and terms of 3.6448% based on a 30/360 calculation for 2004. Payments are due quarterly to GE Capital Public Finance. The Airport System entered into Master Installment Purchase Agreements on October 26, 2006. These include an agreement with Koch Financial Corporation for \$23.0 million and an agreement with GE Capital Public Finance for \$9.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, and 4.16% based on a 30/360 calculation for 2007. The Airport System entered into a \$20.5 million Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.9595% based on a 30/360 calculation for 2012. The Airport System entered into an Installment Purchase Agreement on January 9, 2015 with Banc of America Public Capital Corp for \$1.8 million to finance various capital equipment purchases at a rate of 1.1656%. Payments are due annually.

The payment schedule relating to note requirements as of December 31, 2015 is as follows:

<b>Notes Payable</b>	<u>Principal</u>	<u>Interest</u>
<b>Year:</b>		
2016	\$ 4,892,922	\$ 291,931
2017	2,507,788	205,606
2018	2,569,538	165,006
2019	2,138,801	123,605
2020	2,181,020	81,386
2021-2022	<u>2,786,915</u>	<u>41,091</u>
Total	<u>\$ 17,076,984</u>	<u>\$ 908,625</u>

Changes in notes payable for the years ended December 31, 2015 and 2014 were as follows:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2015</u>	<u>Amounts due within one year</u>
Notes payable	\$ 20,987,244	\$ 1,846,254	\$ (5,756,514)	\$ 17,076,984	\$4,892,922
Less current portion				(4,892,922)	
Noncurrent portion				<u>\$ 12,184,062</u>	
	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2014</u>	<u>Amounts due within one year</u>
Notes payable	\$ 25,803,738	\$ -	\$ (4,816,494)	\$ 20,987,244	\$5,640,290
Less current portion				(5,640,290)	
Noncurrent portion				<u>\$ 15,346,954</u>	

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**(10) Demand Bonds**

Included in long-term debt are \$34,900,000 of Series 1992F, G; \$28,200,000 of Series 2002C, \$61,700,000 of Series 2008B, \$92,600,000 of Series 2008C1, \$200,000,000 of Series 2008C2-C3, \$104,655,000 of Series 2009C and \$131,500,000 of Series 2007G1-G2 of Airport System Revenue Bonds Series. These Bonds are currently Credit Facility Bonds which bear interest at rates indexed to 1-month LIBOR and are subject to mandatory redemption when the credit facilities and reimbursement agreements supporting them expire and upon the occurrence of certain other events of default. These agreements will either be extended, replaced, or the bonds will be refunded prior to the expiration date.

On July 29, 2011 and August 8, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Wells Fargo, who purchased the Series 2008B and 2008C1 bonds, respectively, at a floating rate indexed to 1-month LIBOR. On December 11, 2015, this agreement was amended, and the expiration date was extended to December 11, 2020.

On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate index to 1-month LIBOR. On August 29, 2014, this agreement was amended, and the expiration date was extended to August 29, 2019.

On October 1, 2012, the Airport entered into a credit facility and reimbursement agreement with U.S. Bank National Association, who purchased the Series 2009C bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on April 30, 2017.

On October 24, 2014, the Airport System entered into credit facility and reimbursement agreements with Banc of America Preferred Funding Corporation who purchased the Series 1992F Bonds at a floating rate indexed to 1-month LIBOR. These agreements expire on September 25, 2017.

On September 25, 2014, the Airport System entered into credit facility and reimbursement agreements with Banc of America Preferred Funding Corporation, who purchased the Series 2002C Bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on September 25, 2017.

On November 1, 2014, the Airport entered into credit facility and reimbursement agreements with BMO Harris Investment Corp who purchased the Series 2007G1-G2 Bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on December 1, 2023.

Also included in long-term debt is \$112,025,000 of Series 2014A Revenue Bonds which bear interest at a rate indexed to 1-month LIBOR and which are subject to mandatory tender on December 9, 2016. These bonds will either be remarketed with a later mandatory tender date or refunded prior to the expiration date.

**(11) Bond Ordinance Provisions**

***Additional Bonds***

The Airport System may issue additional parity and subordinate bonds, subject to certain coverage and other provisions, for the purpose of acquiring, improving or equipping facilities related to the Airport System.

***Airport System Revenue Bonds***

Under the terms of the Bond Ordinance, all bond series (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, outstanding Commercial Paper is collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

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The Airport System is required by the Bond Ordinance to set and collect rates and charges sufficient, together with other available funds, to provide for the payment of all operating and maintenance expenses for the current fiscal year plus 125% of the aggregate principal and interest payments of the Senior Bonds for such fiscal year prior to the issuance of additional bonds. Management believes the Airport System is in compliance with the bond covenants listed in the bond ordinance.

**(12) Swap Agreements**

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements all pay fixed–receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System’s swap agreements are considered investment derivatives in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53). Additionally, investment income on these derivatives has also been recognized in accordance with Statement No. 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments. The fair value balances and notional amounts of the swaps outstanding at December 31, 2015 and 2014 and the changes in the fair value of such swaps for the years then ended, are as follows:

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Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2015
							Classification	Amount	
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	\$ 100	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	\$ 424,505	\$ (21,578,358)
							Investment Income	(2,341,605)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	425,132	(21,319,312)
							Investment Income	(2,306,874)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	385,563	(22,390,192)
							Investment Income	(2,611,116)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	193,573	(11,035,115)
							Investment Income	(1,276,776)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(794,027)	664,879
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	54.114	11/15/2025	2006A, 2007D	3.6560%	70% LIBOR	Investment Income	(750,711)	(7,908,020)
JP Morgan Chase Bank, N.A.	11/15/2006	54.114	11/15/2025	2006A, 2007D	3.6874%	70% LIBOR	Investment Income	(765,924)	(8,011,878)
Jackson Financial Products, LLC	11/15/2006	108.228	11/15/2025	2006A, 2007D	3.6560%	70% LIBOR	Investment Income	(1,501,423)	(15,816,041)
Piper Jaffray Financial Products, Inc.	11/15/2006	54.114	11/15/2025	2006A, 2007D	3.6560%	70% LIBOR	Investment Income	(750,711)	(7,908,020)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	151.100	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	(3,066,238)	(23,389,576)
GKB Financial Services Corp.	11/15/2007	50.367	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	(1,022,080)	(7,796,525)
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	54.114	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	207,819	9,123,483
JP Morgan Chase Bank, N.A.	11/15/2006	54.114	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	207,819	9,123,483
Jackson Financial Products, LLC	11/15/2006	108.228	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	415,639	18,246,965
Piper Jaffray Financial Products, Inc.	11/15/2006	54.114	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	207,819	9,123,483
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	100.733	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	(2,044,326)	(15,590,716)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	(1,819,480)	(22,809,548)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	(158,337)	(11,207,523)
							Investment Income	(956,743)	
Total									<u><u>\$(150,478,531)</u></u>

(1) Previously associated with the 2001 C1-C4. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds

(2) A portion of the Series 2002C bonds are additionally associated with these swaps

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Counterparty	Effective Date	Amount (in millions)	Termination Date	Associated Debt Series	Swap Rate	Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2014
							Classification	Amount	
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	\$ 100	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	\$ 4,160,195	\$ (23,495,458)
							Investment Income	(2,271,347)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	4,156,505	(23,201,054)
							Investment Income	(2,237,633)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	2,406,516	(24,615,745)
							Investment Income	(2,536,529)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	1,203,312	(12,118,318)
							Investment Income	(1,240,290)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(414,046)	(129,148)
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	1,307,997	(8,658,731)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	Investment Income	1,295,104	(8,777,802)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	2,615,995	(17,317,464)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	1,307,997	(8,658,731)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	178.150	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	1,243,754	(26,455,814)
GKB Financial Services Corp.	11/15/2007	59.383	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	414,585	(8,818,605)
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,684,956)	9,331,302
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,684,956)	9,331,302
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(3,369,911)	18,662,604
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,684,956)	9,331,302
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	118.767	11/15/2025	2007F-G(2), 2014A	4.0085%	70% LIBOR	Investment Income	831,242	(17,635,042)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	2,837,079	(24,629,028)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	859,595	(12,322,603)
							Investment Income	(926,329)	
Total									<u><u>\$ (170,177,033)</u></u>

(1) Previously associated with the 2001 C1-C4. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds

(2) A portion of the Series 2002C bonds are additionally associated with these swaps

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Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2015 and 2014. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2015. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

**(a) *Risks Associated with the Swap Agreements***

The following risks are generally associated with swap agreements:

**Credit Risk** – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the Swap Agreement that is rated in the highest rating category of either Standard & Poors, Moody's Investors Service or Fitch, for any swap agreement, the counter party to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investor Service or Fitch; or under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2015, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a stable outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below).



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The ratings of the counterparties, or their credit support providers, as of December 31, 2015 are as follows:

<u>Counterparty (credit support provider)</u>	<b>Ratings of the counterparty or its credit support provider</b>		
	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	BBB+	A3	A
JP Morgan Chase Bank, N.A.	A+	Aa3	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	BBB+	Baa1	A-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	NR	Baa1	A
Royal Bank of Canada	AA-	Aa3	AA
Societe Generale, New York Branch	A	A2	A
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	NR	Baa1	A
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A	A2	A
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	BBB+	A3	A

As of December 31, 2015, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

**Termination Risk** – Any party to the Airport System's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport System may terminate any of its swap agreements at any time at its sole discretion. Further, certain credit events can lead to a termination event under the swap agreements (see Credit Risk above). If, at the time of termination, the swap has a negative fair value, the Airport System could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport System's swap agreements are terminated, the associated variable rate bonds would either no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. The Airport System is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.

**Interest Rate Risk** – The Airport System is exposed to interest rate risk in that as the variable rates of the swap agreements decrease, the Airport System's net payments on the swap agreements increase.

**Basis Risk** – Each of the Airport System's swap agreements is associated with certain debt obligations or other swaps. The Airport System pays interest at variable interest rates on some of the associated debt obligations and associated swaps. The Airport System receives variable payments under some of its swap agreements. To the extent the variable rate on the associated debt or the associated swap paid by the Airport System is based on an index different than that used to determine the variable payments received by the Airport System under the swap agreement, there may be an increase or decrease in the synthetic interest rate intended under the swap agreement. The nature of this risk for each of the Airport System's series of swaps is discussed more specifically in the descriptions of these swap agreements below.

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**(b) Description of the Swap Agreements and Associated Debt**

**The 1998 Swap Agreements and Associated Debt** – On January 1, 1998, the Airport System entered into interest rate swap agreements (the 1998 Swap Agreements) in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of \$100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Swap Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the LIBOR for 1-month deposits of U.S. dollars plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Securities Industry and Financial Markets Association index (SIFMA) and LIBOR such that the daily average SIFMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days.

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The Series 2000B and Series 2000C Bonds were refunded in 2008, by the Series 2008C1-C3 bonds. The Series 2008C2-C3 Bonds are currently associated debt with the 1998 swaps. On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate indexed to 1-month LIBOR. As a result of this transaction, the swap counterparties elected to apply the alternative variable rate provision under the swaps (70% of 1-month LIBOR plus 0.10%).

The aggregate weighted average fixed rate payable by the Airport System under the 1998 Swap Agreements is 4.7395%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

**The 1999 Swap Agreements and Associated Debt** – On July 28, 1999, the Airport System entered into interest rate Swap Agreements (the 1999 Swap Agreements) in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1991A Bonds and Series 1991D Bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2001. The 1999 Swap Agreements have notional amounts of \$100 million and \$50 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the SIFMA Index payable by the respective financial institutions. Historically, SIFMA Index averages have been lower than the variable interest rate the Airport System pays on the associated debt. The Airport System attributes this difference largely to the fact that the associated debt is subject to the alternative minimum tax. This means that, on average, the Airport System pays more in interest on the associated debt than it receives under the 1999 Swap Agreements. This basis risk is modified when the 1999 Swap Agreements and associated debt are considered together with the 2002 Swap Agreements and 2009A Swap Agreements.

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On October 4, 2001, the Airport System issued the Series 2001 C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The Series 2001C1-C4 Bonds were refunded by Commercial Paper and Series 2008A1-A4 Bonds in April 2008. Because the Series 2008A1-A4 were initially issued in a fixed rate mode, the 1999 Swap Agreements were subsequently associated with the Commercial Paper, Series 2008B Bonds and a portion of the Series 2002C Bonds. The Commercial Paper was refunded by the Series 2009C Bonds. The 1999 Swap Agreements are associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 1999 Swap Agreements, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA, on \$150 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.5962%. The 1999 Swap Agreements became effective on October 4, 2001, and payments under these Swap Agreements commenced on November 1, 2001.

On January 12, 2010, the Airport System terminated a \$50 million (not included in the \$150 million discussed above) 1999 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for that swap. The Airport System simultaneously entered into the 2009A replacement swap with Loop Financial Products I LLC (credit support provided by Deutsche Bank). (See “the 2009A Swap Agreements” discussed below).

***The 2002 Swap Agreements and Associated Debt*** – On April 11, 2002, the Airport System entered into interest rate Swap Agreements (the 2002 Swap Agreements) with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the SIFMA Index to a percentage of the LIBOR for 1-month deposits of U.S. dollars. On January 12, 2010, the Airport System terminated the 2002 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for the swap. The 2002 swap agreement was not replaced. The 2002 Swap Agreement with RFPC Ltd. has a notional amount of \$100 million, related to the 1999 Swap Agreements and provide for certain payments to or from the financial institution equal to the difference between SIFMA payable by the Airport System and a percentage of LIBOR payable by the financial institution. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.33% of LIBOR, rather than SIFMA, to offset the actual rate paid on the associated bonds. (See “the 1999 Swap Agreements and Associated Debt”).

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.33% of LIBOR received under the 2002 Swap Agreements. The 2002 Swap Agreement became effective on April 15, 2002 and payments under this Swap Agreement commenced on May 1, 2002.

***The 2005 Swap Agreements*** – In April 2005, the Airport System entered into interest rate Swap Agreements (the 2005 Swap Agreements) with four financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1996A Bonds and Series 1996D Bonds through the Airport System’s issuance of variable rate bonds on or before November 15, 2006. On August 9, 2006, the Airport System amended the 2005 Swap Agreements. The notional amounts of the 2005 Swap Agreements are approximately \$54.1 million, \$54.1 million, \$108.2 million and \$54.1 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and 70% of the LIBOR for 1-month deposits of U.S. dollars payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A Bonds in order to refund the Series 1996A and 1996D Bonds, and entered into the 2006B Swap Agreements (described below under the 2006B Swap Agreements). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A Bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70% of 1-month LIBOR on \$259 million of obligations.

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The aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements is 3.66%. The Airport System is exposed to basis risk under the 2005A Swap Agreements, due to the difference in indices between SIFMA paid on the associated 2006B Swap Agreements and 70.0% LIBOR received under the 2005 Swap Agreements. The 2005 Swap Agreements became effective on November 15, 2006 and payments under the Agreements commenced on December 1, 2006.

**The 2006A Swap Agreements** – On June 1, 2006, the City entered into interest rate swap agreements (the 2006A Swap Agreements) with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. One of these agreements, with Lehman Brothers Special Financing was terminated on December 18, 2008 and replaced with a 2008A Swap Agreement with Royal Bank of Canada described below. The remaining 2006A Swap Agreements have notional amounts of approximately \$151.1 million and \$50.4 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of LIBOR for 1-month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. On December 12, 2014, the Airport System issued the Series 2014A Bonds to refund a portion of the Subseries 2007F1-F4 Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2014A, Series 2007F1-F2, and Series 2007G1-G2 Bonds is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2014A, Series 2007F1-F2 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$201.5 million of obligations.

The Airport System is exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2006A Swap Agreements. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.0085%. The 2006A Swap Agreements became effective on November 15, 2007 and payments under these Swap Agreements commenced on December 1, 2007.

**The 2006B Swap Agreements** – On August 9, 2006 the Airport System entered into interest rate swap agreements (the 2006B Swap Agreements) with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the Series 1996A and 1996D bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of approximately \$54.1 million, \$54.1 million, \$108.2 million and \$54.1 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the SIFMA Index payable by the Airport System under each Swap Agreement and a fixed rate payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A Bonds, is that the Airport System will effectively pay a variable rate based on SIFMA plus or minus the difference between the fixed rate on the Series 2006A Bonds and the fixed rate received under the 2006B Swap Agreements on \$280.0 million of obligations. In November 2006, the 2005 Swap Agreements became effective. The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70.0% of 1-month LIBOR, minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on \$259.3 million of obligations.

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The aggregate weighted average fixed rate payable by the financial institutions under the 2006B Swap Agreements is 4.09%. The 2006B Swap Agreements became effective on November 15, 2006 and payments under these Swap Agreements commenced on December 1, 2006.

**The 2008A Swap Agreement** – On December 18, 2008, the Airport System entered into an interest rate swap agreement (the 2008A Swap Agreement) with Royal Bank of Canada and simultaneously terminated a 2006A Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$120.233 million notional amount associated with 2007-G Bonds. The swap provides for certain payment to or from Royal Bank of Canada equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for 1-month deposits of U.S. dollars payable to Royal Bank of Canada. The Airport System received \$21,100,000 from Royal Bank of Canada to assist in paying the settlement amount of \$21,353,831 due to Lehman Brothers Special Financing. As a result of receiving the loan of \$21,100,000 from Royal Bank of Canada, this loan, including interest at an implied rate of 6.519%, will be paid through the fixed rate to be paid by the City to Royal Bank of Canada.

The net effect of the 2008A Swap Agreements, with a remaining notional amount of approximately \$100.7 million, when considered together with the variable rate Series 2014A, Series 2007F1-F2 and Series 2007G1-G2 bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2014-A, Series 2007F1-F2 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$118.4 million of obligations.

The Airport System is exposed to basis risk under the 2008A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2008A Swap Agreement. The fixed rate payable by the Airport System under the 2008A Swap Agreement is 4.0085%. The 2008A Swap Agreement became effective on December 18, 2008 and payment under this 2008A Swap Agreement commenced on January 1, 2009.

**The 2008B Swap Agreement** – On January 8, 2009, the Airport System entered into an interest rate swap agreement (the 2008B Swap Agreement) with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$100 million notional associated with the 2008C1 Bonds outstanding in the amount of \$92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for 3-month deposits of U.S. dollars plus 0.10% payable by Loop Financial Products I LLC. The Airport System received \$22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of \$22,213,550 due to Lehman Brothers Special Financing. As a result of receiving \$22,100,000 from Loop Financial Products I LLC, the fixed rate to be paid by the City to Loop Financial Products I LLC will take into account such payments and will be above the market rate. The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 bonds, is that the Airport System will effectively pay a fixed rate on \$100 million, plus or minus the difference between the actual rate on \$92.6 million of the Series 2008C1 Bonds and 70% of 3-month LIBOR plus 0.10% on \$100 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of 3-month LIBOR plus 0.10% received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.



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*The 2009A Swap Agreement* – On January 12, 2010, the Airport System entered into an interest rate swap agreement (the 2009A Swap Agreement) with Loop Financial Products I LLC and simultaneously terminated the 1999 Swap Agreement with RFPC, Ltd. The purpose of the transaction was to replace RFPC, Ltd., due to deterioration of the ratings of AMBAC (the credit support provider on the swap), as counterparty to \$50 million notional. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and the SIFMA index payable by Loop Financial Products I LLC. The Airport System received \$10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of \$10,570,000 due to RFPC, Ltd. As a result of receiving \$10,570,000 from Loop Financial Products I LLC, the fixed rate to be paid by the Airport System to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The 2009A Swap Agreement is currently associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 2009A Swap Agreement, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA index, on \$50 million of obligations. The 2009A Swap Agreement became effective on January 12, 2010, and payments under this Swap Agreement commenced on February 1, 2010. The Airport System is exposed to basis risk under the 2009A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and the SIFMA index received under the 2009A Swap Agreement. The fixed rate payable by the Airport System under the 2009A Swap Agreement is 5.6229%.

(c) *Swap Payments and Associated Debt*

Interest Rate Swap Profile (all rates as of December 31, 2015)

Swaps	<b>1999, 2002, 2009A</b>	<b>2005, 2006B</b>	<b>2006A, 2008A</b>	<b>1998</b>	<b>2008B</b>
Associated Debt	<b>2002C, 2008B, 2009C</b>	<b>2006A 2007D</b>	<b>2007F-G, 2002C, 2014A</b>	<b>2008C2-C3</b>	<b>2008C1, 2002C</b>
Payment to Counterparty:	5.6129%	3.7943%	4.0085%	4.7395%	4.7600%
Payment from Counterparty:	<u>0.3378%</u>	<u>4.3862%</u>	<u>0.3007%</u>	<u>0.4007%</u>	<u>0.5289%</u>
Net Swap Payment:	5.2751%	-0.5919%	3.7078%	4.3388%	4.2311%
Associated Bond Interest Rate:	<u>1.0458%</u>	<u>4.9609%</u>	<u>0.7952%</u>	<u>0.9257%</u>	<u>0.9124%</u>
Net Swap & Bond Payment:	<u>6.3209%</u>	<u>4.3690%</u>	<u>4.5030%</u>	<u>5.2645%</u>	<u>5.1435%</u>

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As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2015, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999, and 2009A Swap Agreements), assuming current interest rates remain the same, for their terms, were as follows:

Year:	<u>Principal</u>	<u>Interest</u>	<u>Interest rate swaps net</u>	<u>Total</u>
2016	\$ 3,300,000	\$ 3,942,806	\$ 19,545,663	\$ 26,788,469
2017	5,200,000	3,912,375	19,545,663	28,658,038
2018	8,300,000	3,867,054	19,545,663	31,712,717
2019	43,155,000	3,780,213	17,790,869	64,726,082
2020	46,385,000	3,347,919	14,258,108	63,991,027
2021-2025	187,585,000	10,424,586	24,662,947	222,672,533
2026-2030	87,085,000	3,691,976	-	90,776,976
2031	18,990,000	194,027	-	19,184,027
Total	<u>\$ 400,000,000</u>	<u>\$ 33,160,956</u>	<u>\$ 115,348,913</u>	<u>\$ 548,509,869</u>

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2015.

**(13) Denver International Special Facility Revenue Bonds**

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2015 and 2014, Special Facility Revenue Bonds outstanding totaled \$270,025,000.

