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

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2019 Revenue Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, and (ii) interest on the Series 2019 Revenue Bonds is exempt from income taxation by the Commonwealth of Kentucky and all political subdivisions thereof and the Series 2019 Revenue Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. Interest on the Series 2019 Revenue Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX TREATMENT" herein.

$32,935,000
KENTON COUNTY (KENTUCKY) AIRPORT BOARD
Cincinnati/Northern Kentucky International Airport
Revenue Bonds, Series 2019

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

The Bonds. The Kenton County Airport Board's Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019 (the "Series 2019 Revenue Bonds") will be issued as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Series 2019 Revenue Bonds. Purchasers of beneficial interests in the Series 2019 Revenue Bonds initially will be made in book-entry-only form (without certificates) in denominations of $5,000 and any integral multiple thereof, and under certain circumstances are exchangeable as more fully described herein. Principal of, premium, if any, and interest on the Series 2019 Revenue Bonds will be paid by U.S. Bank National Association, a national banking association, as paying agent, (the "Paying Agent") for the Series 2019 Revenue Bonds. So long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2019 Revenue Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See "APPENDIX F – Book-Entry Only System."

Maturity and Interest Payment Dates. The Series 2019 Revenue Bonds shall mature on the dates, in the principal amounts, bear interest at the rates per annum and have the prices, yields, and CUSIP numbers as shown on the inside cover page. Interest on the Series 2019 Revenue Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2019.

Redemption. The Series 2019 Revenue Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2019 REVENUE BONDS – Redemption Provisions."

Purpose. The Series 2019 Revenue Bonds are being issued for the purpose of (i) funding the costs of the Series 2019 Improvement Project at the Cincinnati/Northern Kentucky International Airport (the "Airport"), (ii) funding a Common Bond Reserve Account for the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds, (iii) funding capitalized interest on the Series 2019 Revenue Bonds and (iv) paying certain costs of issuance relating to the Series 2019 Revenue Bonds. See "THE 2019 PROJECT" and "ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS."

Security. The Series 2019 Revenue Bonds will be issued under and secured by the 2016 Airport Revenue General Bond Resolution adopted by the Kenton County Airport Board (the "Board") on May 16, 2016, as supplemented from time to time (the "General Bond Resolution"), and as further supplemented by the Series 2019 Bond Resolution adopted by the Board on January 22, 2019 (the "Series 2019 Resolution" and, together with the General Bond Resolution, the "Resolution"). The Series 2019 Revenue Bonds are payable from, and secured by a pledge of, Net Revenues (as described herein) of the Board which pledge is on a parity with the pledge of Net Revenues made to secure the Board's Series 2016 Revenue Bonds and any Additional Bonds which may be issued and outstanding from time to time pursuant to the Resolution. The Series 2019 Revenue Bonds will not be subject to acceleration upon an event of default or otherwise. See "SOURCES OF PAYMENT AND SECURITY."

Limited Obligations. The Series 2019 Revenue Bonds will not constitute general obligations or be an indebtedness of the Board or of Kenton County, Kentucky, or of the Commonwealth of Kentucky nor are any properties subject to any mortgage or lien for the benefit of the owners of the Series 2019 Revenue Bonds within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of Kenton County or the Commonwealth of Kentucky (or any political subdivisions thereof) will be pledged to the payment of the Series 2019 Revenue Bonds. The Series 2019 Revenue Bonds will be secured by a pledge of Net Revenues derived from the use and operation of the Airport. See "SOURCES OF PAYMENT AND SECURITY."

The purchase and ownership of Series 2019 Revenue Bonds involves investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2019 Revenue Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, and to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2019 Revenue Bonds are offered when, as and if issued and received by the Underwriters subject to the approval of legality by Squire Patton Boggs (US) LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon by Ziegler & Schneider, P.S.C., general counsel to the Board, and for the Underwriters by their counsel, Barnes & Thornburg LLP. Frasca & Associates, LLC serves as an independent Municipal Advisor to the Board. It is expected that delivery of the Series 2019 Revenue Bonds in book-entry form will be made through the facilities of DTC on or about March 20, 2019.