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**(14) Compensated Absences**

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2015 and 2014 are as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>January 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31,</b>	<b>due within</b>
	<b>2015</b>			<b>2015</b>	<b>one year</b>
Compensated absences payable	<u>\$ 8,902,545</u>	<u>\$ 4,009,556</u>	<u>\$ (3,841,009)</u>	<u>\$ 9,071,092</u>	<u>\$ 2,337,681</u>
Less current				<u>(2,337,681)</u>	
Noncurrent portion				<u>\$ 6,733,411</u>	
	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>January 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31,</b>	<b>due within</b>
	<b>2014</b>			<b>2014</b>	<b>one year</b>
Compensated absences payable	<u>\$ 8,914,147</u>	<u>\$ 4,915,809</u>	<u>\$ (4,927,411)</u>	<u>\$ 8,902,545</u>	<u>\$ 2,607,792</u>
Less current				<u>(2,607,792)</u>	
Noncurrent portion				<u>\$ 6,294,753</u>	

**(15) Deferred Outflows and Inflows of Resources**

A deferred outflow of resources is a consumption of net position by the Airport that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the Airport that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues, expenses or changes in assets/liabilities until the period to which they relate. Deferred outflows of resources of the Airport consist of accumulated decreases in fair value of hedging derivatives, proportionate share and employer-specific deferrals associated with the Airport's net pension liability and deferred losses on refunding. Deferred inflows of resources are comprised of deferred gain on refundings. The composition of deferred outflows and inflows are as follows as of December 31:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
Accumulated decrease in fair value of hedging activities	\$ 28,022,912	\$ 26,752,476
Deferred loss on refunding of debt	160,599,596	190,345,564
GASB 68 Deferred Outflow	20,809,036	-
Total Deferred Outflows	<u>\$ 209,431,544</u>	<u>\$ 217,098,040</u>
Deferred gain on refunding of debt	\$ 2,649,526	\$ 3,092,220
Total Deferred Inflows	<u>\$ 2,649,526</u>	<u>\$ 3,092,220</u>



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**(16) Pension Plan**

**2015**

**(As of and for the year ended December 31, 2015, accounted for and reported in accordance with GASB Statement No. 68)**

Substantially all of Denver International's employees are covered under the City and County of Denver's pension plan, the Denver Employees Retirement Plan (DERP).

**Plan Description** – DERP administers a cost-sharing multiple-employer defined benefit plan to eligible members. DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan's assets.

The Plan provides retirement, death and disability benefits for its members and their beneficiaries. Members who were hired before July 1, 2011, and retire at or after age 65 (or at age 55 if the sum of their age and credited service is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member's highest salary during a 36 consecutive month period of credited service. Members with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

For members who were hired after July 1, 2011, they must be age 60 and have combined credited service of at least 85 in order to receive a normal retirement prior to age 65. Final average salary is based on the member's highest salary during a 60 consecutive month period of credited service. Five year vesting is required of all employees in order to qualify for a benefit, regardless of their age at the time of termination of employment.

Annual cost of living adjustments are granted on an ad hoc basis. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the plan's Board, and enacted into ordinance by Denver City Council.

The Plan is accounted for using the economic resources measurement focus and the accrual basis of accounting. DERP issues a publicly available comprehensive annual financial report that can be obtained at <https://www.derp.org/>.

**Funding Policy** – The City contributes 11.5% of covered payroll and employees make a pre-tax contribution of 8.0% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the year ended December 31, 2015, were \$60,180,229, which equaled the required contributions. The Airport System's share of the total contributions was \$9,109,429 for the year ended December 31, 2015.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2015, Denver International reported a liability of \$115,000,000 for its proportionate share of the net pension liability related to DERP. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Airport System's proportion of the net pension liability was based on contributions to DERP for the calendar year 2014 relative to the total contributions of participating employers to DERP.

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At December 31, 2014, Denver International's proportion was 13.13003%, which was an increase of 0.96397% from its proportion of 12.16606% measured as of December 31, 2013.

The components of Denver International's net pension liability related to DERP as of December 31, 2015, are presented below:

Total pension liability	\$	384,857,902
Plan fiduciary net position		269,857,902
Net pension liability	\$	<u>115,000,000</u>

The change in net pension liability for the year ended December 31, 2015 was:

Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
\$ 98,437,252	\$ 25,672,177	\$ 9,109,429	\$ 115,000,000	\$ -

For the year ended December 31, 2015 pension expense recognized by Denver International is \$12,733,418. At December 31, 2015, Denver International reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sources	<b>Denver International Airport</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 6,068,481	\$ -
Changes in proportion	5,631,126	-
Contributions subsequent to the measurement date	9,109,429	-
<b>Total</b>	<u>\$ 20,809,036</u>	<u>\$ -</u>

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The \$9,109,429 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as presented below:

Year Ended December 31,	Denver International Airport
2016	\$ 3,685,607
2017	3,685,607
2018	2,811,273
2019	1,517,120
2020	-
Thereafter	-
	\$ 11,699,607

The total pension liability in the December 31, 2013 actuarial valuation was determined using the actuarial assumptions as follows:

	DERP
Investment Rate of Return	8.00%
Salary Increases	3.25% to 7.25%
Inflation	2.75%

Mortality rates were based on the RP-2000 Combined Mortality Table via scale AA to 2020, with multipliers specific to gender and payment status of employee.

The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At the time, the recommended mortality table was expected to produce a margin of 8% on the retired male mortality experience and 7% on the retired female experience.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2014 these best estimates are summarized in the following table:

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**Asset Allocation**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equities	22.50%	4.90%
Non-US Developed Markets	15.50%	7.00%
Emerging Markets	8.00%	9.80%
<b>Total Public Equity</b>	<b>46.00%</b>	
Core Fixed Income	11.50%	1.30%
Debt	2.50%	5.80%
Private Debt	6.50%	8.40%
<b>Total Fixed Income</b>	<b>20.50%</b>	
Real Estate	8.00%	6.50%
Absolute Return	5.00%	3.90%
Energy MLP's	7.00%	7.30%
Private Equity/Other	13.50%	8.40%
Cash	0.00%	0.80%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** – A single discount rate of 8.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate** – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 8.00%, as well as what the Plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

	<b>1 % Decrease</b>	<b>Current Discount Rate</b>	<b>1 % Increase</b>
<b>Denver International Airport</b>	<b>7.00%</b>	<b>8.00%</b>	<b>9.00%</b>
Proportionate Share of net pension liability	\$ 159,038,691	\$ 115,000,000	\$ 77,689,624

**Pension Plan Fiduciary Net Position** – Detailed information about DERP’s fiduciary net position is available in DERP’s separately issue of financial reports at <https://www.derp.org/>.

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**2014**

**(As of and for the year ended December 31, 2014, accounted for and reported in accordance with GASB Statement No. 27)**

Substantially all of Denver International's employees are covered under the City and County of Denver's pension plan, the DERP.

**(a) *Plan Description***

The following are brief descriptions of the retirement plan. Plan participants should refer to the appropriate source documents or publicly available financial reports for more complete information on the plans.

DERP is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's assets. As of December 31, 2014, the date of the last actuarial valuation, the plan was under-funded; however, there is no pension liability reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

The plan issues a publicly available financial report that includes financial statements and required supplementary information of that plan. Those reports are available by contacting:

Denver Employees Retirement Plan  
777 Pearl Street  
Denver, Colorado 80203

**(b) *Pension Plans' Funding Policy and Annual Pension Cost***

For DERP, the City contributes 11.2% of covered payroll and employees make a pre-tax contribution of 7.39% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2014, 2013, and 2012 were approximately \$57,336,647, \$53,424,064, and \$47,175,823, respectively, which equaled the required contributions each year. DIA's share of the City's contributions for the years ended December 31, 2014, 2013, and 2012 were \$7,870,277, \$7,792,658, and \$6,859,004, respectively.

**(c) *Postemployment Healthcare Benefits***

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992 postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2014, the monthly health insurance premium supplement was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

**(17) *Other Postemployment Benefit Plan – Implicit Rate Subsidy***

Employees of the Airport System (as City employees), along with a portion of the employees of Denver Health and Hospital Authority (DHHA) (those employed prior to 2001, who have elected to remain members of the Plan), employees of DERP, and a majority of the other employees of the City (certain fire and police personnel are excluded),

City and County of Denver  
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**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

are participants in the City's health care plan. For active employees participating in the City's health care plan, the employers pay a certain percentage of monthly premiums and the employees pay the remainder of the premium. Vested retired employees participating in the City's health care plan pay 100% of the premium and are eligible for an insurance premium reduction payment from DERP. In establishing premiums, the active and retired employees from the three employers (the City, DERP and DHHA) are grouped together without age-adjustment or differentiation between employers. The premiums are the same for both active and retired employees creating an implicit rate subsidy for the retirees.

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the City's retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with five years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purpose of calculating the implicit rate subsidy, it was estimated there were 1,210 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on a pay-as-you-go financing.

A Schedule of Funding Progress and Schedule of Employer Contributions are presented as Required Supplementary Information following the notes to the financial statements. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Both the Schedule of Funding Progress and the Schedule of Employer Contributions present information related to the cost-sharing plan as a whole, of which the City, including the Airport System, is one participant, and should provide information helpful for understanding the scale of the information presented relative to the Airport System.

Projections and benefits for financial reporting purposes are based on the substantive plan as understood by the plan and the members and included in the types of benefits provided at the time of each valuation and the historic pattern of benefit costs between the employer and the plan members to 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 of assets, consistent with long-term perspective calculations.

For the December 31, 2015, actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 3.0% general inflation rate, 7.75% investment rate of return, 3.25% salary increase, and health care cost trend grading from 8.5% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.

Contributions made by the Airport System toward the implicit rate subsidy were \$856,914, \$770,126, and \$740,483 for the years ended December 31, 2015, 2014, and 2013, respectively, based on a pay-as-you-go financing.

**(18) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries. It is the opinion

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

of the City’s legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

**(19) Commitments and Contingencies**

**(a) Commitments**

At December 31, 2015, the Airport System has the following contractual commitments for construction and professional services:

Construction Projects	\$	80,780,589
Construction Projects to be funded by bonded debt		36,269,488
Construction Projects to be funded by bonded debt - Hotel/Transit Center		1,570,317
Total commitments	\$	118,620,394

**(b) Noise Litigation**

The City and Adams County entered into an intergovernmental agreement for Denver International dated April 21, 1988 (the Intergovernmental Agreement). The Intergovernmental Agreement establishes maximum levels of noise that should not be exceeded on an average annual basis at various grid points surrounding the Airport. Penalties must be paid to Adams County when these maximums are exceeded.

There are no noise penalties due for 2015 or 2014.

**(c) Regional Transportation District (RTD)**

The City and Regional Transportation District (RTD) entered into an intergovernmental agreement for Denver International Airport (DIA) dated March 16, 2010 (the Intergovernmental Agreement), which contemplates the implementation of additional Gateway Stations on the East Corridor Line. The Airport is obligated to fund a Gateway Station at approximately 61<sup>st</sup> Avenue and Pena Boulevard, which will be completed by RTD, in the amount of \$12,189,520.

Additionally, the Airport and RTD had different interpretations of the IGA’s division of performance and payment responsibility in the area immediately south of the DIA Rail Station. The dispute was resolved in early 2016; as of the date of this Annual Financial Statement, the City received reimbursement from RTD of the final agreed upon amount of \$7,793,515.

**(d) Claims and Litigation**

The Airport System is involved in several other claims and lawsuits and is the subject of certain other investigations. The Airport System and its legal counsel estimate that the ultimate resolution of these matters will not materially affect the accompanying financial statements of the Airport System.



City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

(e) *Denver International Assets under Operating Leases*

The Airport leases portions of its buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2015 and 2014 was \$82,155,236 and \$93,282,249, respectively.

Minimum future rentals due from concession tenants are as follows for the years ending December 31:

2016	\$	92,674,259
2017		47,677,408
2018		39,708,575
2019		35,930,191
2020		32,673,189
2021-25		41,987,499
2026-29		2,719,897
Total minimum future rentals	\$	293,371,018

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds \$20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2015 or 2014. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(f) *Federal grants*

Under the terms of the federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The Airport System management believes disallowances, if any, will be immaterial to its financial position and activities of the Airport.

**(20) Insurance**

The Department of Aviation is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Department of Aviation has purchased commercial insurance for the various risks.

Employees of the City and County of Denver (including all Department of Aviation employees) are covered by the City's insurance policies. Effective October 1, 1989, the City established a workers' compensation self-insurance trust in accordance with State statutes to be held for the benefit of the City's employees.

The City's Workers' Compensation Internal Service Fund compensates City employees, or their eligible dependents, for injuries as authorized by the State Workers' Compensation law or City ordinances. The administrators of the fund provide safety training and enhancement programs, in addition to maintaining in-house records of claims.



City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

In 2011, the Department of Aviation established an Owner Controlled Insurance Program (OCIP) to insure all contractors and subcontractors working on the Hotel Transit Center Project. The program included general liability, worker's compensation, builder's risk, contractor's pollution and Owners Protection Professional Liability. In 2013, the airport established a Rolling Owner Controlled Insurance Program (ROCIP) for selected Capital Improvement Projects from 2013 – 2015. Claims for these programs have not exceeded the insurance coverage since each program's inception.

**(21) Significant Concentration of Credit Risk**

The Airport System derives a substantial portion of its operating revenues from airlines' landing fees and facility rental fees (airline operating revenue). For the years ended December 31, 2015 and 2014, United Airlines group represented approximately 43.0% and 47.3% of the Airport System's airline operating revenue, respectively. Southwest Airlines represented 21.8% and 19.0% in 2015 and 2014, respectively. Frontier Airlines represented 10.4% and 12.7% in 2015 and 2014, respectively. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

**(22) United Airlines**

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. Pursuant to the United Use and Lease Agreement, United currently leases 31 contact gates and 13 gates in Concourse B's regional jet facility. In addition, United together with its United Express commuter affiliates, accounted for 42.3% and 40.6% of enplaned passengers at the Airport in 2015 and 2014, respectively.

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**(UNAUDITED)**

**December 31, 2015**

Denver International proportion of the net pension liability	13.130030%
Denver International proportionate share of the net pension liability	\$ 115,000,000
Denver International covered-employee payroll	\$ 75,900,523
Denver International proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.51%
Plan fiduciary net position as a percentage of the total pension liability	70.11%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

Information presented in this schedule has been determined as of Denver International's measurement date (December 31 one year prior to the most recent fiscal year-end) of the collective net pension liability in accordance with Governmental Accounting Standards Board Statement No. 68.

City and County of Denver  
 Municipal Airport System  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**(UNAUDITED)**  
**December 31, 2015**

Contractually required contribution	\$ 9,109,429
Contributions in relation to the contractually required contribution	<u>9,109,429</u>
Contribution deficiency (excess)	<u>\$ -</u>
Denver International covered-employee payroll	<u>\$ 84,601,177</u>
Contributions as a percentage of covered-employee payroll	10.77%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

Information presented in this schedule has been determined as of Denver International's most recent fiscal year-end (December 31) in accordance with Governmental Accounting Standards Board Statement No. 68.

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING PROGRESS**

(UNAUDITED)

December 31, 2015 and 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (Funding Excess) (b-a)	Funded Ratio (a/B)	Covered Payroll (c)	Unfunded AAL (Funding Excess) as a Percentage of Covered Payroll (b-a)/(c)
<b>Implicit Rate Subsidy</b>						
12/31/13	\$ -	\$ 89,879,000	\$ 89,879,000	0.0%	\$ 464,092,000	19.4%
12/31/14	-	73,738,477	73,738,477	0.0	487,407,934	15.1
12/31/15	-	73,494,705	73,494,705	0.0	503,248,691	14.6

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**(UNAUDITED)**

**December 31, 2015 and 2014**

<b>Year Beginning January 1</b>	<b>Annual Actuarially Required Contribution</b>	<b>Percentage Contributed</b>
<b>Implicit Rate Subsidy</b>		
2013	\$ 6,421,000	85.4%
2014	4,987,182	105.1
2015	5,048,374	112.5

City and County of Denver  
Municipal Airport System

**SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED  
IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE**

**AIRPORT REVENUE ACCOUNT**

**(UNAUDITED)**

Year ended December 31, 2015

Facility rentals	\$ 234,043,209
Concession income	59,676,864
Parking income	178,478,347
Car rental income	65,308,527
Landing fees	147,378,640
Aviation fuel tax	19,457,756
Other sales and charges	20,025,947
Customer facility fee revenue	18,597,856
Interest income	24,738,351
Designated Passenger Facility Charge revenues	35,328,085
Hotel	3,205,350
Miscellaneous income	<u>2,375,295</u>
Operation and gross revenue as defined in the ordinance:	<u>808,614,227</u>
Personnel services	144,272,358
Contractual services	197,458,943
Maintenance, supplies, and materials	32,911,165
Hotel	<u>2,556,897</u>
Operation and maintenance expenses as defined in the ordinance:	<u>377,199,363</u>
Net revenue	431,414,864
Other available funds	<u>50,319,729</u>
Net revenue	<u><u>\$ 481,734,593</u></u>
Debt Service Coverage - Senior Bonds	
Debt Service Requirements - Senior Bonds	\$ 271,935,085
Less: Committee Passenger Facility Charges	70,656,171
Net Debt Service Requirements - Senior Bonds	\$ 201,278,914
Debt Service Coverage - Senior Bonds	239%
Debt Service Coverage - All Bonds	
Debt Service Requirements - Subordinate Bonds	\$ 61,233,022
Net Debt Service Requirements - Senior Bonds	201,278,914
Net Debt Service Requirements - All Bonds	\$ 262,511,936
Debt Service Coverage - All Bonds	184%

Note: Debt Service Requirements are net of capitalized interest.

See accompanying independent auditors' report

City and County of Denver  
Municipal Airport System

**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,  
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE  
RESERVE ACCOUNT AS DEFINED IN THE 1984  
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2015

**(1) Bond Account**

There shall be credited to the Bond Account, in the following order of priority:

**(a) Interest Account**

Required deposit monthly to the Bond Interest Account, commencing on the first day of the month immediately succeeding the issuance of any bonds, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of interest on such series bonds.

<u>Bond series</u>	<u>Interest payment date</u>	<u>Balance interest due</u>	<u>Required Interest Account balance at 12/31/2015</u>
Series 1992F-G	01/01/16	\$ 17,897	\$ 17,897
Series 2002C	01/01/16	14,587	14,587
Series 2006A	05/15/16	6,433,650	1,072,275
Series 2007A	05/15/16	4,708,750	784,792
Series 2007B	05/15/16	606,250	101,042
Series 2007C	05/15/16	865,875	144,313
Series 2007D	05/15/16	3,924,319	654,053
Series 2007E	05/15/16	1,185,000	197,500
Series 2007F	01/01/16	15,698	15,698
Series 2007G1-G2	01/01/16	121,618	121,618
Series 2008A 1	05/15/16	558,088	93,015
Series 2008B	01/01/16	67,705	67,705
Series 2008C1	01/01/16	96,453	96,453
Series 2008C2-C3	01/01/16	131,317	131,317
Series 2009A	05/15/16	4,290,600	715,100
Series 2009B	05/15/16	2,093,850	348,975
Series 2009C	01/01/16	91,021	91,021
Series 2010A	05/15/16	4,240,922	706,820
Series 2011A	05/15/16	7,463,000	1,243,833
Series 2011B	05/15/16	2,043,475	340,579
Series 2011C	05/15/16	48,125	8,021
Series 2012A	05/15/16	6,817,256	1,136,209
Series 2012B	05/15/16	12,014,250	2,002,375
Series 2012C	05/15/16	543,919	90,653
Series 2013A	05/15/16	8,514,481	1,419,080
Series 2013B	05/15/16	9,966,550	1,661,092
Series 2014A	01/01/16	20,476	20,476
Series 2015A	05/15/16	2,144,727	357,454
			<u>\$ 13,653,953</u>

City and County of Denver  
Municipal Airport System

**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,  
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE  
RESERVE ACCOUNT AS DEFINED IN THE 1984  
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2015

(b) *Principal Account*

Required deposit monthly to the Bond Principal Account, commencing on the first day of the month immediately succeeding the issuance of any Serial Bonds, or commencing one year prior to the first fixed maturity date of such Serial Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of principal of such Serial Bonds.

<u>Bond series</u>	<u>Principal payment date</u>	<u>Balance principal due</u>	<u>Required Principal Account balance at 12/31/2015</u>
Series 2006A	11/15/16	\$ 22,680,000	\$ 1,890,000
Series 2007C	11/15/16	3,815,000	317,917
Series 2007D	11/15/16	17,240,000	1,436,667
Series 2007G1-G2*	11/15/16	900,000	75,000
Series 2008A1	11/15/16	14,235,000	1,186,250
Series 2008B*	11/15/16	3,300,000	275,000
Series 2009A	11/15/16	10,370,000	864,166
Series 20010A	11/15/16	5,210,000	434,167
Series 2011A	11/15/16	26,190,000	2,182,500
Series 2011B	11/15/16	33,515,000	2,792,917
Series 2011C	11/15/16	1,925,000	160,417
Series 2012A	11/15/16	9,250,000	770,833
Series 2012B	11/15/16	2,365,000	197,083
Series 2013A	11/15/16	3,950,000	329,167
Series 2013B	11/15/16	5,255,000	437,916
Series 2014A	11/15/16	3,750,000	312,500
Series 2015A	11/15/16	6,600,000	550,000
			<u>\$ 14,212,500</u>

(c) *Sinking Account*

Required deposit monthly to the Bond Sinking Account, commencing on the first day of the twelfth calendar month prior to the date on which the City is required to pay any Term Bonds, one-twelfth of the amount necessary to pay the redemption price or principal of such Term Bonds scheduled to be retired in any year by mandatory redemption, at fixed maturity or otherwise, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore.



City and County of Denver  
Municipal Airport System

**SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT,  
BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE  
RESERVE ACCOUNT AS DEFINED IN THE 1984  
AIRPORT SYSTEM GENERAL BOND ORDINANCE**

(UNAUDITED)

Year Ended December 31, 2015

**(d) Redemption Account**

Required deposit to the Bond Redemption Account, on or prior to any date on which the Airport System exercises its option to call for prior redemption of any Bonds, an amount necessary to pay the redemption price of such bonds on such Redemption Date, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore.

As of December 31, 2015, the redemption account had a balance of \$27.9 million for the sixth runway and baggage system.

**(e) Bond Account Summary**

The sum of the required bond account balances described in items (a) through (d) above is as follows:

Aggregate required bond account balance	\$ 27,866,453
Bond account balance at December 31, 2015	<u>29,764,033</u>
Overfunded	<u><u>\$ 1,897,580</u></u>

**(2) Bond Reserve Account**

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2015 is \$466,189,278. The minimum Bond Reserve Account requirement is \$402,962,979.

**(3) Operation and Maintenance Reserve Account**

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2015.

Computation of minimum operation and maintenance reserve:

2014 Operation and Maintenance expenses	\$ 413,562,953
Minimum operations and maintenance reserve requirement for 2014	<u>\$ 68,927,159</u>
Operation and maintenance reserve account balance at December 31, 2015	<u>87,496,743</u>
Overfunded	<u><u>\$ 18,569,584</u></u>

(1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

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**APPENDIX F**

**UNAUDITED FINANCIAL STATEMENT OF THE AIRPORT SYSTEM FOR THE  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

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**City and County of Denver**  
**Municipal Airport System**  
**Management's Discussion and Analysis**  
**For the Nine Months Ended September 30, 2016**  
**(Unaudited)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial performance and activities of the Municipal Airport System (Airport System) of the City and County of Denver (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the nine months ended September 30, 2016, and 2015, and for the year ended December 31, 2015. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

**FINANCIAL HIGHLIGHTS**

For the nine month period ended September 30, 2016, as compared to nine months ended September 30, 2015, operating revenues at the Airport were \$553.3 million, an increase of \$38.0 million, or 7.4% year-over-year. The increase in revenue is primarily driven by the opening of the Westin Hotel in November 2015 (\$32.8 million increase), as well as an 8.2% increase in passenger traffic and enplanements during the first nine months of 2016, which drove a \$4.5 million, or 10.2% increase in retail concession sales. Additionally, there was a \$5.5 million, or 5.3% increase in landing fees, which was primarily driven by a 7.9% increase in landed weight year-over-year. These increases were partially offset by a (\$5.6 million), or (3.6%) decrease in facility rentals due to changes in leased space, and a (\$2.1) million, or (14.7%) decrease in aviation fuel tax revenue due to a decline in fuel sales price.

Operating expenses, exclusive of depreciation and amortization, were \$328.9 million, an increase of \$27.2 million, or 9.0%. The increase over the prior-year was primarily related to the opening of the Westin Hotel (\$20.2 million), as well as contractual services (\$12.3 million) primarily driven by snow removal expenses during the first two quarters of 2016 compared to 2015. Repair and Maintenance project expenditures decreased (\$10.4) million, or (25.9%) from prior year due to fewer repair projects, and more capital projects designed to replace or extend the life of existing facilities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Airport System is an enterprise fund of the City. An enterprise fund is established to account for operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

The Airport System's financial statements consist of its statement of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to the financial statements. The statements of net position present information on the Airport System's assets, deferred outflows, liabilities, deferred inflows and net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statements of revenues, expenses and changes in net position present information showing how the Airport System's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – current year, the prior year and the year preceding the prior year (i.e. 2016, 2015 and 2014).

**City and County of Denver  
Municipal Airport System  
Management's Discussion and Analysis  
For the Nine Months Ended September 30, 2016  
(Unaudited)**

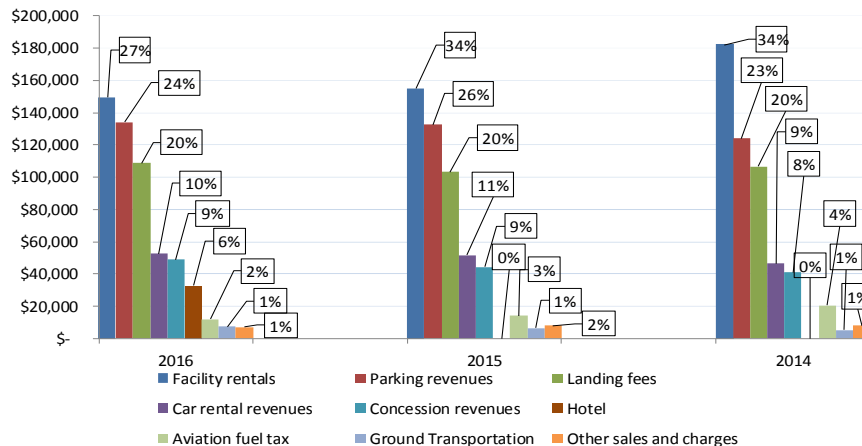
**Summary of Revenues, Expenses, and Changes in Net Position  
as of September 30, 2016, 2015, and 2014 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 / 2015</u> <u>\$ Variance</u>	<u>2016 / 2015</u> <u>% Variance</u>
Operating revenues	\$ 553,265	\$ 515,262	\$ 534,417	\$ 38,003	7.4%
Operating expenses before depreciation and amortization	(328,910)	(301,667)	(285,437)	(27,243)	9.0%
Operating income before depreciation and amortization	224,355	213,595	248,980	10,760	16.4%
Depreciation and amortization	(126,984)	(122,736)	(136,198)	(4,248)	3.5%
Operating income	97,371	90,859	112,782	6,512	19.9%
Nonoperating revenues	135,678	137,656	135,521	(1,978)	(1.4%)
Nonoperating expenses	(169,575)	(142,855)	(167,663)	(26,721)	18.7%
Capital grants and contributions	2,994	4,523	10,938	(1,528)	(33.8%)
Increase (decrease) in net position	66,468	90,183	91,578	(23,715)	(26.3%)
Net position, beginning of year, as previously reported	725,453	699,412	573,524	26,041	3.7%
Adjustment for change in accounting principle	-	(90,567)	-	90,567	(100.0%)
Net position, beginning of year, as adjusted	725,453	608,845	573,524	116,608	19.2%
Net position, end of period	<u>\$ 791,921</u>	<u>\$ 699,028</u>	<u>\$ 665,102</u>	<u>\$ 92,893</u>	<u>13.3%</u>

**Summary of Operating Revenues  
as of September 30, 2016, 2015, and 2014 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 / 2015</u> <u>\$ Variance</u>	<u>2016 / 2015</u> <u>% Variance</u>
Operating Revenues					
Facility rentals	\$ 149,209	\$ 154,857	\$ 182,108	\$ (5,648)	(3.6%)
Parking revenues	134,105	132,521	123,929	1,584	1.2%
Landing fees	108,793	103,275	106,515	5,518	5.3%
Car rental revenues	52,763	51,568	46,494	1,194	2.3%
Concession revenues	48,907	44,383	41,070	4,524	10.2%
Hotel	32,835	-	-	32,835	100.0%
Aviation fuel tax	12,171	14,277	20,698	(2,105)	(14.7%)
Ground Transportation	7,447	6,451	5,392	995	15.4%
Other sales and charges	7,035	7,930	8,211	(895)	(11.3%)
	<u>\$ 553,265</u>	<u>\$ 515,262</u>	<u>\$ 534,417</u>	<u>\$ 38,002</u>	<u>7.4%</u>

**Total Operating Revenues (% of total)  
as of September 30**



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**OPERATING STATISTICS**

Airport operating revenues are primarily driven by airline operations and passenger traffic. The operating statistics section provides information about these figures, as well as the change from the prior period. These statistics in large part drive the financial results, as discussed in the following pages.

**Summary of Operating Statistics  
as of September 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>% Change 2016-2015</u>
Enplanements (in thousands)	21,771	20,129	20,226	8.2%
Passengers (in thousands)	43,519	40,222	40,429	8.2%
Cargo (in tons)	199,909	203,640	188,796	(1.8%)
Landed weight (in millions lbs)	24,131	22,360	22,820	7.9%

**Year to Date Emplanements  
as of September 30, 2016 and 2015**

<u>Airline</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% Change 2016-2015</u>
United	9,128,162	8,492,963	635,199	7.5%
Southwest	6,372,398	5,907,297	465,101	7.9%
Frontier	2,664,659	2,438,066	226,593	9.3%
American	1,252,966	1,257,439	(4,473)	(0.4%)
Delta	1,120,208	995,243	124,965	12.6%
Spirit	488,129	437,758	50,371	11.5%
Other	744,141	599,891	144,250	24.0%
<b>Total</b>	<u>21,770,663</u>	<u>20,128,657</u>	<u>1,642,006</u>	<u>8.2%</u>

\* Passenger totals obtained from airline self-reporting as required in use and lease agreements

**Year to Date Total Passengers  
as of September 30, 2016 and 2015**

<u>Airline</u>	<u>2016</u>		<u>2015</u>		<u>2016 / 2015 Change</u>	
	<u>Total Passengers</u>	<u>% O&amp;D</u>	<u>Total Passengers</u>	<u>% O&amp;D</u>	<u>Passengers</u>	<u>% Change</u>
United	18,225,691	40.7%	16,991,645	40.1%	1,234,046	7.3%
Southwest	12,712,796	73.8%	11,778,333	76.1%	934,463	7.9%
Frontier	5,325,246	87.1%	4,855,993	86.4%	469,253	9.7%
American	2,516,824	100.0%	2,517,275	100.0%	(451)	(0.0%)
Delta	2,250,686	95.8%	1,993,362	95.7%	257,324	12.9%
Spirit	984,924	98.5%	882,441	98.5%	102,483	11.6%
Other	1,503,150	82.6%	1,202,594	80.9%	300,556	25.0%
<b>Total</b>	<u>43,519,317</u>	<u>65.1%</u>	<u>40,221,643</u>	<u>65.2%</u>	<u>3,297,674</u>	<u>8.2%</u>

\* Passenger totals obtained from airline self-reporting as required in use and lease agreements

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**2016/2015**

Operating revenues increased by \$38.0 million, or 7.4%, to \$553.3 million in 2016. The increase in revenue is primarily driven by the opening of the Westin Hotel in November; in its first three full quarters of operations, the hotel brought in revenues of \$32.8 million. Other contributing factors to the increase in revenues is the uptick in passenger traffic of 8.2% during the first nine months of 2016.

Facility rentals decreased by (\$5.6) million, or (3.6%), due to changes in leased space. Both stub periods for 2015 and 2016 include a \$30 million airline revenue credit. In the 2015 audited financials, the full year, \$40 million airline revenue credit was recognized in Q4. Beginning in September, 2016, the revenue credit is accrued for on a monthly basis.

Concession revenues for the first nine months of 2016 increased \$4.5 million, or 10.2%, as compared to 2015, primarily due to an increase in enplaned passengers, as well as new concessions coming on line.

Landing fees increased by \$5.5 million, or 5.3%, which is attributable to a 7.9% increase in landed weight, and a slight decrease in the signatory rate when compared to the prior period.

Aviation fuel tax decreased for the first nine months of 2016 by (\$2.1) million, or (14.7%). The State portion of the fuel tax is based on gross revenue, which correlates with the price of fuel.

**2015/2014**

Operating revenues decreased by (\$19.2) million, or (3.6%) to \$515.3 million in 2015, primarily due to a decrease in facility rentals, partially offset by an increase in parking, concession, and car rental revenues.

Facility rentals decreased by (\$27.3) million or (15.0%). Stub periods 2016 and 2015 include a \$30 million airline revenue credit. In the 2015 audited financials, the full year, \$40 million airline revenue credit was recognized in Q4. Beginning in 2016, the revenue credit is accrued for on a monthly basis. No adjustment was made to 2014 figures. Additional factors contributing to the decrease can be attributed to an increase in rates and charges and accrual timing differences, offset by 2014 United hangar lease buyout of \$9.7 million and a decrease in leased space.

Concession revenues \$3.3 million, or 8.1%, primarily due to an increase in O&D passenger traffic. Additionally, there was an increase in the spend rate per enplaned passenger to \$12.40 in 2015 from \$11.96 in 2014 due to new locations on Concourse C.

Parking revenue increased by \$8.6 million, or 6.9%, which is attributable to the 7.7% increase in O&D passengers and an increase in daily rates in the garages, the economy lots, and valet implemented in August 2014.

Car rental revenue increased by \$5.1 million, or 10.9%, to \$51.6 million, due stronger industry pricing, as well as an increase of 7.7% in O & D passenger traffic.

Landing fees decreased by (\$3.2) million or (3.0%), which is attributable to the decrease in total flight operations, as well as the decrease in landing fee rates per 1,000 pounds landed weight to \$4.59 for signatory and \$5.50 for non-signatory airlines in 2015, from \$4.67 for signatory and \$5.61 for non-signatory airlines in 2014.

Aviation fuel tax decreased in 2015 by (\$6.4) million or (31.0%), due to a decrease in the price of fuel throughout 2014.

Other sales and charges increased by \$0.8 million or 5.7%, due to an increase in ground transportation rates and O&D passenger traffic.

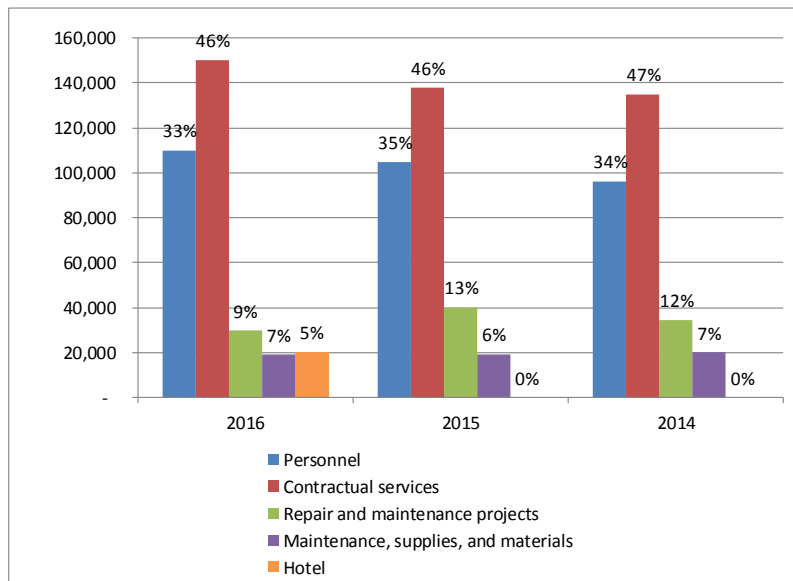


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**Operating Expenses Before Depreciation and Amortization  
(In thousands)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016 / 2015 \$ Variance</b>	<b>2016 / 2015 % Variance</b>
Personnel	\$ 109,989	\$ 104,550	\$ 96,069	\$ 5,439	5.2%
Contractual services	149,960	137,677	134,895	12,283	8.9%
Repair and maintenance projects	29,739	40,142	34,591	(10,403)	(25.9%)
Maintenance, supplies, and materials	18,990	19,298	19,881	(308)	(1.6%)
Hotel	20,232	-	-	20,232	100.0%
Total operating expenses before depreciation and amortization	<u>\$ 328,910</u>	<u>\$ 301,667</u>	<u>\$ 285,436</u>	<u>\$ 27,243</u>	<u>9.0%</u>

**Total Operating Expenses Before Depreciation and Amortization (% of total)**



**2016/2015**

Operating expenses before depreciation and amortization increased by \$27.2 million, or 9.0%, to \$328.9 million in the first nine months of 2016.

Personnel increased \$5.4 million, or 5.2%. The increase is a result of a 3.2% merit raise as approved by the City Council, a 3.5% increase in uniformed salaries due to collective bargaining agreement terms, and an increase in the number of employee retirements resulting higher benefit pay outs such as sick and vacation balances.

Contractual services increased by \$12.3 million, or 8.9%, primarily due to an increase in the number of snow events resulting in higher snow removal expenses, and an increase in professional consulting services.

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Repair and maintenance projects decreased by (\$10.4) million, or (25.9%), primarily due to variances in project scope when compared to prior year. In the first nine months of 2015, more monies were expended on repair projects that did not extend the life of discrete assets. During 2016, more projects were deemed to extend asset lives, and were therefore considered to be capital improvements.

**2015/2014**

Operating expenses before depreciation and amortization increased by \$16.2 million, or 5.7%, to \$301.7 million in 2015.

Personnel services increased \$8.5 million, or 8.8%, in 2015, which was due to an increase in snow overtime, increased merit and benefits costs, and additional full time equivalents to support new facilities coming online.

Contractual services increased by \$2.8 million, or 2.1%, primarily due to an increase in snow removal related expenses, a new conveyance contract, increased credit card fees, and increased software maintenance services offset by a decrease in consulting, professional, and facilities maintenance contracts.

Repair and maintenance expenses increased by \$5.6 million, or 16.0%, due to the completion of many road, landside, and airfield maintenance projects.

Maintenance, supplies and materials decreased by (\$0.6) million, or (2.9%), to \$19.3 million due to a decrease in fuel costs.

**Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions**

**2016/2015**

Total nonoperating revenues decreased by (\$2.0) million, or (1.4%). The variance is primarily due to a (\$11.2) million, or (33.2%) decrease in investment income. The primary offset to this decrease is a \$4.9 million, or 6.1% increase in passenger facility charges attributable to the 8.2% increase in passenger traffic.

Total nonoperating expenses increased by \$21.4 million, or 15.0%, primarily due to an increase in interest expenses.

**2015/2014**

Total non-operating revenues increased by \$2.1 million, or 1.6%, in nine months of 2015 compared to the same time period for 2014. The increase was due to an increase in other revenue of \$5.5 million or 115.9% and customer facility fees of \$1.6 million, or 10.6%, offset by a decrease in investment income by (\$3.3) million, or (8.9%), due to lower interest rates, and a decrease in passenger facilities fees of (\$1.2) million (1.5%).

Total non-operating expenses decreased by (\$24.8) million, or (14.8%), primarily due to a decrease in interest expenses.

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**Summary of Net Position**

The following is a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2016, and December 31, 2015, and 2014 (in thousands):

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016 / 2015 \$ Variance</b>	<b>2016 / 2015 % Variance</b>
<b>Assets:</b>					
Current assets, unrestricted <sup>1</sup>	\$ 165,074	\$ 122,471	\$ 175,656	\$ 42,603	34.8%
Current assets, restricted	122,507	103,272	163,207	19,235	18.6%
Noncurrent investments, unrestricted	756,259	757,338	731,523	(1,078)	(0.1%)
Noncurrent Investments – restricted	891,571	793,556	899,008	98,015	12.4%
Long-term receivables	7,041	10,409	10,876	(3,368)	(32.4%)
Capital assets, net	3,460,713	3,482,899	3,340,329	(22,185)	(0.6%)
Bond insurance costs, net	2,832	3,063	4,072	(231)	(7.5%)
Interest rate swaps	46,547	46,282	46,656	265	0.6%
Total assets	<u>5,452,544</u>	<u>5,319,290</u>	<u>5,371,327</u>	<u>133,255</u>	<u>2.5%</u>
Deferred outflows of resources	<u>187,181</u>	<u>209,432</u>	<u>217,098</u>	<u>(22,251)</u>	<u>(10.6%)</u>
<b>Liabilities:</b>					
Current liabilities, unrestricted	182,970	145,944	119,983	37,026	25.4%
Current liabilities, restricted	267,853	253,178	238,363	14,675	5.8%
Bonds payable, noncurrent	4,059,129	4,070,819	4,289,099	(11,690)	(0.3%)
Interest rate payable swaps, noncurrent	201,569	196,761	216,834	4,808	2.4%
Notes payable, noncurrent	12,232	12,184	15,347	48	0.4%
Compensated absences payable, noncurrent	6,733	6,733	6,295	0	0.0%
Net pension liability	115,000	115,000	0	0	0.0%
Total liabilities	<u>4,845,486</u>	<u>4,800,619</u>	<u>4,885,921</u>	<u>44,867</u>	<u>0.9%</u>
Deferred inflows of resources	<u>2,318</u>	<u>2,650</u>	<u>3,092</u>	<u>(332)</u>	<u>(12.5%)</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	(612,429)	(626,147)	(730,285)	13,718	(2.2%)
Restricted	761,603	669,008	665,439	92,595	13.8%
Unrestricted	642,747	682,592	764,258	(39,845)	(5.8%)
Total net position	<u>\$ 791,921</u>	<u>\$ 725,453</u>	<u>\$ 699,412</u>	<u>\$ 66,468</u>	<u>9.2%</u>

<sup>1</sup> Net of allowance for doubtful accounts of \$307.0, \$328.0, and \$155.0, respectively

**2016/2015**

During the first nine months of 2016, total assets increased by \$133.3 million, or 2.5%, primarily due to increases in restricted investments of \$98.0 million, or 12.4%. Additionally, accounts receivable increased by \$37.0 million, or 97.3%, primarily due to the reclassification of 2015 airline revenue credits to revenue credit payable. 2014 airline revenue credits residing in the 2015 accounts receivable balance within current assets, unrestricted, have not been reclassified to current liabilities, unrestricted. Buildings increased by \$368.4 million, or 15.9%, due to new facilities and facility improvements entering service during 2016 (primarily the transit center and RTD platform). The increase in buildings is largely offset by a (\$278.7) million, or (51.8%) decrease in the construction in process balance. The remaining offset is related to recording depreciation expense of \$116.3 million for the first nine months of 2016.

Total deferred outflow decreased by (\$22.3) million, or (10.6%) due to changes in the fair value of swap derivatives and the amortization of deferred losses on refundings.

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During the first nine months of 2016, total liabilities increased by \$44.9 million, or 0.9%. The increase was primarily due to the \$33.7 million increase in revenue credit payable, as previously noted. Additional increases include a \$39.2 million increase in accrued interest and matured coupons due to the 2015 year-end position reflecting a November payment of interest. Offsets to these increases include a \$24.2 million decrease in vouchers payable (unrestricted and restricted combined), related to the timing, size, and scope of payments.

Of the Airport System's 2016 total net position, 96% is restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent \$642.7 million; \$50.3 million is restricted for capital projects.

As of September 30, 2016, the remaining net position includes unrestricted net position of \$642.7 million that may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amounts as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, (\$612.4) million represents the Airport's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

#### **2015/2014**

Total assets decreased by (\$52.0) million in 2015 compared to 2014. This was primarily due to a decrease in cash and investments of (\$175.7) million, offset by an increase in capital assets of \$299.6 million related to the construction of the hotel and transit center and depreciation of \$157.0 million.

Total deferred outflows of resources decreased by (\$7.7) million due to the changes in fair value of effective hedging derivatives due to amortization of deferred losses on refunding and an addition of \$20.8 million due to the adoption of GASB 68.

Total liabilities decreased by (\$85.3) million in 2015 compared to 2014. This decrease was primarily attributed to the reduction of bond debt of (\$195.9) million offset by an addition of pension liabilities of \$115.0 million related to the adoption of GASB 68.

Total deferred inflows of resources decreased by the amortization of deferred gains on refunding.

Of the Airport System's 2015 total net position, 92% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$636.5 million for debt service and \$32.5 million for capital projects, respectively.

At December 31, 2015, the remaining net position of \$682.6 million was unrestricted and may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements. In addition, (\$626.1) million represents the Airport's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

#### **Long-term Debt**

As of September 30, 2016, the Airport System had approximately \$3.9 billion in outstanding bonded debt (exclusive of deferred losses on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately \$368.7 million in 2015.

The Airport System's senior lien debt is currently rated by Standard & Poor's, Moody's, and Fitch at A+, A1 and A+, respectively, with all three agencies giving the Airport a stable outlook.

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The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2015, and 2014, were 184% and 187% of total debt service, respectively.

On November 20, 2015, the Airport System issued \$195,940,000 of Series 2015A Bonds in a fixed rate mode to refund all of the outstanding Series 2005A Bonds via direct placement with Bank of America, resulting in a net present value savings of approximately \$38 million (through 2025).

On December 12, 2014, the Airport System closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Bonds (closed on October 24th, 2014), which refunded a \$114,325,000 portion of the Series 2007F1-F4 Bonds, will defer annual principal maturing with a goal of providing an estimated amount of debt service relief to the airlines of \$25 million per year between 2015 and 2025.

### **Capital Assets**

As of September 30, 2016, and December 31, 2015, the Airport System had capital assets of approximately \$3.5 billion. These amounts are net of accumulated depreciation of approximately \$3.0 billion and \$2.9 billion, respectively.