BofA Merrill Lynch **PNC Capital Markets LLC**

Dated: March 5, 2019

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

$32,935,000
Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Revenue Bonds, Series 2019

$15,870,000 Serial Bonds

Maturity (January 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2022	$ 565,000	5.00%	109.036	1.660%	491026UW8
2023	590,000	5.00	112.031	1.700	491026UX6
2024	620,000	5.00	114.691	1.780	491026UY4
2025	655,000	5.00	116.951	1.890	491026UZ1
2026	685,000	5.00	119.141	1.970	491026VA5
2027	720,000	5.00	120.793	2.090	491026VB3
2028	755,000	5.00	122.153	2.210	491026VC1
2029	795,000	5.00	123.130	2.340	491026VD9
2030	835,000	5.00	121.762	2.480^{C}	491026VE7
2031	875,000	5.00	120.317	2.630^{C}	491026VF4
2032	920,000	5.00	119.270	2.740^{C}	491026VG2
2033	965,000	5.00	118.235	2.850^{C}	491026VH0
2034	1,015,000	5.00	117.674	2.910^{C}	491026VJ6
2035	1,065,000	5.00	117.117	2.970^{C}	491026VK3
2036	1,115,000	5.00	116.562	3.030^{C}	491026VL1
2037	1,175,000	5.00	116.103	3.080^{C}	491026VM9
2038	1,230,000	5.00	115.463	3.150^{C}	491026VN7
2039	1,290,000	5.00	114.918	3.210^{C}	491026VP2

$7,495,000, 5.00% Term Bonds Due January 1, 2044, Price 113.659, Yield 3.350%^{C}, CUSIP† No. 491026VQ0

$9,570,000, 5.00% Term Bonds Due January 1, 2049, Price 113.213, Yield 3.400%^{C}, CUSIP† No. 491026VR8

C-Yield to first optional call on January 1, 2029

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Board, the Underwriters nor their agents or counsel are responsible for the accuracy of such numbers. No representation is made as to their correctness on the Series 2019 Revenue Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 Revenue Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Revenue Bonds.

Kenton County (Kentucky) Airport Board

Airport Board

J. Michael Schlotman, Chair
Paul T. Verst, Vice Chair
Kevin W. Canafax
Bryan Carlisle
Kathy F. Collins
Mike L. Drysdale
Kay Geiger
John A. Mocker Jr.
Paul F. Ritter
Lisa Sauer
Todd M. Schneider
William M. Schuler
Chad L. Summe

Airport Management

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

General Counsel to the Board

Ziegler & Schneider, P.S.C.

Bond Counsel

Squire Patton Boggs (US) LLP

Municipal Advisor

Frasca & Associates, LLC

Independent Auditors

Blue & Co., LLC

Airport Consultant

LeighFisher, Inc.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

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

This Official Statement is being used in connection with the sale of the Series 2019 Revenue Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Certain information contained in this Official Statement has been obtained by the Board from DTC and other sources that are deemed to be reliable; however, no representation or warranty is made as to the accuracy or completeness of such information by the Board. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

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

No dealer, broker, sales representative or any other person has been authorized by the Board to give any information or to make any representation other than those contained in this Official Statement in connection with the offering it describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover pages hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of, the Series 2019 Revenue Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and opinions expressed herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board or the Airport since the date of this Official Statement. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2019 Revenue Bonds.

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

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

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

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2019 REVENUE BONDS. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE SERIES 2019 REVENUE BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2019 REVENUE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE SERIES 2019 REVENUE BONDS ARE RELEASED FOR SALE, AND THE SERIES 2019 REVENUE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2019 REVENUE BONDS INTO INVESTMENT ACCOUNTS.