The Airport's current capital program represents the expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities from 2013-2018. The 2013-2018 Capital Program has an estimated total cost of approximately \$1.5 billion and is expected to be financed with a combination of Airport System Revenue Bonds, commercial paper, grants, and Airport System monies. The Airport is in the process of developing its 2017-2022 capital plan which is expected to be finalized in late 2016.

*Construction Commitments:* As of September 30, 2016, the Airport System had outstanding contractual construction and professional services commitments of approximately \$127.3 million.

### **Passenger Facility Charges (PFC)**

In 1992, the PFC program authorized the imposition of a fee of \$3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of \$4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the PFC fee from \$3.00 to \$4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from \$3.00 to \$4.50 effective April 1, 2001. As of September 30, 2016, a total of \$1.8 billion has been remitted to the Airport, (including interest earned), of which \$1.7 billion has been used to pay debt service on the Airport's general airport revenue bonds. The remaining balance has been expended on approved projects. The Airport System's authorization to impose the PFC expires on the earlier of February 1, 2029, or upon collection of the authorized maximum PFC total of \$3.3 billion.

### **Customer Facility Charges (CFC)**

Effective January 1, 2014, the Airport imposed a CFC of two dollars and fifteen cents (\$2.15) per Rental Car Transaction Day. The CFC is imposed pursuant to the provisions of Chapter 5 and Sections 5-15 and 5-16 of the Revised Municipal Code of the City and County of Denver. The CFC shall be established through a cost recovery methodology based on the estimated costs associated with the management of, improvements to, and expansion of the existing rental car facility area and related transportation facilities and the planning and design of future phases of the rental car program. As of September, 30 2016 a total of \$50.7 million has been remitted to the Airport.

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**Economic Factors**

For the first nine months of 2016, passenger traffic increased by 3.3 million, or 8.2%, compared to the first nine months of 2015.

The dominant air carrier at Denver International Airport is United Airlines, which together with its affiliates account for approximately 41.9% and 42.3% of passengers at the Airport in the first nine months of 2016 and 2015, respectively.

Southwest Airlines (Southwest) has the second-largest market share at the Airport for the first nine months of 2016. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airline's fourth busiest station in its system. Southwest currently leases 22 gates under a use and lease agreement. Southwest accounted for approximately 29.2% and 29.3% of passengers at the Airport for the first nine months in 2016 and 2015, respectively.

Frontier maintained the third largest market share at the Airport for the first nine months of 2016. The Airport serves as Frontier's largest station. Frontier accounted for 12.2% and 12.1% of passengers at the Airport in the first nine months of 2016 and 2015, respectively.

As previously discussed, operating revenues were up 7.4% in the first nine months of 2016 compared to 2015. Operating income before depreciation and amortization of \$224.4 million represented an increase of \$10.8 million, or 5.0% compared to 2015.

**Request for Information**

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Finance Department, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available online at [www.flydenver.com](http://www.flydenver.com).

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**Statements of Net Position as of September 30, 2016 and December 31, 2015 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	38,272	29,529	\$ 8,743	29.6%
Investments	35,284	35,334	(50)	(0.1%)
Accounts receivable <sup>1</sup>	75,086	38,050	37,036	97.3%
Due from other City agencies	61	61	-	0.0%
Accrued interest receivable	2,848	6,815	(3,967)	(58.2%)
Customer facility charges receivable	2,368	1,232	1,136	92.2%
Inventories	9,493	9,630	(137)	(1.4%)
Prepaid expenses and other	1,662	1,820	(158)	(8.7%)
Total current unrestricted assets	<u>165,074</u>	<u>122,471</u>	<u>42,603</u>	<u>34.8%</u>
Restricted assets:				
Cash and cash equivalents	45,120	48,957	(3,837)	(7.8%)
Investments	41,597	37,024	4,573	12.4%
Accrued interest receivable	409	1,100	(691)	(62.8%)
Prepaid expenses and other	9,408	4,920	4,487	91.2%
Grants receivable	1,802	2,116	(314)	(14.8%)
Passenger facility charges receivable	24,171	9,155	15,016	164.0%
Total current restricted assets	<u>122,507</u>	<u>103,272</u>	<u>19,235</u>	<u>18.6%</u>
Total current assets	<u>287,581</u>	<u>225,743</u>	<u>61,838</u>	<u>27.4%</u>
Noncurrent assets:				
Investments	756,259	757,338	(1,078)	(0.1%)
Long-term receivables, net of current portion	7,041	10,409	(3,368)	(32.4%)
Capital assets:				
Buildings	2,683,813	2,315,457	368,355	15.9%
Improvements other than buildings	2,419,286	2,422,915	(3,629)	(0.1%)
Machinery and equipment	822,251	814,248	8,004	1.0%
	<u>5,925,350</u>	<u>5,552,620</u>	<u>372,730</u>	<u>6.7%</u>
Less accumulated depreciation and amortization	<u>(3,036,645)</u>	<u>(2,920,389)</u>	<u>(116,256)</u>	<u>4.0%</u>
	<u>2,888,705</u>	<u>2,632,231</u>	<u>256,474</u>	<u>9.7%</u>
Art	5,330	5,330	-	0.0%
Capacity rights	12,400	12,400	-	0.0%
Construction in progress	258,976	537,636	(278,660)	(51.8%)
Land, land rights and air rights	295,302	295,302	-	0.0%
Total capital assets	<u>3,460,713</u>	<u>3,482,899</u>	<u>(22,185)</u>	<u>(0.6%)</u>
Prepaid bond insurance, net of accumulated amortization	2,832	3,063	(231)	(7.5%)
Interest rate swaps	46,547	46,282	265	0.6%
Investments - restricted	891,571	793,556	98,015	12.4%
Total noncurrent assets	<u>5,164,963</u>	<u>5,093,547</u>	<u>71,416</u>	<u>1.4%</u>
Total assets	<u>5,452,544</u>	<u>5,319,290</u>	<u>133,254</u>	<u>2.5%</u>
<b>Deferred Outflows of Resources</b>	<u>187,181</u>	<u>209,432</u>	<u>(22,251)</u>	<u>(10.6%)</u>

<sup>1</sup> Accounts receivable net of allowance for doubtful accounts of \$307,016 and \$328,034, respectively

**City and County of Denver**  
**Municipal Airport System**  
**Management's Discussion and Analysis**  
**For the Nine Months Ended September 30, 2016**  
**(Unaudited)**

**Statements of Net Position as of September 30, 2016 and December 31, 2015 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Liabilities</b>				
Current liabilities:				
Unrestricted				
Vouchers payable	51,622	56,644	\$ (5,022)	(8.9%)
Due to other City agencies	20,721	5,497	15,224	277.0%
Compensated absences payable	2,338	2,338	-	0.0%
Other liabilities	15,249	15,307	(58)	(0.4%)
Revenue credit payable	73,710	40,000	33,710	84.3%
Advance rent	19,330	26,158	(6,829)	(26.1%)
Total current unrestricted liabilities	<u>182,970</u>	<u>145,944</u>	<u>37,026</u>	<u>25.4%</u>
Restricted				
Vouchers payable	4,266	23,479	(19,214)	(81.8%)
Retainages payable	20,665	20,665	-	0.0%
Accrued interest and matured coupons	63,646	24,496	39,150	159.8%
Notes payable	3,780	4,893	(1,113)	(22.8%)
Other liabilities	4,946	9,095	(4,149)	(45.6%)
Revenue bonds	170,550	170,550	-	0.0%
Total current restricted liabilities	<u>267,853</u>	<u>253,178</u>	<u>14,675</u>	<u>5.8%</u>
Total current liabilities	<u>450,823</u>	<u>399,122</u>	<u>51,700</u>	<u>13.0%</u>
Noncurrent liabilities:				
Bonds payable:				
Revenue bonds, net of current portion	3,941,940	3,941,940	-	0.0%
Plus: net unamortized premiums	117,189	128,879	(11,690)	(9.1%)
Total bonds payable, noncurrent	<u>4,059,129</u>	<u>4,070,819</u>	<u>(11,690)</u>	<u>(0.3%)</u>
Interest rate swaps	201,569	196,761	4,808	2.4%
Notes payable	12,232	12,184	48	0.4%
Total financing activities	<u>4,272,930</u>	<u>4,279,764</u>	<u>(6,834)</u>	<u>(0.2%)</u>
Compensated absences payable	6,733	6,733	-	0.0%
Net pension liability	115,000	115,000	-	0.0%
Total noncurrent liabilities	<u>4,394,663</u>	<u>4,401,497</u>	<u>(6,834)</u>	<u>(0.2%)</u>
Total liabilities	<u>4,845,486</u>	<u>4,800,619</u>	<u>44,867</u>	<u>0.9%</u>
<b>Deferred Inflows of Resources</b>	<u>2,318</u>	<u>2,650</u>	<u>(332)</u>	<u>(12.5%)</u>
<b>Net Position</b>				
Net investment in capital assets (deficit)	(612,429)	(626,147)	13,718	(2.2%)
Restricted for:				
Capital projects	50,268	32,479	17,789	54.8%
Debt service	711,335	636,529	74,806	11.8%
Unrestricted	642,747	682,592	(39,845)	(5.8%)
Total net position	<u>\$ 791,921</u>	<u>\$ 725,453</u>	<u>\$ 66,468</u>	<u>9.2%</u>

See accompanying notes to financial statements.



**City and County of Denver  
Municipal Airport System  
Management's Discussion and Analysis  
For the Nine Months Ended September 30, 2016  
(Unaudited)**

**Statements of Revenues, Expenses, and Changes in Net Position as of September 30, 2016 and 2015 (in thousands)**

	Nine Months Ended <sup>1</sup>			
	2016	2015	\$ Variance	% Variance
<b>Operating revenues:</b>				
Facility rentals	\$ 149,209	\$ 154,857	\$ (5,648)	(3.6%)
Concession	48,907	44,383	4,524	10.2%
Parking	134,105	132,521	1,584	1.2%
Car rental	52,763	51,568	1,194	2.3%
Landing fees	108,793	103,275	5,518	5.3%
Aviation fuel tax	12,171	14,277	(2,105)	(14.7%)
Hotel	32,835	-	32,835	100.0%
Ground Transportation	7,447	6,451	995	15.4%
Other sales and charges	7,035	7,930	(895)	(11.3%)
Total operating revenues	<u>553,265</u>	<u>515,262</u>	<u>38,003</u>	<u>7.4%</u>
<b>Operating expenses:</b>				
Personnel	109,989	104,550	5,439	5.2%
Contractual services	149,960	137,677	12,283	8.9%
Repair and maintenance projects	29,739	40,142	(10,403)	(25.9%)
Maintenance, supplies and materials	18,990	19,298	(308)	(1.6%)
Hotel	20,232	-	20,232	100.0%
Total operating expenses, before depreciation and amortization	<u>328,910</u>	<u>301,667</u>	<u>27,243</u>	<u>9.0%</u>
Operating income before depreciation and amortization	224,355	213,595	10,760	5.0%
Depreciation and amortization	<u>126,984</u>	<u>122,736</u>	<u>4,248</u>	<u>3.5%</u>
Operating income	<u>97,371</u>	<u>90,859</u>	<u>6,512</u>	<u>7.2%</u>
<b>Nonoperating revenues (expenses):</b>				
Passenger facility charges	85,287	80,371	4,915	6.1%
Customer facility charges	14,921	13,264	1,657	12.5%
Investment income	22,522	33,731	(11,209)	(33.2%)
Interest expense	(164,261)	(142,855)	(21,407)	15.0%
Other revenues (expenses)	7,634	10,290	(2,656)	(25.8%)
Total nonoperating expenses, net	<u>(33,897)</u>	<u>(5,199)</u>	<u>(28,698)</u>	<u>552.0%</u>
Change in net position before capital grants and contributions	63,474	85,660	(22,186)	(25.9%)
Capital grants	<u>2,994</u>	<u>4,523</u>	<u>(1,528)</u>	<u>(33.8%)</u>
Change in net position	<u>66,468</u>	<u>90,183</u>	<u>(23,714)</u>	<u>(26.3%)</u>
<b>Net position, beginning of year,</b>				
as previously reported	725,453	699,412	26,041	3.7%
Adjustment for change in accounting principle	<u>-</u>	<u>(90,567)</u>	<u>90,567</u>	<u>(100.0%)</u>
Net position, beginning of year, as adjusted	<u>725,453</u>	<u>608,845</u>	<u>116,608</u>	<u>19.2%</u>
Net position, end of year	<u>\$ 791,921</u>	<u>\$ 699,028</u>	<u>\$ 92,893</u>	<u>13.3%</u>

<sup>1</sup> Both stub periods for 2015 and 2016 include a \$30 million airline revenue credit. In the 2015 audited financials, the full year, \$40 million airline revenue

See accompanying notes to the financial statements.

**City and County of Denver  
Municipal Airport System  
Management's Discussion and Analysis  
For the Nine Months Ended September 30, 2016  
(Unaudited)**

**Statements of Cash Flows as of September 30, 2016 and 2015 (in thousands)**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$ 547,095	\$ 520,527
Payments to suppliers	(221,222)	(202,061)
Interfund activity payments to other funds	(12,402)	0
Payments to employees	(87,406)	(90,374)
Net cash provided by operating activities	<u>226,065</u>	<u>228,092</u>
Cash flows from noncapital financing activities:		
Operating grants received	<u>823</u>	<u>439</u>
Net cash provided by noncapital financing activities	<u>823</u>	<u>439</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	-	-
Proceeds from issuance of notes payable	-	-
Principal paid on notes payable	(1,064)	(5,391)
Principal paid on revenue bonds	-	-
Interest paid on revenue bonds	(124,879)	(99,662)
Bond insurance and issue costs paid	(7)	(33)
Interest paid on notes payable	(232)	(468)
Capital grant receipts	2,786	13,780
Passenger Facility Charges	70,271	80,007
Customer Facility Charges	13,785	14,026
Purchases of capital assets	(111,793)	(153,791)
Payments from accrued expenses for capital assets	(18,482)	(50,702)
Payments to escrow for current refunding of debt	-	-
Payments to bond reserve fund	-	-
Proceeds from sale of capital assets	<u>462</u>	<u>296</u>
Net cash provided by (used in) capital and related financing activities	<u>(169,153)</u>	<u>(201,938)</u>
Cash flows from investing activities:		
Purchases of investments	(2,371,140)	(1,488,578)
Proceeds from sales and maturities of investments	2,280,861	1,422,376
Proceeds from sales of assets held for disposition	12,343	2,331
Interest rate swap settlements	-	-
Payments to maintain assets held for disposal	(4,250)	(540)
Insurance recoveries for Stapleton environmental remediation	2,179	247
Interest and dividends on investments and cash equivalents	<u>27,179</u>	<u>40,106</u>
Net cash used in investing activities	<u>(52,828)</u>	<u>(24,057)</u>
Net increase (decrease) in cash and cash equivalents	4,906	2,536
Cash and cash equivalents, beginning of the year	78,486	74,353
Cash and cash equivalents, end of the year	<u>\$ 83,392</u>	<u>\$ 76,889</u>

(continued)

**City and County of Denver  
Municipal Airport System  
Management's Discussion and Analysis  
For the Nine Months Ended September 30, 2016  
(Unaudited)**

**Statements of Cash Flows as of September 30, 2016 and 2015 (in thousands)**

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 97,370	\$ 120,859
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	126,984	122,736
Miscellaneous income	2,855	2,331
Changes in assets and liabilities:		
Receivables, net of allowance	(35,847)	4,133
Due from other City agencies	-	-
Inventories	137	(5,231)
Prepaid expenses and other	(2,827)	(2,293)
Vouchers and other payables	(5,022)	3,803
Deferred rent	(6,829)	(231)
Due to other City agencies	15,224	13,682
Compensated absences	-	-
Pension related items	-	-
Other operating liabilities	34,020	(31,696)
Net cash provided by operating activities	<u>\$ 226,065</u>	<u>\$ 228,092</u>

Noncash activities:

On November 20, 2015, the Airport system closed on a bond refunding via direct placement with Bank of America. The approximately \$196 million in outstanding Series 2005A Senior Bonds were refunded with Series 2015A Subordinate Bonds, resulting in a net present value savings of approximately \$38 million over a ten year period.

Unrealized gain (loss) on investments	\$ -	\$ 15,334
Unrealized gain (loss) on derivatives	(4,543)	13,571
Capital assets added through incurrence of vouchers and retainages payable	24,849	47,075
Amortization of bond premiums, deferred losses on bond refundings, and prepaid bond insurance	10,460	3,901

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this “**Disclosure Undertaking**”) is executed and delivered by the CITY AND COUNTY OF DENVER, COLORADO (the “**City**”), in connection with the issuance of the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B (Index Rate)” in the aggregate principal amount of \$108,735,000 (the “**Bonds**”), by the City, for and on behalf of its Department of Aviation (the “**Department**”). The Bonds are being issued pursuant to Ordinance No. 16-0980, Series of 2016 (the “**Ordinance**”).

In consideration of the purchase of the Bonds by the Participating Underwriter (as defined below), the City covenants and agrees as follows:

**Section 1. Definitions.** The definitions set forth in the Ordinance apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section. As used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the financial information or operating data with respect to the City, the Airport System and any Obligated Person, delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Schedule 1 hereto. Annual Financial Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the City.

“*Audited Financial Statements*” means the annual financial statements for the Airport System, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants.

“*Bondowner*” or “*Owner of the Bonds*” means the registered owner of the Bonds, and so long as the Bonds are required to be registered through the Securities Depository in accordance with the Ordinance, any beneficial owner of Bonds on the records of said Securities Depository or its participants, or any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds identified to the satisfaction of the City.

“*Commission*” means the Securities and Exchange Commission.

“*Event*” or “*Events*” means any of the events listed in Sections 3(a) and 3(b) of this Disclosure Undertaking.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) system of the MSRB available on the Internet at <http://emma.msrb.org>. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

“*Obligated Person*” means the City, for and on behalf of the Department, and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges,

under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Gross Revenues of the Airport System for the prior two Fiscal Years of the City.

“*Official Statement*” means the final Official Statement dated December 6, 2016, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

“*Participating Underwriter*” has the meaning given thereto under the Rule, or any successors to such Underwriter known to the Treasurer.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

## **Section 2. Provision of Annual Financial Information.**

(a) Commencing with respect to the Fiscal Year ended December 31, 2016, and each Fiscal Year thereafter while the Bonds remain outstanding under the Ordinance, the Treasurer shall provide or cause to be provided to the MSRB, Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System. No such provision of any Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

(b) Such Annual Financial Information with respect to the Airport System shall be provided not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements with respect to the Airport System will be provided when available, but in no event later than 270 days after the end of each Fiscal Year.

(c) The Treasurer may provide or cause to be provided Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System by specific cross-reference to other documents which have been submitted to the MSRB or other repositories in accordance with the Rule or filed with the Commission. If the document so referenced is a final official statement within the meaning of the Rule such final official statement must be available from the MSRB. The Treasurer shall clearly identify each such other document provided by cross reference.

(d) The City acknowledges that United Airlines, which includes itself together with its United Express regional commuter affiliates, including Continental Airlines and its Continental Express affiliates (collectively, the “**United Group**”) is the only Obligated Person other than the City, at present, that is required by federal law to file Annual Financial Information with the Commission. The City and the Treasurer take no responsibility for the accuracy or completeness of such filings by the United Group or by any future Obligated Person. Unless no longer required by the Rule to do so, the City and the Treasurer agree to use their reasonable best efforts to cause the United Group (to the extent the United Group is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Financial Information available as contemplated by this Section 2. Any change in Obligated Persons shall be reported by the Treasurer in connection with the Annual Financial Information.

### Section 3. Reporting of Events.

(a) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (6) defeasances;
- (7) rating changes;
- (8) tender offers; and
- (9) bankruptcy, insolvency, receivership, or similar event of the Obligated Person.

For the purposes of the event identified in paragraph (3)(a)(9) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds, if material:

- (1) non-payment related defaults;
- (2) modifications to the rights of the beneficial owners of the Bonds;
- (3) bond calls;
- (4) release, substitution or sale of property securing repayment of the Bonds;
- (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(6) appointment of a successor or additional trustee or a change in the name of a trustee.

Whenever the Treasurer obtains knowledge of the occurrence of an event specified in paragraph 3(b), the Treasurer shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Treasurer determines that such event would constitute material information for owners of Bonds, then the Treasurer shall provide or cause to be provided to the MSRB in accordance with the terms of this paragraph 3(b) notice of such event.

(c) At any time the Bonds are outstanding under the Ordinance, the Treasurer shall provide or cause to be provided, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof. No such notice shall be deemed an official notice from the City without the approval of the Treasurer.

**Section 4. Term.** This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (a) the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the Ordinance; (b) the date that the City or the Department shall no longer constitute an “obligated person” with respect to the Bonds within the meaning of the Rule; and (c) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, which determination shall be evidenced by an Attorney’s Opinion selected by the City, a copy of which opinion shall be given to the representative of the Participating Underwriter. The Treasurer shall file or cause to be filed a notice of any such termination with the MSRB.

**Section 5. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, (a) if such amendment occurs prior to the actual original issuance and delivery of the Bonds and the Participating Underwriter consent thereto, (b) if such amendment is consented to by the owners of no less than a majority in aggregate principal amount of the Bonds obtained in the manner prescribed by the Ordinance, or (c) if such amendment or waiver is otherwise required by the Rule or permitted by the Rule without Bondowner consent. Written notice of any such amendment or waiver shall be provided by the Treasurer to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

**Section 6. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. No such information shall be deemed an official notice from the City without the approval of the Treasurer. If the City chooses to include any information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or notice or include its disclosure in any future annual filing or notice of occurrence of an Event.



**Section 7. Default and Enforcement.** If the City or the Treasurer fail to comply with any provision of this Disclosure Undertaking, any Bondowner may take action in the District Court for the Second Judicial District of the State of Colorado to seek specific performance by court order to compel the City or the Treasurer to comply with its obligations under this Disclosure Undertaking; provided that any Bondowner seeking to require compliance with this Disclosure Undertaking shall first provide to the Treasurer at least 30 days' prior written notice of the City's or the Treasurer's failure, giving reasonable details of such failure, following which notice the City and the Treasurer shall have 30 days to comply. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Treasurer to comply with this Disclosure Undertaking shall be an action to compel performance.

**Section 8. Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriter and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 9. Filing.** The filing of Annual Financial Information, Audited Financial Statements, notices of Events or any other notice required by this Disclosure Undertaking shall be effected by sending the filing or notice to the MSRB, in such designated electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

\* \* \*

[Dates and Signatures]

## Schedule 1

“*Annual Financial Information*” means the financial information and operating data with respect to the City, the Airport System and any Obligated Person substantially similar to the type set forth in the Official Statement under the headings “CAPITAL PROGRAM” and “AVIATION ACTIVITY AND AIRLINES — Aviation Activity,” and data concerning outstanding debt, fund balances and results of operations of the type included under the heading “FINANCIAL INFORMATION.”