THE SERIES 2019 REVENUE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2019 REVENUE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

OFFICIAL STATEMENT SUMMARY

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

The Issuer	Kenton County Airport Board (the "Board"), is a body politic and corporate and a political subdivision of the Commonwealth of Kentucky pursuant to Chapter 183 of the Kentucky Revised Statutes.
Issue and Date	The Series 2019 Revenue Bonds will be limited obligations of the Board payable from Net Revenues (as defined herein) derived from the use and operation of Cincinnati/Northern Kentucky International Airport (the "Airport"). The Series 2019 Revenue Bonds will be dated as of the date of delivery. See "THE SERIES 2019 REVENUE BONDS – General" and "SOURCES OF PAYMENT AND SECURITY."
Cincinnati/Northern Kentucky International Airport	The Airport is an air transportation and cargo facility for scheduled carriers serving the 15-county Cincinnati Metropolitan Statistical Area. The Airport is located on approximately 7,500 acres in the northeastern corner of Boone County, Kentucky, approximately 13 miles southwest of downtown Cincinnati, across the Ohio River in Kentucky. See "THE AIRPORT."
Authority for Issuance	The Series 2019 Revenue Bonds are being issued under the authority of Chapter 183 and Chapter 58 of the Kentucky Revised Statutes, and are authorized by the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016, as supplemented from time to time (the "General Bond Resolution"), and as further supplemented by the Series 2019 Bond Resolution adopted by the Board on January 22, 2019 (the "Series 2019 Resolution," together with the General Bond Resolution, the "Resolution").
Purpose of the Issue	To (i) fund the costs of the Series 2019 Improvement Project (referred to in the remainder of the main body of this Official Statement as the "Main Terminal Roadway Improvement Project" or the "Series 2019 Revenue Project" (both, as defined herein)) at the Airport (ii) fund the Common Bond Reserve Account (as defined herein) for the Series 2016 Revenue Bonds (as defined herein), the Series 2019 Revenue Bonds and any other Common Reserve Bonds (as defined herein), (iii) fund capitalized interest on the Series 2019 Revenue Bonds and (iv) pay certain costs of issuance relating to the Series 2019 Revenue Bonds. See "THE 2019 PROJECT," "PLAN OF FINANCE" and "ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS."
Amounts and Maturities	See table on inside cover page.
Interest Payment Dates	Interest on the Series 2019 Revenue Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2019.
Redemption	The Series 2019 Revenue Bonds maturing on and after January 1, 2030, are subject to redemption at the option of the Board on or after January 1, 2029, in whole or in part at any time, at a redemption price equal to the principal

amount of the Series 2019 Revenue Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

The Series 2019 Revenue Bonds (i) maturing on January 1, 2044 and (ii) maturing on January 1, 2049 are Term Bonds (as defined herein) subject to mandatory redemption in part from sinking fund payments at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest, on the dates and in the amounts set forth herein.

See "THE SERIES 2019 REVENUE BONDS - Redemption Provisions."

Paying Agent

Principal of, premium, if any, and interest on the Series 2019 Revenue Bonds will be paid by U.S. Bank National Association, a national banking association, as Paying Agent.

Security for Payment

Pursuant to the terms of the General Bond Resolution, the Series 2019 Revenue Bonds will be secured by a pledge of Net Revenues on a parity basis with the Board's Series 2016 Revenue Bonds and any Additional Bonds issued hereafter pursuant to the General Bond Resolution. See "SOURCES OF PAYMENT AND SECURITY."

Bond Reserve

Upon the issuance of the Series 2019 Revenue Bonds, the Board will deposit amounts sufficient to maintain a common bond reserve account (the "Common Bond Reserve Account") for the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds issued hereafter pursuant to the General Bond Resolution (collectively, the "Common Reserve Bonds") in the Bond Reserve Fund, which amount will be equal to the least of (i) 10% of the original par amount of the Common Reserve Bonds; (ii) the maximum annual Principal and Interest Requirements on all outstanding Common Reserve Bonds in any Fiscal Year; or (iii) 125% of the average annual Principal and Interest Requirements on the Common Reserve Bonds; provided that such amount may be recalculated at any time (a) upon the designation and issuance by the Board of any other Common Reserve Bonds and (b) in connection with the redemption or purchase and cancellation of any Series 2016 Revenue Bonds, any Series 2019 Revenue Bonds or any other Common Reserve Bonds.

The Common Bond Reserve Account is pledged to the payment of the Common Reserve Bonds on a parity basis.

Rate Covenant

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

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

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

Additional Bonds

Additional Bonds may be issued only upon satisfaction of the conditions set forth in the General Bond Resolution. See "SOURCES OF PAYMENT AND SECURITY– Additional Bonds."

Series 2019 CFC Bonds

Simultaneous with the issuance of the Series 2019 Revenue Bonds, the Board is issuing the Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the "Series 2019 CFC Bonds") to pay a portion of the costs of constructing the Consolidated Ground Transportation Facility (as defined herein). The Series 2019 CFC Bonds are not being issued under or secured pursuant to the Resolution.

No Acceleration; No Cross Default

The Resolution does not provide for any rights of acceleration with respect to the Series 2019 Revenue Bonds. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution.

Investment Considerations

There are a number of factors associated with owning the Series 2019 Revenue Bonds that prospective investors should consider prior to purchasing the Series 2019 Revenue Bonds. For a discussion of these factors, see "CERTAIN INVESTMENT CONSIDERATIONS."

Tax Status

The delivery of the Series 2019 Revenue Bonds is subject to the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, to the effect that under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2019 Revenue Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax, and (ii) interest on the Series 2019 Revenue Bonds is exempt from income taxation and the Series 2019 Revenue Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. See "TAX TREATMENT" herein for information concerning assumptions and conditions as to compliance with the Internal Revenue Code of 1986, as amended (the "Code") upon which the foregoing opinion is based and for a description of certain provisions of the Code that may affect the tax treatment of interest on the Series 2019 Revenue Bonds.

Legal Matters

Squire Patton Boggs (US) LLP will act as Bond Counsel. Certain legal matters will be passed upon by Ziegler & Schneider, P.S.C., general counsel to the Board, and for the Underwriters by their counsel, Barnes & Thornburg LLP.

Ratings

Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "A+" with a stable outlook and "A1" with a stable outlook, respectively, to the Series 2019 Revenue Bonds. For a discussion of these ratings, see the section herein captioned "RATINGS."

Information

Information regarding the Series 2019 Revenue Bonds is available by contacting the Cincinnati/Northern Kentucky International Airport, at P.O. Box 752000, Cincinnati, Ohio 45275-2000, (859) 767-3177, or U.S. Bank National Association, the Paying Agent, at 425 Walnut Street, Cincinnati, OH 45202, (800) 934-6802. This Official Statement will be posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

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$32,935,000
Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Revenue Bonds, Series 2019

INTRODUCTION

General

The Kenton County Airport Board (the "Board") has prepared this Official Statement in connection with the issuance and sale of its $32,935,000 Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019 (the "Series 2019 Revenue Bonds"). This Official Statement provides certain information regarding the purpose, terms and sources of payment of and security for the Series 2019 Revenue Bonds and certain information regarding the Board and the Cincinnati/Northern Kentucky International Airport (the "Airport"). All capitalized terms not defined in this Official Statement shall be defined and have the meaning as set forth in the Resolution.