\* \* \*

## APPENDIX H

### FORM OF OPINION OF BOND COUNSEL

December 13, 2016

City and County of Denver, Colorado  
for and on behalf of its Department of Aviation  
City and County Building  
Denver, Colorado 80202

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
As Underwriter

City and County of Denver, Colorado  
for and on behalf of its Department of Aviation  
Airport System Revenue Bonds  
Series 2016B — \$108,735,000

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Denver, Colorado (the “City”), in connection with the City's issuance, for and on behalf of its Department of Aviation (the “Department”), of \$108,735,000 aggregate principal amount of the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2016B” (the “Series 2016B Bonds”) pursuant to Ordinance No. 626, Series of 1984, as supplemented and amended by certain supplemental ordinances, including Ordinance No. 16-0980, Series of 2016, with respect to the Series 2016B Bonds (collectively, the “Ordinance”). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2016B Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2016B Bonds mature, bear interest, are payable and are subject to redemption, prior to maturity, in the manner and upon the terms set forth therein and in the Ordinance.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including, without limitation, Article XX of the Colorado Constitution, the Supplemental Public Securities Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the “Supplemental Public Securities Act”), the Charter of the City, Ordinance No. 755, Series of 1993, designating the Department as an “enterprise” within the meaning of Section 20, Article X of the Colorado Constitution, the resolution of the Manager of the Department authorizing, approving, and requesting the issuance of the Series 2016B Bonds, a certified transcript of the record of proceedings of the City Council of the City taken preliminary to and in the authorization of the Series 2016B Bonds, the forms of the Series 2016B Bonds, and certificates of officers of the City (specifically including a tax certificate and an initial pricing notice) and of others delivered in connection with the issuance of the Series 2016B Bonds.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2016B Bonds, and we express no opinion herein relating to such matters. As to questions of fact material to our opinion, we have relied upon the representations of the City and other parties contained in the Ordinance, certified

proceedings, reports, certificates and other instruments (and have assumed the genuineness of signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents and the conformity with original documents of copies submitted to us) without undertaking to verify the same by independent investigation.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The City validly exists as a body corporate and politic and political subdivision of the State of Colorado (the "State"), with the power to adopt the Ordinance and issue the Series 2016B Bonds for and on behalf of the Department.

2. The Ordinance has been duly adopted by the City and constitutes a valid and binding obligations of the City, for and on behalf of the Department, enforceable against the City in accordance with its terms.

3. The Series 2016B Bonds have been duly authorized, executed and delivered by the City, for and on behalf of the Department, and are valid and binding special obligations of the City, for and on behalf of the Department, payable solely from the sources provided therefor in the Ordinance.

4. The Ordinance creates, pursuant to the home rule powers of the City under Article XX of the Colorado Constitution and the Supplemental Public Securities Act, an irrevocable lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2016B Bonds, on a parity with the lien thereon of other Bonds (and any obligations in respect thereof) heretofore or hereafter issued by the City, or by the City, for and on behalf of the Department.

5. The interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the following sentence, corporations. For corporations only, interest on the Series 2016B Bonds is taken into account in determining adjusted current earnings for the purposes of the adjustment to alternative minimum taxable income used in computing the alternative minimum tax on corporations (as defined for alternative minimum tax purposes). The foregoing opinions assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2016B Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with such requirements of the Code. Failure to comply with such requirements could cause the interest on the Series 2016B Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016B Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2016B Bonds.

6. To the extent interest on the Series 2016B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2016B Bonds, including whether interest on the Series 2016B Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Series 2016B Bonds and the enforceability of the Series 2016B Bonds and the Ordinance may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted; and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the

sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Ordinance are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the City, for and on behalf of the Department, to pay the principal of, and premium, if any, and interest on, the Series 2016B Bonds from the Net Revenues of the Airport System.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion. This opinion has been prepared solely for your use and should not be quoted in whole or in part or otherwise be referred to, nor be filed with or furnished to any governmental agency or other person or entity, without the prior written consent of this firm; provided, however, that copies of this opinion may be included in the closing transcripts for the transactions relating to the Series 2016B Bonds.

Respectfully submitted,

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**APPENDIX I**  
**ECONOMIC & DEMOGRAPHIC OVERVIEW OF**  
**THE DENVER METROPOLITAN AREA**

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## Introduction

Colorado recorded the fifth fastest employment growth of the 50 states during 2015, with a 3.1 percent increase in jobs in 2015. Colorado’s expanding employment base, high quality of life, and increasing presence in the global business community will continue to attract individuals and businesses to the state. However, the region is challenged by the low price of oil as Colorado was ranked as the country’s seventh largest oil producer in 2014. While this industry has large multiplier effects, the state’s diversified economic base should help it weather the employment declines resulting from a slowdown in exploration activity due to the low price of oil.

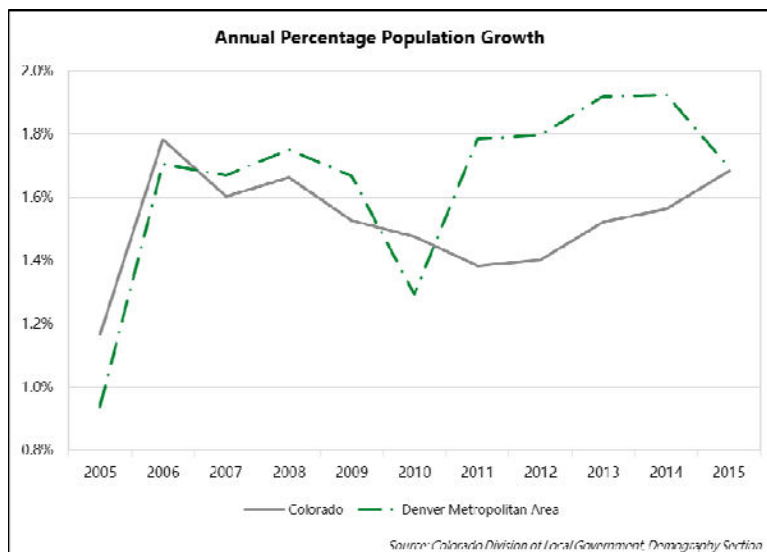
The Denver metropolitan area is comprised of seven counties – Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. The Denver metropolitan area economy strongly influences the economy statewide as the area accounts for about 62 percent of Colorado jobs and 56 percent of the state’s total population. The Denver metropolitan area experienced job growth in each supersector in 2015, adding 53,100 jobs of the total 76,300 jobs added in the state. Four industry supersectors – education and health services, professional and business services, leisure and hospitality, and government – accounted for 60 percent of Denver metropolitan area jobs added between 2014 and 2015. The area’s expanding economy will continue to be supported by a strong entrepreneurial environment, business friendly policies, and a talented workforce.

## Population

### Colorado

U.S. Census Bureau population data show Colorado as the second fastest-growing state between July 2014 and July 2015. According to the Colorado Demography Office, the Colorado population increased 1.7 percent to over 5.4 million, a rate more than two times faster than the rate of the nation due to a high birth rate, low death rate, and positive net migration.

Population growth depends on two components – natural increase and net migration. Natural increase is the



difference between births and deaths, and typically changes only gradually as the population ages. Net migration reflects the number of in-migrants to the state minus the number leaving, and it tends to be more volatile as economic cycles, housing costs, and other less-predictable factors tend to influence population mobility. Natural increase accounted for 46 percent of Colorado’s total population change between 2005 and 2015, and net migration accounted for 54 percent.

Demographers expect net migration will be the major contributing factor to Colorado’s population growth throughout the decade, representing about 64 percent of the state’s population increase in 2015. Colorado is

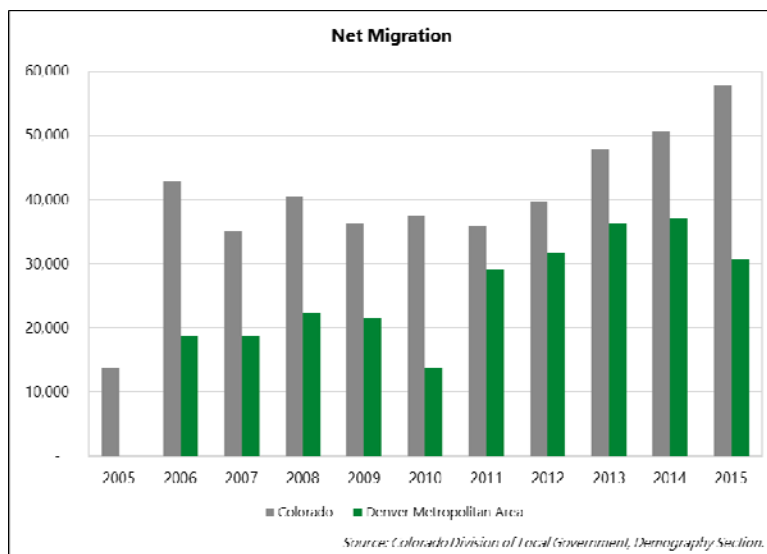
experiencing two major demographic shifts in the state’s population. First, in 2015, the largest generational group residing in the state became the millennials (born 1981-1997), surpassing the baby boomers (born 1946-1964). Second, Colorado’s share of the population 65 years and older is increasing rapidly. Among the 50 states,

Colorado ranked as having the fifth lowest share of those 65+ (12.7 percent) in 2014. By 2023, this percentage will increase to 18 percent of the population. This means that the over 65 population will nearly double from 2014 to 2030, with the population increasing from 681,000 to nearly 1.3 million.

## Denver Metropolitan Area

The Denver metropolitan area is a magnet for new Colorado residents, although the two nationwide recessions that occurred over the past ten years made the share of regional population growth due to net migration somewhat smaller than it was during the 1990s and early 2000s. Net migration represented 54 percent of total Denver metropolitan area population growth between 2005 and 2015, and natural increase represented 46 percent of total growth. The prior decade (1995-2005) showed net migration represented 52 percent of the population change.

Even with slower net migration during recession periods, the Denver metropolitan area's average annual



population growth over the past ten years (1.7 percent) was noticeably faster than the national average (0.8 percent). The region's population grew 1.7 percent between 2014 and 2015, and the Denver metropolitan area is now home to nearly 3.1 million residents.

From 2011 through 2013, net migration in the Denver metropolitan area accounted for more than 75 percent of total Colorado migration. While net migration to the Denver metropolitan area represented just over half of the state's net migration in 2015, the area is a choice location for the millennials. The millennials were the largest population group in the Denver metropolitan area, numbering just over 713,800 in 2014. While generation X (685,100 population) and baby boomers (684,500 population) dominate those working today, the millennials are making their mark on the workplace and now represent the largest component of the potential labor force.

According to the Colorado Demography Office, the Denver metropolitan area's largest population group are young adults (ages 25-34), representing 14.9 percent of the population. The area's median age (37) is lower than the nationwide median (37.7) and the total share of the region's population age 65 and older (11.7 percent) is smaller than the comparable share nationwide (14.5 percent).

**Denver Metropolitan Area Population by County**

Area	2005	2010	2015	Avg. Annual Population Growth	
				2005-2010	2010-2015
Adams	395,384	443,711	490,066	2.3%	2.0%
Arapahoe	528,214	574,819	628,323	1.7%	1.8%
Boulder	282,910	295,605	317,814	0.9%	1.5%
Broomfield	48,251	56,107	63,423	3.1%	2.5%
Denver	559,459	604,879	677,861	1.6%	2.3%
Douglas	244,442	287,124	319,920	3.3%	2.2%
Jefferson	523,517	535,651	565,106	0.5%	1.1%
Denver Metropolitan Area	2,582,177	2,797,896	3,062,513	1.6%	1.8%
Colorado	4,662,534	5,050,289	5,443,612	1.6%	1.5%

*Source: Colorado Division of Local Government, Demography Section.*

Of the seven Denver metropolitan area counties, the City and County of Broomfield, the City and County of Denver, and Douglas County reported the fastest population growth over the past five years. Growth in five of the seven counties exceeded both the statewide and national average growth rates between 2010 and 2015.

***City and County of Denver***

The City and County of Denver represents about 22 percent of the total Denver metropolitan area population, the largest portion of the seven counties in the region. The young adults (age 25-34) also represent the largest portion of the City and County of Denver’s population at 20.3 percent, 5.4 percentage points higher than the portion in the Denver Metropolitan area. The City and County of Denver also has a median age of 34.5, more than two years younger than the surrounding population. Between 2005 and 2010, total population growth averaged 1.6 percent per year. Since the Great Recession of 2007-2009, the City and County of Denver has reported steady population growth, averaging 2.3 percent growth over the last five years. From 2005 to 2015, net migration represented 53 percent of the population growth, while 47 percent was attributed to natural increase.

**Employment**

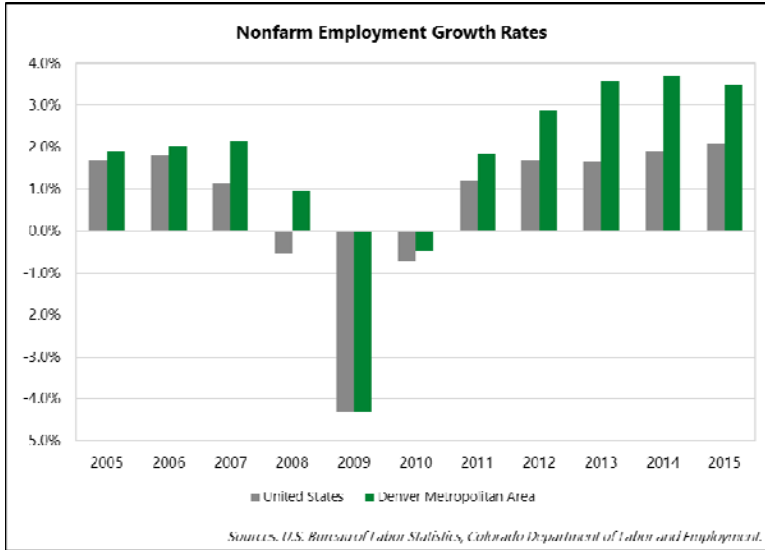
The U.S. Bureau of Labor Statistics releases employment data based on two different surveys. The household survey – also called the Current Population Survey (CPS) – reflects employment characteristics by place of residence and is the data source for statistics on labor force, employment and self-employment, and unemployment by county. This data is discussed in the Labor Force & Unemployment section of this report.

The so-called “establishment” survey is the data source for the Current Employment Statistics (CES) series, which includes detailed information on employment, hours, and earnings by industry. Although the survey does not count the self-employed, the CES data are some of the most closely watched and widely used gauges of employment trends.

Industry employment data in the CES series are grouped according to North American Industry Classification System (NAICS) codes. This coding structure includes 20 detailed industry sectors that are combined to form 11 “supersectors.”

***Colorado***

During the past ten years, Colorado employment grew at an annual average rate of 1.3 percent, more than two times the national rate (0.6 percent). The most recent recession caused significant declines in employment growth in Colorado, as the state posted more negative growth rates during the last recession than the national average.



While Colorado was harder hit by the last recession than the rest of the nation, the area recovered at a much faster pace and recorded higher employment growth for the last five years.

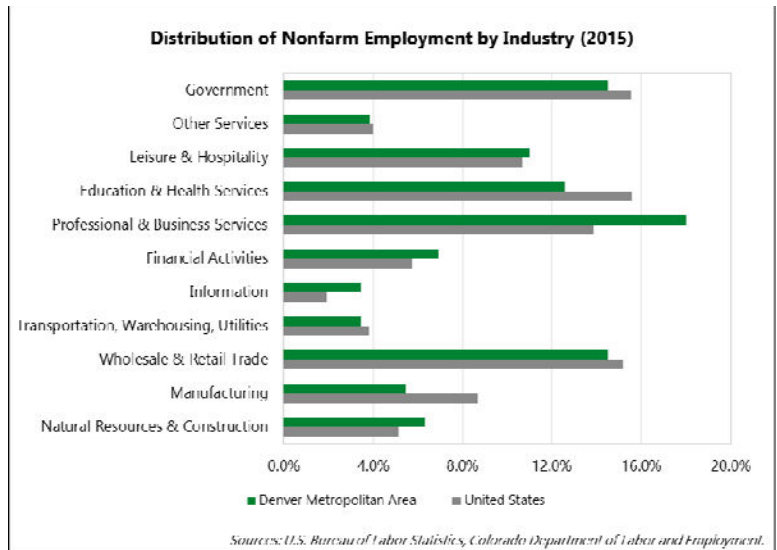
The concentration of certain industries in the state gave it unique advantages in recent times of economic growth. A large presence of high-tech and construction activity positioned Colorado to expand at a steady pace over the last few years. Colorado employment rose across each of the 11 supersectors from 2014 to 2015, most notably in education and health services (+4.7 percent). Employment also increased at a strong pace between 2014 and 2015 in the leisure and hospitality and

financial activities supersectors, rising 4.3 percent and 3.6 percent, respectively. Total employment in Colorado increased 3.1 percent during the period. Colorado’s employment growth rate was 1 percentage point higher than the national growth rate of 2.1 percent.

### Denver Metropolitan Area

The U.S. Bureau of Labor Statistics also compiles CES data for a number of Metropolitan Statistical Areas (MSAs), including the Denver-Aurora-Lakewood MSA (Denver MSA) and the Boulder MSA. The Denver MSA consists of ten counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties. Because CES data are not available for the counties individually, data in this section of the report reflects the Denver MSA and Boulder MSA (Boulder County) combined.

This 11-county region has a nonfarm employment base of nearly 1.6 million workers. Growth in the region has been slightly stronger than the state, with employment rising 3.5 percent between 2014 and 2015. Accounting for about 62 percent of the state’s employment, the Denver



metropolitan area added 53,100 jobs of the total 76,300 jobs added in the state during the last year. The ten-year average annual growth rate for the area of 1.6 percent was higher than the state average (1.3 percent). Both the state and the 11-county region began to report economic expansion in 2011, but the Denver metropolitan area has consistently expanded at a faster pace than the state each year since the recovery began.

Four industry supersectors – education and health services, professional and business services, leisure and hospitality, and government – accounted for 60 percent of Denver metropolitan area jobs added between 2014 and 2015. Part of these industries’ large impact on overall job growth reflects their sheer size, as they are some of the region’s largest sectors in terms of total jobs. The education and health services and leisure and hospitality

supersectors are the region's fourth and fifth largest industries by employment, reporting over-the-year employment growth of 4.6 percent and 4.3 percent, respectively. The Denver metropolitan area's largest supersector, professional and business services, expanded by 3.5 percent.

U.S. oil producing states generally experienced a decline in employment in 2015 as the price of oil fell, but production continued to increase with improved drilling technology. According to the U.S. Energy Information Administration, Colorado supplies about one out of every 50 barrels of U.S. oil output. The Denver metropolitan area has a significant concentration of regional offices for national oil production companies. This employment base, along with strong construction activity, helps explain the 5.1 percent increase in employment between 2014 and 2015 in the natural resources and construction sector. However, this growth rate was 7 percentage points slower than the previous year's rate, reflecting the downturn in oil prices. The sector reported the largest over-the-year percentage increase in employment, with a 5.1 percent increase, and represented about 9 percent of all jobs added in 2015. Growth in the sector also occurred in both 2013 (+9.7 percent) and 2014 (+12.1 percent).

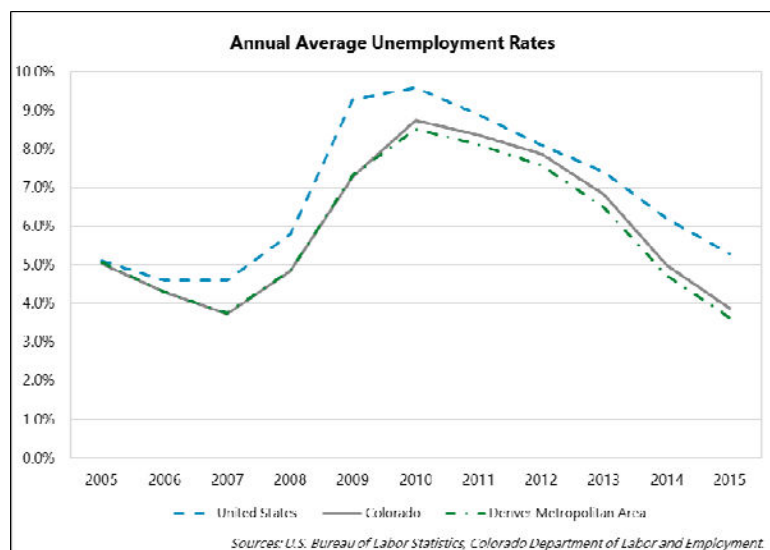
## City and County of Denver

The City and County of Denver is the employment center for the Denver metropolitan area and accounts for 30 percent of the region's total jobs. Downtown Denver's central business district has one of the area's largest concentrations of office space and is home to telecommunications companies, large healthcare organizations, financial and legal firms, and a variety of other businesses. The City and County of Denver had the state's largest job base of 478,560 workers in 2015, and employment increased 3.9 percent between 2014 and 2015.

The City and County of Denver's three largest industry supersectors by employment concentration are professional and business services (20.2 percent), government (13.8 percent), and leisure and hospitality (12.4 percent). Total employment rose in all of the 11 industry supersectors between 2014 and 2015, with the largest increases in leisure and hospitality (6.2 percent), education and health services (5.5 percent) and professional and business services (4.5 percent).

## Labor Force & Unemployment

In 2015, the economic recovery picked up speed, pushing the national unemployment rate to the lowest level since 2007. Companies began hiring at a faster pace as consumers became more confident and companies were



more optimistic about future economic conditions. Data shows the national unemployment rate declined to 5.3 percent in 2015, a decline of 0.9 percentage points from the 2014 rate (6.2 percent).

## Colorado

Colorado's unemployment rate fell faster than the national average, reaching 3.9 percent in 2015 and the lowest level since 2007. Colorado's annual average unemployment rate peaked at 8.7 percent in 2010 and the rate has fallen at an increasing rate over the last several years. The state's unemployment rate has remained at or below the national level since

1990. Colorado’s unemployment rate of 3.9 percent in 2015 was 1.4 percentage points below the national average. Colorado achieved significant improvements in the labor market through 2015, with the last six months of the year reporting unemployment rates below four percent.

**Denver Metropolitan Area**

The most recent recession pushed the Denver metropolitan area unemployment rate to a peak of 8.5 percent in 2010, but the area recorded improvements over the last five years. The unemployment rate fell 1.1 percentage point between 2014 and 2015 to 3.6 percent, the lowest level since 2000. The Denver MSA recorded the third lowest unemployment rate of the 51 largest metropolitan areas based on data for March 2016. The area ranked behind the Austin-Round Rock, Texas MSA with a rate of 3.1 percent, while the highest rate was in the Chicago-Naperville-Elgin, IL-IN-WI MSA at 6.6 percent.