The Board

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

Plan of Finance

The 2019 Project (the "2019 Project") consists of: (1) the construction of a consolidated ground transportation facility and other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure (collectively, the "Consolidated Ground Transportation Facility," as further described herein), which will be financed by the Series 2019 CFC Bonds (as defined herein); and (2) the Series 2019 Improvement Project (referred to in the remainder of the main body of this Official Statement as the "Main Terminal Roadway Improvement Project" or the "Series 2019 Revenue Project" (both, as defined herein)), which also includes other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure and will be financed by the Series 2019 Revenue Bonds. Simultaneously with the issuance of the Series 2019 Revenue Bonds, the Board intends to issue the Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the "Series 2019 CFC Bonds") pursuant to the Master CFC Trust Indenture, dated as of March 1, 2019 (the "CFC Indenture"), between the Board and U.S. Bank National Association. See "THE 2019 PROJECT".

Purpose

The Board will issue the Series 2019 Revenue Bonds for the purpose of (i) financing the costs of financing, designing and constructing the Series 2019 Revenue Project (as defined herein), (ii) funding the Common Bond Reserve Account (as defined herein) for the Series 2016 Revenue Bonds (as defined herein), the Series 2019 Revenue Bonds and any other Common Reserve Bonds (as defined herein), (iii) funding capitalized interest on the Series 2019 Revenue Bonds and (iv) paying the costs of issuing the Series 2019 Revenue Bonds.

Authority for Issuance

The Series 2019 Revenue Bonds will be issued pursuant to the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016 (the "General Bond Resolution"), as supplemented from time to time, including as supplemented by the Series 2019 Resolution adopted by the Board on January 22, 2019 (the "Series 2019 Resolution," and together with the General Bond Resolution, the "Resolution"), authorizing the issuance of the Series 2019 Revenue Bonds.

Security and Source of Payment

The pledges and sources of payment for the Series 2019 Revenue Bonds are described herein under "SOURCES OF PAYMENT AND SECURITY." The Series 2019 Revenue Bonds are special and limited obligations of the Board, payable equally and ratably from and secured by a pledge of all of the Net Revenues derived directly or indirectly from the use and operation of the Airport or any part thereof.

Report of the Airport Consultant

Included as Appendix A to this Official Statement is a Report of the Airport Consultant, dated February 19, 2019 (the "Report of the Airport Consultant" or "Report"), prepared by LeighFisher, Inc. (the "Airport Consultant"), in conjunction with the issuance of the Series 2019 Revenue Bonds. The Report includes, among other things: a description of the 2019 Project; a description of the underlying economic base of the Airport's air service area; a description of historical air traffic activity at the Airport; the Airport Consultant's projections for air traffic activity at the Airport through Fiscal Year 2024 and a description of the assumptions on which such projections were based; and the Airport Consultant's projections of debt service coverage through Fiscal Year 2024 and a description of the assumptions upon which such projections were based. Inevitably, some assumptions used to develop the projections in the Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. The projections contained in the Report are not necessarily indicative of future performance, and neither the Airport Consultant nor the Board assume any responsibility for the failure to meet such projections. The Report is an integral part of this Official Statement and should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein. See "—Forward-Looking Statements," "CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant," "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A—Report of the Airport Consultant."

Continuing Disclosure

The Board will covenant for the benefit of the owners and beneficial owners of the Series 2019 Revenue Bonds to annually provide certain financial information and operating data concerning the Board and the Airport and to provide notices of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") website or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act, as amended (the "Exchange Act"). See "CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX G—Form of Continuing Disclosure Undertaking."

Investment Considerations

The purchase and ownership of the Series 2019 Revenue Bonds involves investment risks. Prospective purchasers of the Series 2019 Revenue Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2019 Revenue Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Forward-Looking Statements

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result," "are expected to," "will continue," "is anticipated," "intend" or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. It is important to note that the Board's actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Board. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. See "FORWARD-LOOKING STATEMENTS."

Additional Information

Brief descriptions of the Series 2019 Revenue Bonds, the Resolution, the Airport Use Agreements (as defined in "APPENDIX C – Summary of Certain Provisions of the Airport Use Agreements") and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. 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 any implication that there has been no change in the affairs of the Board since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or owners of any of the Series 2019 Revenue Bonds. The Board maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2019 Revenue Bonds.