**City and County of Denver**

As an urban center, the City and County of Denver typically records higher unemployment than the greater Denver metropolitan area. While the City and County of Denver reported unemployment rates that were higher than the national average between 2002 and 2006, rates have remained below the national average since 2007. The average annual unemployment rate in the City and County of Denver peaked at 9.1 percent in 2010, but has steadily declined each year since. The unemployment rate fell to 3.7 percent in 2015, the lowest level since 2000. The 2015 rate was 0.1 percentage points above the Denver metropolitan area rate, but 1.6 percentage points below the national rate.

**Major Employers**

**Metro Denver Largest Private Sector Employers**

Company	Product/Service	Employment
King Soopers	Grocery	14,480
HealthONE Corporation	Healthcare	11,960
Wal-Mart	General Merchandise	11,770
Centura Health	Healthcare	9,450
SCL Health System	Healthcare	9,060
Lockheed Martin Corporation	Aerospace & Defense Related Sys	7,460
UCHealth	Healthcare, Research	6,770
Comcast Corporation	Telecommunications	6,760
Kaiser Permanente	Healthcare	6,420
Children's Hospital Colorado	Healthcare	6,100
CenturyLink	Telecommunications	5,840
Target Corporation	General Merchandise	5,600
United Airlines	Airline	5,500
Safeway Inc.	Grocery	5,000
Wells Fargo	Financial Services	4,300
DISH Network	Satellite TV & Equipment	4,050
University of Denver	University	3,830
AT&T Inc.	Telecommunications	3,800
Level 3 Communications	Communication & Internet System	3,710
United Parcel Service	Parcel Delivery	3,650

Source: Development Research Partners, May 2016.

Colorado’s small businesses play a major role in the state’s job creation and economic growth. Data from the U.S. Census Bureau show that, as of 2013, more than 98 percent of Colorado businesses employed fewer than 100 workers. Self-employment is another important economic driver in Colorado: according to the U.S. Bureau of Economic Analysis, Colorado had the nation’s fifth-largest share of total jobs linked to sole proprietorship in 2014.

While small businesses and the self-employed are vitally important to the Denver metropolitan area economy, larger firms are also key providers of jobs and income. Census Bureau data shows 121 firms with 1,000 or more employees were operating in Colorado in 2013 and 60 percent of these large businesses were located in the Denver metropolitan area.

Ten companies headquartered in Colorado were included on the 2016



Fortune 500 list. Arrow Electronics (#119) was the highest-ranked Colorado company, followed by DISH Network (#187), DaVita Healthcare Partners (#200), Liberty Interactive (#284), Level 3 Communications (#333), Ball Corporation (#341), Newmont Mining (#349), Western Union (#468), Envision Healthcare Holdings (#469), and CH2M (#478).

Private sector businesses account for the majority of employment in the Denver metropolitan area, but the public sector also represents a sizeable portion of the area's job base. As the capital of Colorado, the City and County of Denver has a large concentration of government employees. Specifically, public sector employment in Denver consists of 13,800 federal government employees, 14,100 state government employees, and 35,600 employees in local government entities including Denver Public Schools (14,800 employees) and the City and County of Denver (11,680 employees).

### International Trade

The Denver metropolitan area is located just west of the nation's geographic center and at the exact midpoint between Tokyo and Frankfurt. As a result, it serves as an ideal hub for businesses focused on interstate and international commerce. Shipping businesses can access the Denver metropolitan area via all transportation modes except water, and the region's location midway between Canada and Mexico – U.S. partners under the North American Free Trade Agreement (NAFTA) – is another asset for trade-focused companies. About one-third of the total dollar value of export shipments from Colorado went to Canada and Mexico in 2015; others of the state's largest trading partners include China, Japan, Malaysia, and South Korea.

Between 2010 and 2013, Colorado's exports posted significant over-the-year growth, surpassing pre-recession levels. However, there was a 2.4 percent decline in exports between 2013 and 2014 and a 4.3 percent decline between 2014 and 2015, marking two consecutive years of declining exports. Over the last few years the U.S. dollar has strengthened, making it more expensive for other countries to purchase goods and services from the U.S. In 2015, the value of the dollar hit its highest level in over a decade. Much of the decline is attributed to exports to Canada, which fell 20.5 percent between 2013 and 2014 and fell 14.5 percent between 2014 and 2015. The state exported considerably less food manufactures products in 2015 and less computer and electronic products. National exports decreased from 2014 to 2015, falling 7.2 percent.

Key exports for Colorado include computer and electronic products, food and kindred products, machinery, and chemicals. Food manufactures products decreased 16.6 percent between 2014 and 2015, the largest decrease of the state's major exported products, while computer exports declined 2.1 percent. The largest increases in the state's major export products occurred in beverage and tobacco products (38.3 percent), plastics and rubber products (18.6 percent), fabricated metal products (16.1 percent), and electrical equipment (7.4 percent).

### Inflation

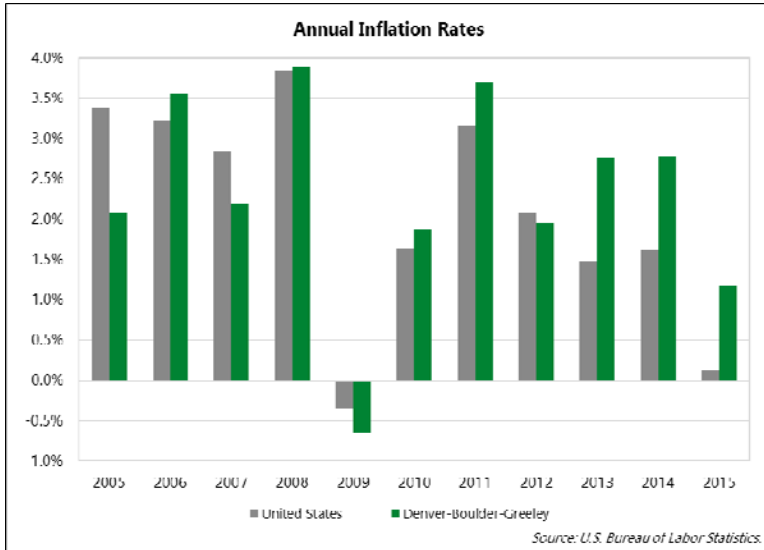
The U.S. Bureau of Labor Statistics measures inflation – or deflation – as a change in the Consumer Price Index (CPI). The CPI is a compilation of price measures for items in eight broad categories, the most heavily weighted of which are housing, transportation, and food and beverages. Housing carries the most weight of these three categories.

The weight placed on housing costs is one reason why the U.S. average and the Denver-Boulder-Greeley CPIs have varied over the past decade. Slow economic growth following the 2001 recession and a milder-than-average home price boom meant the Denver-Boulder-Greeley CPI rose at a slower-than-average pace between 2003 and 2005. Oil prices – which tend to drive CPI when they are most volatile – rose in 2005 and brought the local and national inflation rates closer together.

## AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

The Denver-Boulder-Greeley area reported prices that increased at a faster pace than the U.S. in five of the last six years. The Denver-Boulder-Greeley CPI rose 1.2 percent in 2015, 1.1 percentage points higher than the U.S. CPI.

During 2015, the U.S. index increased 0.1 percent.



CPI data suggests a few categories are driving the price increases that are faster than the national average. Housing costs in the Denver-Boulder-Greeley area rose 4 percent between 2014 and 2015, while housing costs across the U.S. rose just 2.1 percent during the same period. Further, medical care costs rose 4 percent in the Denver-Boulder-Greeley area compared with a 3.6 percent increase nationally.

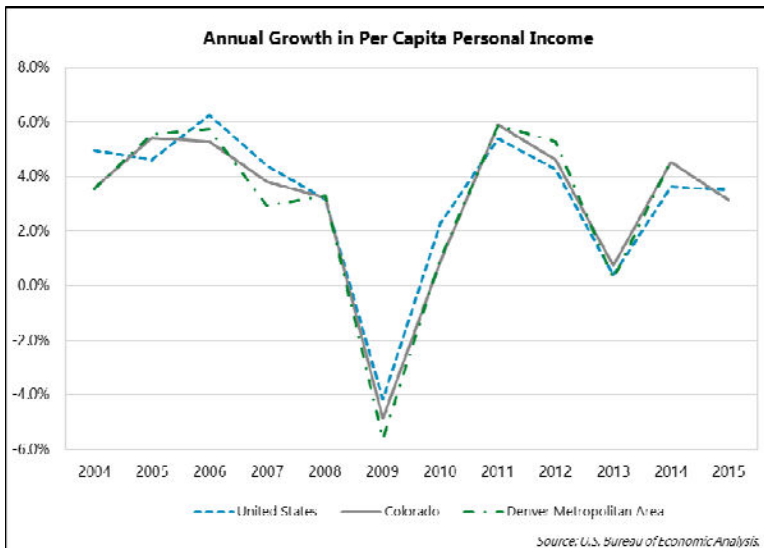
Denver-Boulder-Greeley prices for housing, medical care, and recreation rose more quickly than U.S. prices in 2015. Food and beverage and other goods and services reported a lower

increase than the U.S. in 2015. Transportation, apparel, and education and communication reported declines in prices for the Denver-Boulder-Greeley area.

## Income

### Colorado

The largest component of personal income is earnings from work, meaning a difficult labor market and slow wage growth can affect overall personal income trends. The 2008 housing crisis pushed total personal income growth downward, leading to a decline of 3.3 percent in 2009. Growth began to recover in 2010 (2.4 percent) and continued in 2011 (7.4 percent). In mid-2013, the Colorado economy was one of only 13 states to recover all jobs lost during the 2008 recession, starting the state on a path of economic expansion. With the rest of the country still in recovery mode, personal income in Colorado rose at a slightly faster pace than the national average. This



was also the time when investments began to rise, with the stock market reaching new highs and the housing market rebounding. State personal income grew at a 2.3 percent pace in 2013, at 6.2 percent in 2014, and at 5.1 percent in 2015.

Growth in per capita personal income – or total personal income divided by population – has recently been faster-than-average in Colorado. The state's population growth has historically grown at a pace faster than the national average, which sometimes dampens per capita income growth rates. For example, Colorado recorded higher per capita income than the national average between 2011 and



2014. However, per capita income fell to a slower pace than the national average in 2015, rising 3.2 percent compared with the national average of 3.5 percent. Colorado tied for the second fastest population growth in 2015, which will affect per capita income levels for the state. In Colorado, per capita personal income was \$50,410 in 2015, or 106 percent of the national average, representing the 14th highest level of the states.

## Denver Metropolitan Area

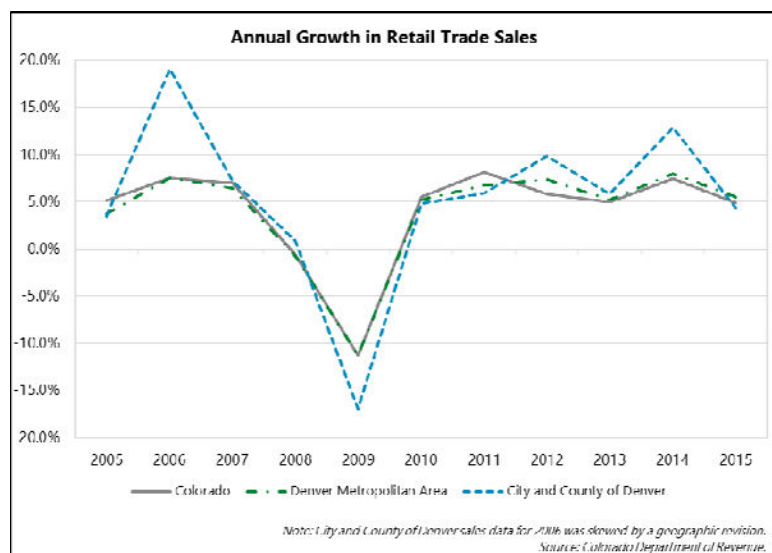
Personal income trends in the Denver metropolitan area have roughly followed the statewide trend over the past decade. Income growth slowed after the 2001 recession, accelerated between 2004 and 2006, and slowed – eventually declining – during the most recent recession. The decline in Denver metropolitan area total personal income between 2008 and 2009 (-3.9 percent) was steeper than the decline reported nationwide (-3.3 percent), but the region’s personal income grew faster than the national average in 2014, increasing 6.6 percent compared with the national increase of 4.4 percent.

Denver metropolitan area per capita personal income in 2014 (\$54,619) was 119 percent of the U.S. average. Comparatively high wage rates tend to keep per capita personal income in the Denver metropolitan area above the national average. A separate measure, the Denver metropolitan area average annual wage, reached \$58,639 in 2014, which was up 3.8 percent over the 2013 annual average.

## City and County of Denver

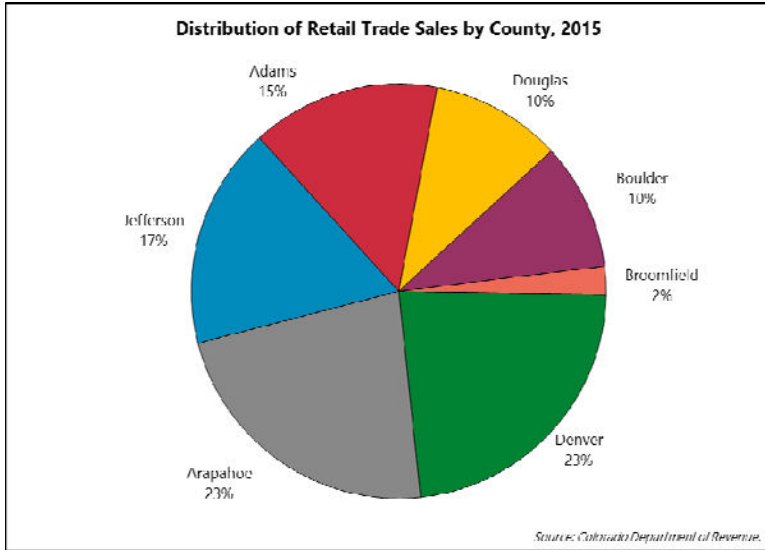
Per capita personal income in the City and County of Denver is generally higher than the U.S., averaging 133 percent of the national number between 2004 and 2014. The income differential peaked in 2008, when per capita personal income (\$56,197) reached 137 percent of the national average. The City and County of Denver per capita personal income fell sharply (-10.5 percent) between 2008 and 2009, but increased in 2010 through 2014. Per capita income increased 4.3 percent in 2014, a higher rate than the U.S. but slower than the Denver metropolitan area. Per capita personal income in the City and County of Denver reached \$62,880 in 2014.

The City and County of Denver boasts a higher than average per capita personal income compared with the Denver metropolitan area, averaging 112 percent of the metro-wide number since 2004. The difference can be attributed to the relatively high wage rates in the county. The average annual wage in the City and County of Denver was \$63,445 in 2014, which was \$4,806 higher than the Denver metropolitan area average annual wage.



## Retail Trade

Retail sales account for a large part of the nation’s total economic output and are a useful indicator of overall consumer health. The recession pushed national retail sales down in 2008 and 2009, when sales declined 1.3 percent and 7.2 percent, respectively. However, as consumer financial situations recovered and confidence rose, retail sales also grew, increasing 4.1 percent in 2014 and 2.3 percent in 2015. Durable goods sales also recovered, an encouraging sign since these products tend to be more expensive and represent a long-term commitment, such as cars. In fact, motor vehicle sales rose 6.4 percent in 2014 and 6.7 percent in 2015. The



strong increase in consumers purchasing vehicles signaled that households were financially more stable than they were during the recession when motor vehicles sales decreased significantly by 14.2 percent in 2008 and 14.1 percent in 2009. The impressive rebound may also partially be due to the delay in purchasing big ticket items during difficult times.

**Colorado**

Reflecting the recessions that began in 2001 and 2007, retail trade sales in Colorado fell in 2002 and 2003 and again in 2008 and 2009. However, as the labor market recovered, retail

trade sales increased with the consumers’ recovering incomes and spending abilities. After a decline in 2009, retail trade sales increased 5.5 percent in 2010 and increased even more in 2011 by 8.1 percent. Sales growth slowed slightly in 2012 to 5.9 percent, possibly reflecting the slower growth in personal income and that much of the pent-up demand was satisfied in 2011. Retail trade sales increased 4.9 percent in 2015, reflecting an additional \$4.4 billion in sales over-the-year.

**Denver Metropolitan Area**

Like sales in Colorado, retail trade sales in the Denver metropolitan area grew rapidly in 2006 and 2007. A strong housing market allowed households more asset-based wealth, and solid job and income growth also supported retail activity. When the most recent recession dramatically lessened household wealth and drove unemployment higher, Denver metropolitan area retail trade sales fell 0.8 percent in 2008 and 11.3 percent in 2009.

**Denver Metropolitan Area Retail Trade Sales (\$millions)**

Industry	2014	2015	Percent Change
<b>Retail Trade:</b>			
Motor Vehicle / Auto Parts	\$10,808	\$11,884	10.0
Furniture and Furnishings	\$1,853	\$1,964	6.0
Electronics and Appliances	\$1,577	\$1,692	7.3
Building Materials / Nurseries	\$3,421	\$3,687	7.8
Food/Beverage Stores	\$9,117	\$9,538	4.6
Health and Personal Care	\$2,351	\$2,709	15.2
Service Stations	\$2,561	\$2,157	-15.8
Clothing and Accessories	\$2,565	\$2,614	1.9
Sporting/Hobby/Books/ Music	\$1,678	\$1,728	3.0
General Merchandise/ Warehouse	\$6,875	\$7,019	2.1
Misc. Store Retailers	\$2,830	\$3,143	11.1
Non-Store Retailers	\$954	\$940	-1.6
<b>Total Retail Trade</b>	<b>\$46,590</b>	<b>\$49,074</b>	<b>5.3</b>
Food / Drinking Services	\$6,655	\$7,117	6.9
<b>TOTAL</b>	<b>\$53,245</b>	<b>\$56,191</b>	<b>5.5</b>

Note: Data are not adjusted for inflation. Sales by industry may not add to totals due to rounding and data suppression. Source: Colorado Department of Revenue.

Consumer confidence data suggest many households are becoming more optimistic about the economic situation, and consumers have noticeably increased their spending since the recession. Denver metropolitan area retail trade sales rose 8 percent in 2014 and 5.5 percent in 2015. Sales of motor vehicles and auto parts, a good indicator of healthy spending, rose 10 percent in 2015. Electronics and appliances, another durable goods category, increased 7.3 percent. Sales for two of the largest contributors to total Denver metropolitan area retail trade sales – grocery stores and general merchandise stores – rose 4.6 percent and 2.1 percent between 2014 and 2015, respectively.

The City and County of Denver has the largest share of retail trade activity in the Denver metropolitan area and showed retail trade sales growth of 4.3 percent from 2014 to 2015. Sales in each county in the Denver metropolitan area increased in 2015, with the smallest over-the-year gain in the City and County of Broomfield (2.4 percent). Other counties increased between 5.3 percent (Boulder County) and 6.9 percent (Douglas County).

## City and County of Denver

Retail trade sales in the City and County of Denver represented 23 percent – the largest share – of total retail trade sales in the Denver metropolitan area in 2015. Total 2015 retail trade sales in the City and County of Denver were up 4.3 percent over-the-year. This increase was below the 2013 and 2014 retail sales increases, which rose 5.8 percent and 12.9 percent, respectively.

## Residential Real Estate

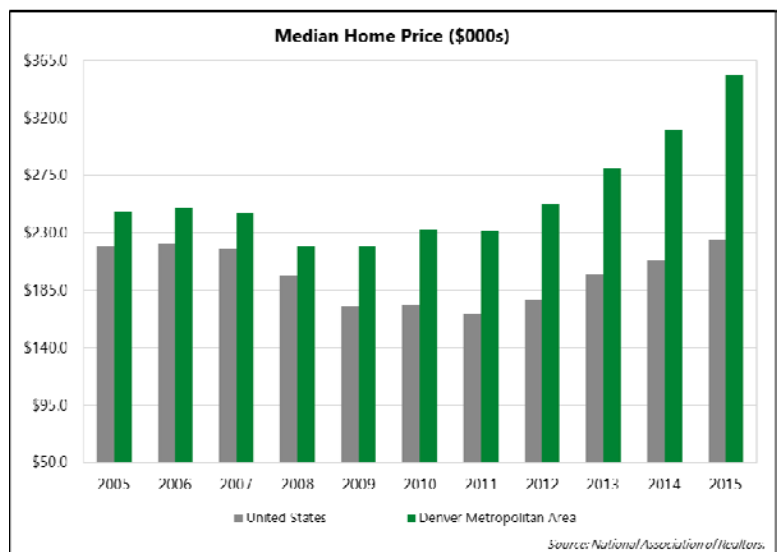
Combined, all aspects of the housing market – from new home construction to money spent on mortgage and rental payments, furnishings, and home improvements – contribute significantly to the nation’s economy.

With strong population growth throughout the state, the housing market makeup has changed to adjust to the preferences of the growing millennial population and the aging baby boomers. Census data show the U.S. homeownership rate fell from 69.1 percent in the first quarter of 2005 to 63.4 percent in the second quarter of 2015, the lowest rate reported since 1994. The shift in homeownership for individual states has been even more profound: Colorado’s homeownership rate fell from 72.1 percent in the first quarter of 2005 to 66.3 percent in the fourth quarter of 2015.

The decline in the Colorado homeownership rate is likely due to several factors, including rapidly rising prices that are keeping some households out of the ownership market, the limited supply of homes available for sale, and changing housing preferences due to demographic shifts. While interest rates are at record lows nationally, the disconnect between the high demand for homes and the low supply has pushed home prices to record high levels. Demand for housing is urging new construction activity, resulting in increasing new residential building permits for single-family detached and multi-family homes.

## Residential Home Prices

The limited supply of homes for sale and the high demand from new home buyers drove up the median home price in the Denver metropolitan area through 2015. The median home price rose 14 percent to \$353,600. Of the past seven years, 2011 was the only year to record a decline in the median home price, falling 0.4 percent over-the-year. Since 2011, median home prices have risen at a rapid pace in the Denver metropolitan area. The median home price increased over-the-year in both 2012 and 2013, rising 9.1 percent and 11.2 percent, respectively. The Denver metropolitan area median home price is now 41.7 percent higher than the 2006 peak, whereas the 2014 national median home price was 0.9 percent higher than the 2006 peak. Many states



throughout the country are still in recovery mode from the Great Recession, therefore housing prices have not risen as rapidly across the nation as they have in the Denver metropolitan area. Further, housing inventory has not kept up with the fast population growth.

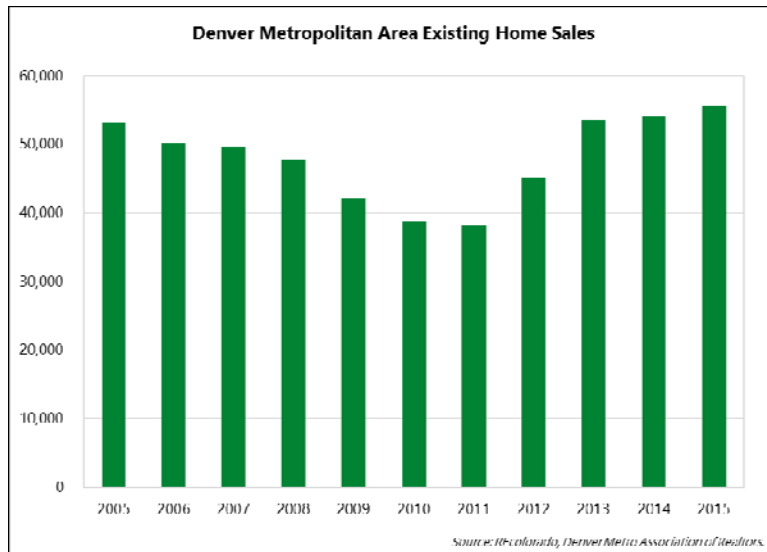
The S&P/Case-Shiller Home Price Index shows that the Denver home price index continued to record new highs in 2015. Denver, Dallas, San Francisco, Boston, and Portland are the only five cities tracked in the index that had surpassed their prerecession peaks as of November 2015. However, San Francisco and Boston fell back below their peaks in the beginning of 2016. The December 2015 data shows the Denver index was 24.3 percent above its prerecession peak that was reached in August 2006. The 20 city composite index was 11.5 percent below its peak that was reached in July 2006. Another housing price index, the Federal Housing Finance Agency's Home Price Index shows Denver as having the 8th highest (+12.7 percent) over-the-year increase of 100 metropolitan areas using fourth quarter 2015 data. While increasing home prices are a positive sign for the economy, the rate at which prices are rising suggests a significant disconnect in the supply and demand for homes.

## Foreclosures

According to experts, Colorado had one of the lowest foreclosure inventory rates in the country at 0.4 percent in November 2015. Foreclosure filings fell 34.3 percent in 2015 to 3,498 in the Denver metropolitan area, following a 29 percent decline in 2014. All seven counties in the Denver metropolitan area recorded foreclosure declines in 2015, ranging from a 23 percent decline in Arapahoe County to a 46 percent decline in the City and County of Broomfield. Foreclosures in the City and County of Denver (690 filings) fell 33 percent between 2014 and 2015.

## Residential Home Sales

Denver metropolitan area existing home sales reached a peak (53,482) in 2004. Sales declined for seven years following that time, reaching a low of 38,105 sales in 2011. Beginning in 2012, there has been positive over-the-



year growth in existing home sales, signaling a strengthening housing market. Strong immigration, a healthy labor market, and a positive economic environment have raised the demand for housing in the Denver metropolitan region. Home sales in 2015 continued to face the challenges of low inventory and increasing sale prices.

Existing home sales rose 18.6 percent between 2012 and 2013, but sales rose only 0.8 percent between 2013 and 2014. Sales began to pick up again in 2015, reporting an increase of 2.7 percent between 2014 and 2015. The low growth rate suggests that low inventory levels continue to restrict the market from expanding at a more rapid pace. There were 55,509 total

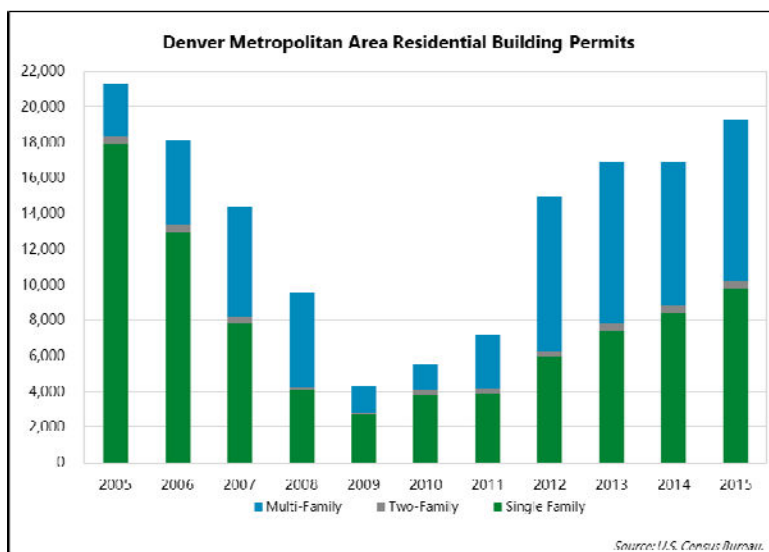
home sales in 2015, which was 3.8 percent higher than the 2004 peak. Inventory levels are at the lowest level on record, constraining options for homebuyers and potentially inhibiting further growth. Construction of new residential housing is being limited by rising construction costs and limited access to skilled labor. As long as construction companies face limited labor supply and demand for housing remains elevated, existing home sales will remain high and sales prices will continue to command top dollar.

### Residential Building Permits

The Denver metropolitan area is a top destination for relocation with above-average employment growth and a high quality of life. With a growing job market pushing households into a healthier financial situation, demand for homes increased significantly. High demand and low inventory have constrained the residential real estate market, and the pace of new development has not kept up with the strong pace of demand.

With aging baby boomers and an expanding economy, there has been a shift in the type of housing demanded. There has been an increased demand for senior living facilities, ranging from independent senior living to assisted living facilities. During the recession, many families doubled up in housing in order to conserve financial stability. With the Denver metropolitan area’s economy on an expansionary path, those families that doubled up during the recession are looking to move into their own home.

There is also a strong in-migration shift occurring throughout the state, with Colorado recording the second fastest population growth in 2015. In 2015, Colorado had net migration of 57,840 people, of which 53 percent located in the Denver metropolitan area. This level of in-migration has put additional pressure on the housing market, generating addition demand and pushing inventory levels lower.



While the dynamics of the residential real estate market are shifting, construction permits rose through 2015. There were nearly 19,300 residential construction permits issued in the Denver metropolitan area in 2015, an increase of 14 percent compared with 2014. Single-family detached permits rose 16.6 percent over 2014, single-family attached permits decreased 4.1 percent, and multi-family construction increased 12.2 percent. It is important to note that multi-family construction, which has historically represented between 25 and 30 percent of the total number of new units each year, represented 47 percent of the total in 2015.

Total permits issued in the City and County of Denver rose 32.6 percent between 2014 and 2015, after an increase the previous year of 1.5 percent. The increase was attributed to an 8 percent increase in single-family detached permits (1,847 permits) and a 49.5 percent increase in multi-family permits (5,920 permits). Single-family attached permits declined 53.3 percent, reaching 134 total permits.

### Apartment Market

Apartment vacancy data indicates that demand for apartments remained high through 2015 in the Denver metropolitan area. The vacancy rate reached 6.8 percent during the fourth quarter of 2015, an increase of 2.1 percentage points over the prior year. While vacancy increased over-the-year, the rise provided the market with much needed loosening. The fourth quarter 2015 level was 1.8 percentage points higher than the prior quarter, but 2.2 percentage points lower than the peak of 9 percent in 2009. The *Denver Metro Apartment Vacancy and Rent Survey* shows average annual vacancy rates increased from 2014 to 2015 in each of the six county-level markets included in the report. The vacancy rate increases ranged from 1.6 percentage points in Douglas County to 0.1 percentage points in the Boulder/Broomfield submarket. The City and County of Denver reported the highest average annual vacancy rate of the six sub markets in 2015, reaching 6 percent.



Rising apartment demand and falling vacancy rates pushed average lease rates to record highs: the Denver metropolitan area average rent increased 10.5 percent between 2014 and 2015 to \$1,292 per month. Every county reported over-the-year increases in the average rental rate. Jefferson County recorded the largest increase in the average rental rate, reporting a 12.7 percent increase between 2014 and 2015. Douglas County reported the smallest increase in the average rental rate, rising 4.4 percent over-the-year. The City and County of Denver recorded an average monthly rental rate of \$1,315 for 2015, an increase of 11.1 percent from the previous year.

## Commercial Real Estate

The first decade of the new millennium presented many challenges for the commercial real estate market. The nation suffered two recessions, one in 2001 and another in 2007 through 2009. Prior to the 2001 recession, commercial development in the Denver metropolitan area was booming, adding millions of square feet of new office construction each year. Construction activity dropped significantly after the 2001 recession and remained below those all-time highs. Recent office construction has been impacted by companies demanding less space as they implement new strategies to use space more efficiently and utilize coworking space and desk sharing.

While the 2001 recession strongly affected the office market, the 2007-2009 recession had a larger impact on the industrial market in the Denver metropolitan area. Between 2008 and 2010, new industrial construction fell from nearly 2.5 million square feet to under 0.1 million square feet. The recession led to decreases in personal consumption and consumer confidence, which led to a decline in demand for industrial space as space for manufacturing and inventory storage was not needed.

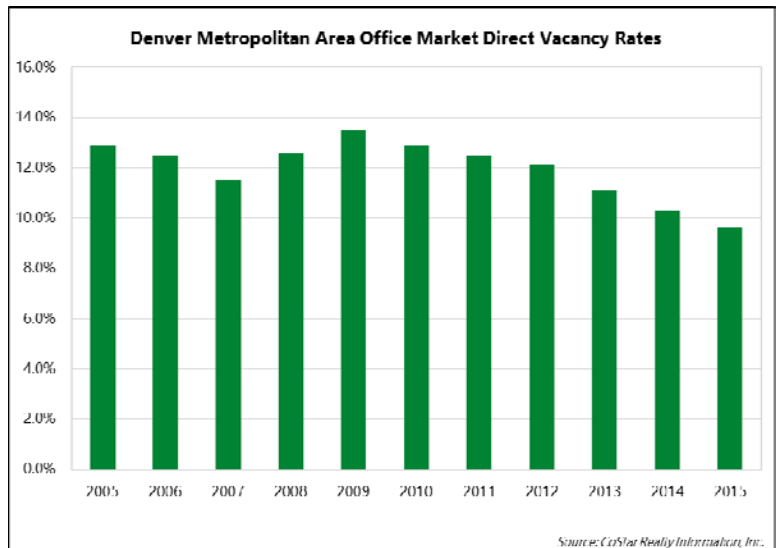
Due to the volatile path of commercial real estate construction over the past 12 years, construction activity over the last several years was slow and allowed for the continued decline in vacancy rates. The commercial real estate markets in the Denver metropolitan area reported improvements in 2015, recording record low vacancy rates and record high average lease rates. The improvement in the commercial real estate markets has triggered build-to-suit activity and speculative commercial development across the area.

### Office Activity

Data from CoStar Realty Information, Inc. show the direct office market vacancy rate in the Denver metropolitan area was consistently below historic averages in 2015. The vacancy rate fell to 9.6 percent, the lowest fourth quarter rate since 2000. The fourth quarter 2015 vacancy rate was 0.7 percentage points below the prior year and 0.2 percentage points below the prior quarter.

The office vacancy rate has declined year-over-year for 22 consecutive quarters. Office lease rates have steadily increased since the fourth quarter of 2010 and have continued to record new highs every quarter since. The average lease rate in the fourth quarter of 2015 (\$24.44 per square foot) was the highest recorded lease rate based on records going back to 1999.

Newly completed office construction in Denver metropolitan area reached 2.08 million square feet in 2015, the highest level since the fourth quarter of 2008. Further, there was about 3.2 million square feet of office space under



construction during the fourth quarter of 2015, over 300,000 square feet more than the prior year. Some of the year's most notable completed construction projects included the 45,000-square-foot AMG National Trust Bank headquarters, the 120,000-square-foot Terumo BCT headquarters, the 242,800-square-foot Triangle Building, and the 274,280-square-foot CoBank Center.

## *Industrial and Flex Activity*

CoStar Realty Information shows that the industrial direct vacancy rate for the Denver metropolitan area of 3.1 percent during the fourth quarter of 2015 was the lowest fourth quarter vacancy rate in more than 15 years. Cannabis grow operations and the improved local economy triggered growth in the manufacturing sector, leading to increased demand for inventory and production space. This growth pushed the vacancy rate down and the average lease rate up. The high demand for industrial space pushed the average lease rate to \$7.03 per square foot in the fourth quarter of 2015, 17 percent higher than the previous year's level of \$6.02 per square foot.

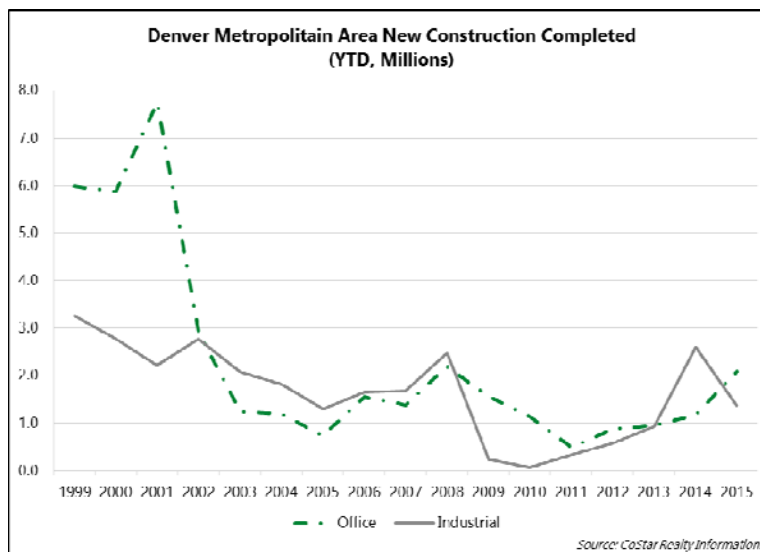
Flex market lease rates continued to increase through the fourth quarter of 2015. The Denver metropolitan area direct flex market lease rate was \$10.58 per square foot, 8.5 percent above than the fourth quarter 2014 average. Direct flex market vacancy in the fourth quarter (6.7 percent) was 1.4 percentage points below the year-ago level and was the lowest level since 1999.

New construction in the industrial and flex markets was mostly build-to-suit projects. After the completion of about 3.2 million square feet of new industrial and flex space in 2014, about 1.9 million square feet was completed in 2015. There was 3.2 million square feet of industrial and flex space under construction during the fourth quarter of 2015. Some of the more notable projects completed in 2015 included multiple buildings at the Enterprise Business Center, the new Avery Brewing facility, the Great Divide Brewery and Tap Room, and the OneNeck IT Solutions building.

## *Retail Activity*

Consumer confidence in the Mountain Region, which includes Colorado, rose to the highest levels since before the Great Recession and consumers in the region were more optimistic than the national average. Retail sales continued to improve at a moderate pace in response to increased consumer demand in 2015. These positive components of the market increased demand for retail space, but the retail market has not responded at the same pace as the office, industrial, and flex markets. The fourth quarter 2015 direct retail vacancy rate fell 0.3 percentage points to 4.9 percent compared with the previous year at this time. The fourth quarter vacancy rate was the lowest level since at least 2006. The average lease rate was up 2 percent over-the-year to \$16.01 per square foot.

According to analysts, development in the Denver metropolitan area retail market is strongly tied to the growth of the area's housing market; as residential supply increases in suburban markets, retailers are drawn to the strengthening ancillary submarkets. About 1.2 million square feet of new space was completed in 2015, with 40 of the 66 buildings completed spanning less than 10,000 square feet. An additional 936,500 square feet of retail space was under construction at the end of 2015. Some of the major redevelopment projects in 2015 included



Southwest Plaza in Littleton and Twin Peaks Mall in Longmont. These projects added traditional indoor retail, street-front shops, outdoor amenities, and open-air eateries.

### *Medical Facilities*

The Denver metropolitan area is a leading healthcare and wellness hub and receives support from cutting-edge research and development facilities, unmatched talent, and state-of-the-art amenities. The healthcare system has experienced a rapid increase in demand for healthcare services due to changes in healthcare policy and the aging population. The elevated demand furthered new construction activity in the healthcare sector from diversified hospitals to clinics and urgent care facilities.

In 2015, Centura Health opened its \$177 million St. Anthony North Health campus in Westminster, while Boulder Community Health and the University of Boulder opened the CU Sports Medicine and Performance Center at Folsom Field. Other projects continuing construction and slated to begin in 2016 include the \$125 million Longs Peak Hospital in Longmont, a 60,000-square-foot community hospital and medical office facility in Northglenn, and the \$190 million DaVita HealthCare Partners Inc. headquarters.

The healthcare field is particularly active in Aurora, which is home to the Fitzsimons Innovation Campus and the adjacent Anschutz Medical Campus, the largest medical-related redevelopment site in the nation. The University of Colorado expanded the UCHHealth Eye Center in 2015, one of the largest eye centers in the nation. The center includes three dedicated operating rooms and a full-service ocular diagnostics and imaging center. The university also opened the UCHHealth Center for Lungs and Breathing, which will provide services ranging from lung transplants to asthma and allergy treatment. Adjacent to the Anschutz Medical Campus is the U.S. Department of Veterans Affairs (VA) Eastern Colorado Healthcare System hospital and facility. Construction on this facility continues, and will house the VA Schizophrenia Research Center, one of three nationwide.

## Transportation

With access by road, rail, and air, the Denver metropolitan area is one of the country's most important transportation hubs. The region's national and international connectivity both reflects and supports its dynamic economy.

### *Highways*

Colorado's transportation network includes almost 1,000 miles of Interstate highway, more than 300 miles of other freeways and expressways, and almost 87,100 miles of arterials, collectors, and local roads. The Texas Transportation Institute compiles data on transportation in cities across the U.S. and reported that the Denver-Aurora area had nearly 1.3 million auto commuters who logged 21.7 billion vehicle-miles of freeway travel and 21 million arterial street daily vehicle-miles in 2014. Commuters in the Denver-Aurora area also observe 49 hours of traffic congestion annually per commuter, ranking Denver with the 19th highest level of traffic congestion of the 101 tracked metropolitan areas.

There were several major highway projects completed throughout the Denver metropolitan area, with the goal of making travel easier on the commuter and enhancing the performance of the highway system. The first phase of the U.S. 36 Express Lanes was completed. The project added a tolled Express lane, replaced five bridges, added Bus Rapid Transit improvements, and installed a separate commuter bikeway along much of the corridor. The U.S. 6 Bridges Design-Build Project replaced six existing bridges and improved mobility through the I-25 and U.S. 6 interchange. Colorado's Department of Transportation also launched the Bustang project, which operates along the Front Range on I-25 and the I-70 mountain corridor, connecting the six largest transit entities in the state.



### *Mass Transit*

The Regional Transportation District (RTD), funded by a one percent sales tax, oversees the Denver metropolitan area's mass transit system. RTD operates 1,021 buses on 131 fixed routes and 172 light rail vehicles on six light rail lines (C, D, E, F, H, and W). The District operates 78 Park-n-Rides, 46 light rail stations along 48 miles of track, and 9,751 bus stops. RTD also operates 166 commuter rail vehicles on the 22.8-mile University of Colorado A line with 8 stations, 36 hybrid-electric buses along the 16th Street Mall in downtown Denver, and transports 43,950 visitors weekly from one end of the mile-long pedestrian mall to the other free of charge. System-wide ridership in 2015 resulted in approximately 103 million boardings.

RTD works continually to expand capacity and services for public transportation in order to meet increasing demand. The FasTracks program is a \$7.4 billion buildout of a comprehensive, multi-modal metro transit system. Major projects through the Regional Transportation District's FasTracks program opened or will be opening in 2016. The U.S. 36 Bus Rapid Transit service opened in January 2016. The highly anticipated University of Colorado A Line (formerly the East Rail Line) to Denver International Airport, which connects Denver Union Station to the newly completed Westin Hotel in 37 minutes, opened on April 22, 2016. The new rail line spans 23 miles, has eight light rail stations, and six park-n-rides. The six-mile commuter rail B Line from Denver Union Station to Westminster opened in July 2016. Two additional rail lines will also be opening in 2016, the G Line to Arvada and Wheat Ridge (fall), and the R line along the I-225 corridor (winter). Construction will also continue on the North Metro Rail Line, expected to open in 2018, and the Southeast Rail Line extension to be completed in 2019. When the system is completed, there will be 122 miles of new rail service, 18 miles of bus rapid transit, 57 new stations, 31 new Park-n-Rides, and 21,000 new parking spaces.

### *Air*

Denver International Airport (DEN) is a state-of-the-art facility owned and operated by the City and County of Denver and celebrated 20 years of operation in 2015. Occupying 53 square miles and located approximately 24 miles northeast of downtown Denver, DEN is the primary airport serving the nine-county region and the state of Colorado. DEN has more than 30,000 badged employees who work at the airport and approximately 1,200 City and County of Denver employees.

DEN accommodated 54 million passengers in 2015 with six runways, three concourses, 109 gates, and 42 regional aircraft positions. DEN serves the ever-expanding international travel market via the sixth runway, the longest in North America. DEN has 15 commercial carriers offering scheduled service from Denver to more than 170 destinations nonstop and 21 international destinations, with major hubs for United, Southwest, and Frontier Airlines. In 2015, DEN and airline staff managed about 1,500 flight operations and more than 148,000 passengers every 24 hours. Total airport passenger traffic rose 1 percent between 2014 and 2015 and was about 542,000 passengers above the prior year's level of 53.5 million. DEN ranks as the nation's sixth-busiest airport by passenger traffic and is the 19th busiest airport worldwide.

The Denver metropolitan area is a natural hub for cargo operations due to its central U.S. location and access to an extensive freight network and major interstate highways. Additionally, the airport's air cargo and mail facilities comprise 375,000 square feet in five buildings south of the airfield, with room to expand. DEN is home to several world-class cargo companies and support facilities, including World Port Cargo Support, DHL, UPS, FedEx, and United Airlines cargo. The U.S. Postal Service facility is also located nearby, providing a wide array of competitive shipping and receiving options. Further, more than 50 freight forwarders and customs brokers operate within 20 miles of DEN. The total amount of cargo shipped through DEN increased 5.1 percent between 2014 and 2015. With the consumers and businesses growing more confident in the economy, air freight activity picked up and gained a greater portion of the airport's daily operations. Eleven cargo airlines and 12 major and national carriers

currently provide DEN cargo service, and the carriers handled roughly 546 million pounds of shipments – including 491 million pounds of freight and express and 55 million pounds of air mail – in 2015.

DEN is a recognized leader in sustainability efforts, and was the first airport in the nation to receive ISO 14001 Environmental Management System certification in 2004. The airport is also a Gold Member of the Colorado Department of Public Health and Environment's Environmental Leadership Program. The airport continually works to reduce its carbon footprint through a variety of energy efficient technologies. DEN is the largest distributed generation photovoltaic energy producer in Colorado and its four solar array systems produce approximately 6 percent of the airport's total electrical power requirements. The airport has one of the largest compressed natural gas fleets in the country including 172 buses, sweepers, and other alternatively fueled vehicles, and 121 electric and hybrid electric vehicles. Alternative vehicles comprise roughly 51 percent of the airport's light duty fleet.

DEN completed numerous project milestones on the \$544 million Hotel and Transit Center. The 519-room onsite Westin Denver International Airport opened in November 2015 and features 37,500 square feet of meeting space that can accommodate up to 2,500 people. The 14-story hotel sits just 200 feet from the terminal, which is claimed to be the shortest distance between a hotel and a main airport structure in the world. The hotel is expected to generate between \$1 million and \$2 million per year in revenue over the next five years. A public transit center for the 23-mile commuter rail line that connects DEN with Denver Union Station in downtown Denver opened in December 2015, with rail service beginning April 22, 2016. Additionally, an open-air plaza above the station opened in December, providing connections to the main terminal and will serve as Denver's newest venue for programs and events where passengers and visitors can find entertainment, relaxation, art, and restaurants. The airport also completed a \$146.5 million resurfacing project of Runway 17L-35R and began construction on a \$46 million parking structure.

Three reliever airports complement DEN's expanding role in the Denver metropolitan area economy. Centennial Airport serves the southeast metro area; Front Range Airport is located six miles southeast of DEN and serves the northeast Denver metropolitan area; and Rocky Mountain Metropolitan Airport serves Jefferson, Broomfield, and Boulder Counties in the northwest area. Three general aviation airports – Boulder Municipal Airport, Erie Municipal Airport, and Vance Brand Municipal Airport in Longmont – also serve the Denver metropolitan area.

### *Rail*

Rail lines are a critical component of the nation's transportation system and are vital to the Denver metropolitan area's economic health and global competitiveness. Colorado is home to 14 freight railroads operating on more than 2,660 miles of track, and the Denver metropolitan area serves as a major hub for the Burlington Northern Santa Fe and Union Pacific railroad. In 2012, coal accounted for 74 percent of rail shipments originating in Colorado and more than 58 percent of shipments ending in the state. Cement was the second largest originating commodity (6 percent), while stone, sand, and gravel (8 percent) was the second largest commodity ending in the state. Colorado was ranked sixth in the country for originated rail tons of coal and fourth in rail tons of cement.

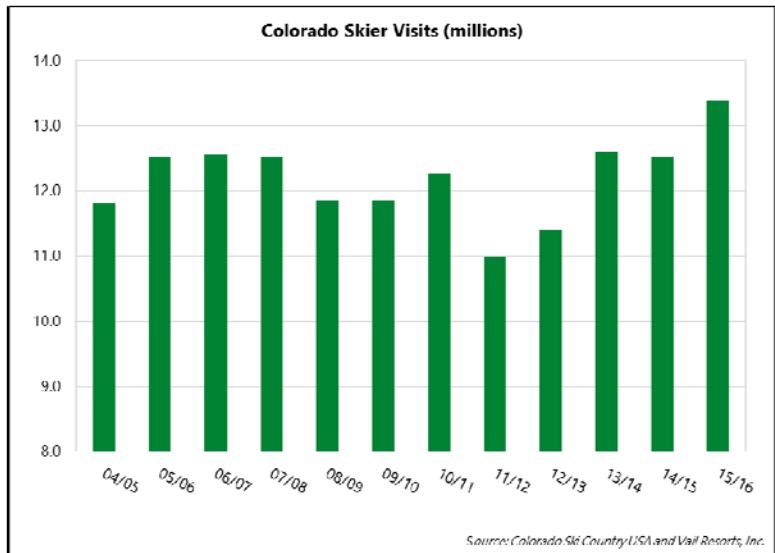
Passenger rail adds to the variety of travel options available in the Denver metropolitan area. Amtrak's California Zephyr route offers area residents transportation through the Rocky Mountains west of Denver and connects Chicago to San Francisco. The Southwest Chief route passes through Lamar, La Junta, and Trinidad, providing transportation between Kansas City, Kan. and Albuquerque, N.M. Almost 203,000 travelers passed through Colorado Amtrak stations in fiscal year 2014, and 55 percent of those travelers either boarded or alighted from trains in the Denver metropolitan area. There were 2.3 percent more riders in fiscal year 2014 than there were during the 2013 fiscal year.

## Tourism

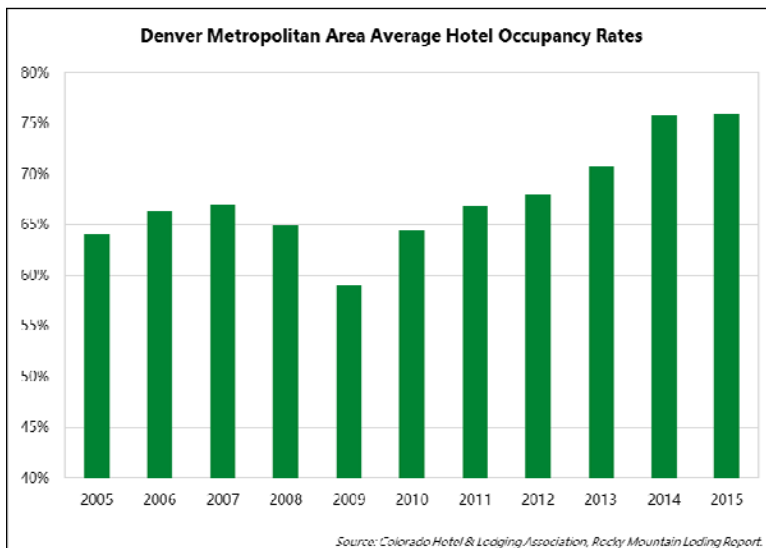
The Denver metropolitan area is an international hub of tourism, drawing visitors in through outdoor recreation, arts and cultural events, and music and sports entertainment. The area is home to seven professional sports teams with three sports arenas, 90 golf courses, 850 miles of bike paths with 87 bike sharing stations, and 200 parks covering over 20,000 acres. The area also offers major attractions including a zoo, an aquarium, two waterparks, two amusement parks, over 40 museums, and 13 historical sites. In 2013, attendance at cultural events exceeded 14.2 million people in the Denver metropolitan area and generated an economic impact of \$1.85 billion.

According to the most recent study by Longwoods International, Denver tourism activity increased to a record 16.4 million overnight visitors spending \$5 billion in 2015, representing a 6 percent increase in visitors and a 9 percent increase in spending over 2014. Top Denver attractions included the 16th Street Mall, the Cherry Creek Shopping District, and the Lower Downtown area, as well as numerous cultural facilities such as the Denver Zoo, the Denver Art Museum, and the Denver Botanic Gardens.

Denver metropolitan area residents and visitors have access to numerous opportunities for skiing, hiking, backpacking, camping, biking, rafting, boating, mountain climbing, and hunting. The state is home to 25 ski and snowboard resorts offering 325 ski lifts, 2,460 trails, and 42,680 skiable acres. Colorado is one of the nation’s most-favored destinations for skiing: 12 of the 30 top resorts in *Ski* magazine’s “2016 Resort Rankings” are located in the Colorado Rocky Mountains, with 11 resorts in the top 20.



Twelve Colorado ski resorts – including several in the top resorts ranking – are located within two hours of the Denver metropolitan area. Data from Colorado Ski Country USA and Vail Resorts, Inc. indicate that the number of skier visits during the 2015-16 ski season increased just under 7 percent compared with the prior season, rising to 13.4 million skier visits. Colorado skier visits – or the count of persons skiing or snowboarding for any part of one day – reached a new record during the most recent season.



While Colorado and the Denver metropolitan area are known to draw recreational visitors and outdoor enthusiasts, business, professional, and leisure travel has become increasingly popular in recent years. The Colorado Convention Center reported that there were 220 distinct events through 2013 and there were nearly 842,500 attendees.

Hotels, restaurants, and other attractions and events in Denver metropolitan area were awarded numerous accolades in 2015. Among the awards were hotels recognized by *Travel + Leisure* as some of the top 100 in the world,

CNN ranked Denver the best beer city in America, and *Huffington Post* ranked Denver the fifth must-visit city in the country. Events such as the National Western Stock Show, the Cinco de Mayo Festival, Denver Comic Con, and the Great American Beer Festival contribute positive economic impacts and attract thousands of tourists to the area each year.

Rising interest for business and leisure travel has led to elevated demand for hotel development throughout the Denver metropolitan area. There are several new hotels that opened or are in the pipeline for 2016, including a \$75 million Hilton Garden Inn, the \$70 million Halcyon Hotel Cherry Creek, and a 491-room, 18-story dual-branded AC Hotel by Marriot and Starwood-branded Le Meridian Hotel. In 2015, the first dual-branded Hyatt Place and Hyatt House hotel under one roof in the U.S. was opened and the ART hotel opened in the Golden Triangle neighborhood of Denver.

Between the increased demand for hotel rooms by travelers and the addition of new hotels to the market, average room rates for the Denver metropolitan area hit new highs in 2015. Data from the *Rocky Mountain Lodging Report* shows the region's average nightly room rate for 2015 (\$133.65) was 7.5 percent higher than the 2014 average, and the average occupancy rate for 2015 (75.9 percent) was about the same as the 2014 rate (75.8 percent).

### Summary

The Denver metropolitan area has a nonfarm employment base of over 1.57 million workers. Growth in the region has been slightly stronger than the state, with employment rising 3.5 percent between 2014 and 2015. Accounting for about 62 percent of the state's employment, the Denver metropolitan area added 53,100 jobs of the total 76,300 jobs added in the state during the last year. The unemployment rate in the Denver metropolitan area averaged 3.6 percent in 2015, representing a tight labor market.

With limited supply in the residential real estate market and above average population growth, home prices rose and construction activity continued at a quick pace. There were nearly 19,300 residential construction permits issued in the Denver metropolitan area in 2015, an increase of 14 percent compared with 2014. Multi-family construction represented 47 percent of the new units built in 2015, higher than the 35 plus-year average of multi-family units representing roughly one-quarter of construction.

The commercial real estate markets in the Denver metropolitan area continued to tighten in 2015, recording record low vacancy rates and record high average lease rates. The improvement in the commercial real estate markets has triggered significant build-to-suit activity and sparked strong hotel and hospital development throughout the area. The Denver metropolitan area is an international hub of tourism, attracting visitors with outdoor recreation opportunities, arts and cultural events, and music and sports entertainment. Continuing buildout of the FasTracks system, along with various other infrastructure improvements throughout the region, ensure the continued appeal of the Denver metropolitan area for new businesses, residents, and visitors.

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>POPULATION (July 1)</b>												
United States (thousands)	292,805	295,517	298,380	301,231	304,094	306,772	309,347	311,719	314,103	316,427	318,907	321,419
Colorado	4,608,811	4,662,534	4,745,660	4,821,784	4,901,938	4,976,853	5,050,289	5,120,193	5,191,979	5,270,986	5,353,471	5,443,612
Denver Metropolitan Area	2,558,106	2,582,177	2,626,197	2,670,038	2,716,819	2,762,164	2,797,896	2,847,863	2,899,068	2,954,697	3,011,536	3,062,513
City and County of Denver	560,230	559,459	562,862	570,437	581,903	595,573	604,879	620,807	634,814	648,978	664,220	677,861
<b>POPULATION GROWTH RATE</b>												
United States	0.9%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%
Colorado	1.2%	1.2%	1.8%	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%	1.5%	1.6%	1.7%
Denver Metropolitan Area	1.2%	0.9%	1.7%	1.7%	1.8%	1.7%	1.3%	1.8%	1.8%	1.9%	1.9%	1.7%
City and County of Denver	0.0%	-0.1%	0.6%	1.3%	2.0%	2.3%	1.6%	2.6%	2.3%	2.2%	2.3%	2.1%
<b>NET MIGRATION</b>												
Colorado	14,300	13,779	42,896	35,000	40,469	36,267	37,526	35,998	39,816	47,896	50,778	57,840
Denver Metropolitan Area	4,263	(1,367)	18,864	18,704	22,326	21,639	13,892	29,147	31,811	36,271	37,095	30,864
City and County of Denver	(6,069)	(6,929)	(2,537)	1,625	5,480	7,620	3,819	10,490	8,999	9,119	10,146	7,883
<b>NONAGRICULTURAL EMPLOYMENT</b>												
United States (millions)	131.8	134.1	136.5	138.0	137.2	131.3	130.4	131.9	134.2	136.4	139.0	141.9
Colorado (thousands)	2,179.6	2,226.0	2,279.1	2,331.3	2,350.3	2,245.6	2,222.3	2,258.6	2,313.0	2,381.9	2,464.9	2,541.2
Denver Metropolitan Area (thousands)	1,324.9	1,350.0	1,377.4	1,407.0	1,420.5	1,359.2	1,352.8	1,377.7	1,417.2	1,467.8	1,522.2	1,575.3
City and County of Denver	423,446	424,641	432,416	442,746	449,254	423,282	420,523	422,704	434,083	441,249	460,619	478,564
<b>NONAGRICULTURAL EMPLOYMENT GROWTH RATE</b>												
United States	1.1%	1.7%	1.8%	1.1%	-0.5%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%
Colorado	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%	3.1%
Denver Metropolitan Area	0.8%	1.9%	2.0%	2.1%	1.0%	-4.3%	-0.5%	1.8%	2.9%	3.6%	3.7%	3.5%
City and County of Denver	-0.5%	0.3%	1.8%	2.4%	1.5%	-5.8%	-0.7%	0.5%	2.7%	1.7%	4.4%	3.9%

**2015 EMPLOYMENT DISTRIBUTION BY INDUSTRY**

	United States			Colorado			Denver Metropolitan Area			City & County of Denver		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Natural Resources & Construction	5.1%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%
Manufacturing	8.7%	8.7%	4.3%	3.7%	4.8%	7.3%	8.7%	8.4%	7.9%	6.8%	5.0%	3.9%
Wholesale & Retail Trade	15.2%	15.2%	4.3%	3.8%	4.9%	7.3%	8.5%	8.1%	7.6%	6.5%	4.7%	3.6%
Transportation, Warehousing, Utilities	3.8%	3.8%	4.8%	4.1%	5.4%	8.1%	9.1%	8.6%	7.8%	6.6%	4.8%	3.7%
Information	1.9%	1.9%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%
Financial Activities	5.7%	5.7%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%
Professional & Business Services	13.9%	13.9%	15.7%	15.7%	12.3%	18.1%	12.7%	20.2%	20.2%	20.2%	20.2%	20.2%
Education & Health Services	15.5%	15.5%	12.3%	12.3%	11.1%	11.1%	11.1%	12.4%	12.4%	12.4%	12.4%	12.4%
Leisure & Hospitality	10.7%	10.7%	4.1%	4.1%	3.8%	3.8%	3.8%	3.4%	3.4%	3.4%	3.4%	3.4%
Other Services	4.0%	4.0%	16.4%	16.4%				13.8%	13.8%	13.8%	13.8%	13.8%
Government	15.5%	15.5%										

**UNEMPLOYMENT RATE**

United States	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%
Colorado	5.5%	5.0%	4.3%	3.7%	4.8%	7.3%	8.7%	8.4%	7.9%	6.8%	5.0%	3.9%
Denver Metropolitan Area	5.6%	5.1%	4.3%	3.8%	4.9%	7.3%	8.5%	8.1%	7.6%	6.5%	4.7%	3.6%
City and County of Denver	6.5%	5.7%	4.8%	4.1%	5.4%	8.1%	9.1%	8.6%	7.8%	6.6%	4.8%	3.7%

**CONSUMER PRICE INDEX (CPI-U, 1982-84=100)**

United States	188.9	195.3	201.6	207.3	215.3	214.5	218.1	224.9	229.6	233.0	236.7	237.0
Denver-Boulder-Greeley	187.0	190.9	197.7	202.0	209.9	208.5	212.4	220.3	224.6	230.8	237.2	240.0

**INFLATION RATE**

United States	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%
Denver-Boulder-Greeley	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>TOTAL PERSONAL INCOME (millions, except as noted)</b>												
United States (billions)	\$10,048	\$10,610	\$11,381	\$11,995	\$12,493	\$12,079	\$12,460	\$13,233	\$13,904	\$14,064	\$14,683	\$15,324
Colorado	\$167,794	\$179,090	\$192,162	\$203,035	\$213,342	\$206,385	\$211,420	\$227,052	\$240,905	\$246,448	\$261,735	\$275,107
Denver Metropolitan Area	\$104,533	\$111,559	\$120,055	\$125,829	\$132,343	\$127,134	\$130,625	\$140,838	\$150,990	\$154,331	\$164,513	NA
City and County of Denver	\$24,101	\$25,976	\$28,893	\$29,931	\$32,354	\$29,637	\$31,307	\$34,605	\$38,083	\$39,079	\$41,743	NA
<b>TOTAL PERSONAL INCOME GROWTH RATE</b>												
United States	5.9%	5.6%	7.3%	5.4%	4.1%	-3.3%	3.1%	6.2%	5.1%	1.2%	4.4%	4.4%
Colorado	4.6%	6.7%	7.3%	5.7%	5.1%	-3.3%	2.4%	7.4%	6.1%	2.3%	6.2%	5.1%
Denver Metropolitan Area	4.4%	6.7%	7.6%	4.8%	5.2%	-3.9%	2.7%	7.8%	7.2%	2.2%	6.6%	NA
City and County of Denver	4.6%	7.8%	11.2%	3.6%	8.1%	-8.4%	5.6%	10.5%	10.1%	2.6%	6.8%	NA
<b>PER CAPITA PERSONAL INCOME</b>												
United States	\$34,316	\$35,904	\$38,144	\$39,821	\$41,082	\$39,376	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049	\$47,669
Colorado	\$36,676	\$38,665	\$40,709	\$42,265	\$43,631	\$41,508	\$41,877	\$44,349	\$46,402	\$46,746	\$48,869	\$50,410
Denver Metropolitan Area	\$41,276	\$43,567	\$46,071	\$47,425	\$48,986	\$46,244	\$46,712	\$49,459	\$52,079	\$52,216	\$54,619	NA
City and County of Denver	\$43,760	\$47,085	\$51,882	\$53,032	\$56,197	\$50,316	\$51,888	\$55,869	\$60,080	\$60,270	\$62,880	NA
<b>PER CAPITA PERSONAL INCOME GROWTH RATE</b>												
United States	5.0%	4.6%	6.2%	4.4%	3.2%	-4.2%	2.3%	5.4%	4.3%	0.4%	3.6%	3.5%
Colorado	3.6%	5.4%	5.3%	3.8%	3.2%	-4.9%	0.9%	5.9%	4.6%	0.7%	4.5%	3.2%
Denver Metropolitan Area	3.5%	5.5%	5.7%	2.9%	3.3%	-5.6%	1.0%	5.9%	5.3%	0.3%	4.6%	NA
City and County of Denver	5.0%	7.6%	10.2%	2.2%	6.0%	-10.5%	3.1%	7.7%	7.5%	0.3%	4.3%	NA
<b>RETAIL TRADE SALES (millions, except as noted)</b>												
United States (billions)	\$3,834	\$4,083	\$4,300	\$4,443	\$4,383	\$4,066	\$4,284	\$4,597	\$4,820	\$5,001	\$5,208	\$5,327
Colorado	\$62,288	\$65,492	\$70,437	\$75,375	\$74,911	\$66,454	\$70,105	\$75,804	\$80,248	\$84,240	\$90,507	\$94,936
Denver Metropolitan Area	\$37,197	\$38,589	\$41,491	\$44,177	\$43,829	\$38,882	\$40,894	\$43,658	\$46,861	\$49,299	\$53,245	\$56,192
City and County of Denver	\$7,691	\$7,963	\$9,480	\$10,162	\$10,252	\$8,517	\$8,925	\$9,454	\$10,388	\$10,992	\$12,409	\$12,946



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>RETAIL TRADE SALES GROWTH RATE</b>												
United States	6.1%	6.5%	5.3%	3.3%	-1.3%	-7.2%	5.4%	7.3%	4.9%	3.8%	4.1%	2.3%
Colorado	6.1%	5.1%	7.6%	7.0%	-0.6%	-11.3%	5.5%	8.1%	5.9%	5.0%	7.4%	4.9%
Denver Metropolitan Area	4.6%	3.7%	7.5%	6.5%	-0.8%	-11.3%	5.2%	6.8%	7.3%	5.2%	8.0%	5.5%
City and County of Denver <sup>1</sup>	4.4%	3.5%	19.1%	7.2%	0.9%	-16.9%	4.8%	5.9%	9.9%	5.8%	12.9%	4.3%
<b>MEDIAN HOME PRICE (thousands)</b>												
United States	\$195.2	\$219.0	\$221.9	\$217.9	\$196.6	\$172.1	\$173.1	\$166.2	\$177.2	\$197.4	\$208.9	\$223.9
Denver Metropolitan Area	\$239.1	\$247.1	\$249.5	\$245.4	\$219.3	\$219.9	\$232.4	\$231.4	\$252.4	\$280.6	\$310.2	\$353.6
<b>EXISTING HOME SALES</b>												
Denver Metropolitan Area	53,482	53,106	50,244	49,789	47,837	42,070	38,818	38,105	45,203	53,631	54,068	55,509
<b>NEW RESIDENTIAL UNITS</b>												
<b>DENVER METROPOLITAN AREA</b>												
Single Family	19,069	17,888	12,938	7,799	4,037	2,690	3,791	3,885	5,947	7,396	8,396	9,786
Two-Family	374	471	428	398	224	133	285	309	299	399	440	422
Multi-Family	3,108	2,953	4,769	6,195	5,296	1,465	1,478	3,005	8,679	9,145	8,074	9,061
Total Units	22,551	21,312	18,135	14,392	9,557	4,288	5,554	7,199	14,925	16,940	16,910	19,269
<b>OFFICE VACANCY RATE</b>												
Denver Metropolitan Area	14.1%	12.9%	12.5%	11.5%	12.6%	13.5%	12.9%	12.5%	12.1%	11.1%	10.3%	9.6%
<b>HOTEL OCCUPANCY RATE</b>												
Denver Metropolitan Area	61.9%	64.1%	66.4%	67.0%	65.0%	59.0%	64.4%	66.8%	68.0%	70.8%	75.8%	75.9%
<b>SKIER VISITS</b>												
Colorado (millions)	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	11.8	12.5	12.6	12.5	11.9	11.9	12.3	11.0	11.4	12.6	12.5	13.4

NA: Not Available

<sup>1</sup>: The large increase in retail trade sales in the City and County of Denver in 2006 was due to geographic revisions in the data series and may not accurately reflect actual activity.

Sources: U.S. Department of Commerce, Bureau of the Census; Colorado Division of Local Government, Demography Section; U.S. Department of Labor, Bureau of Labor Statistics; Colorado Department of Labor and Employment, Labor Market Information; U.S. Department of Commerce, Bureau of Economic Analysis; Colorado Department of Revenue; National Association of REALTORS; REcolorado; U.S. Department of Commerce, Bureau of the Census; CoStar Realty Information, Inc.; Rocky Mountain Lodging Report; Vail Resorts, Inc. and Colorado Ski Country USA.