THE SERIES 2019 REVENUE BONDS

General

The Series 2019 Revenue Bonds will mature on January 1 of the years and in the amounts shown on the inside cover page and will be dated the date of their date of delivery. The Series 2019 Revenue Bonds will bear a fixed rate of interest until their final maturity or earlier redemption at the rates per annum set forth on the inside cover page. Interest on the Series 2019 Revenue Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2019. The Series 2019 Revenue Bonds will be issued in denominations that are integral multiples of $5,000.

Book-Entry Only

The Series 2019 Revenue Bonds will be issued only as fully registered bonds. The Series 2019 Revenue Bonds will be registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Series 2019 Revenue Bonds when in the book-entry form and the book-entry only system are described in "APPENDIX F - Book–Entry Only System." Except as described in APPENDIX F, beneficial owners of the Series 2019 Revenue Bonds will not receive or have the right to receive physical delivery of the Series 2019 Revenue Bonds and will not be or be considered under the Resolution to be the Registered Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Participant, the DTC Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest on the Series 2019 Revenue Bonds and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a DTC Participant, such beneficial owner's DTC Participant, to evidence its beneficial ownership of Series 2019 Revenue Bonds. As long as DTC or its nominee is the Registered Owner of Series 2019 Revenue Bonds, references herein to Bondholders or Registered Owners of such Series 2019 Revenue Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Series 2019 Revenue Bonds.

Redemption Provisions

Optional Redemption. The Series 2019 Revenue Bonds maturing on and after January 1, 2030, are subject to redemption at the option of the Board on or after January 1, 2029, in whole or in part at any time, and if in part, in such order of maturity as the Board shall determine and within any maturity, at the redemption price equal to the principal amount of each Series 2019 Revenue Bond to be redeemed, plus accrued interest to the date of redemption.

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Mandatory Redemption. The Series 2019 Revenue Bonds (i) maturing on January 1, 2044 and (ii) maturing on January 1, 2049 are Term Bonds subject to mandatory redemption in part from sinking fund payments at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest, on the dates and in the amounts set forth below:

Term Bonds maturing on January 1, 2044

Year (January 1)	Principal Amount
2040	$1,355,000
2041	1,425,000
2042	1,495,000
2043	1,570,000
2044†	1,650,000

†Final Maturity Date

Term Bonds maturing on January 1, 2049

Year (January 1)	Principal Amount
2045	$1,730,000
2046	1,820,000
2047	1,910,000
2048	2,005,000
2049†	2,105,000

†Final Maturity Date

Optional Redemption or Purchase of Series 2019 Revenue Bonds Subject to Mandatory Redemption. If the Board redeems Series 2019 Revenue Bonds subject to mandatory redemption pursuant to optional redemption or purchases Series 2019 Revenue Bonds subject to mandatory redemption and cancels the same, then an amount equal to the principal amount of the Series 2019 Revenue Bonds of such maturity so redeemed or purchased shall be deducted from the mandatory redemption requirements as provided for such Series 2019 Revenue Bonds of such maturity in such order as the Board shall determine.

Extraordinary Redemption from Insurance Proceeds. Only to the extent required by Section 8.07(a)(ii) of the General Bond Resolution, the Series 2019 Bonds are subject to redemption in whole or in part at any time from the Net Proceeds of insurance awards relating to the Airport at a redemption price equal to 100% of the principal amount of the Series 2019 Bonds to be redeemed, plus accrued interest to the redemption date.

Partial Redemption. If fewer than all of the Series 2019 Revenue Bonds of a single maturity are called for redemption, U.S. Bank National Association (the "Paying Agent") shall select the Series 2019 Revenue Bond or Series 2019 Revenue Bonds to be redeemed from all Series 2019 Revenue Bonds of that maturity which are then subject to redemption or purchase, as the case may be, by lot. In the case of a Series 2019 Revenue Bond in a denomination of more than $5,000, a portion of that Series 2019 Revenue Bond ($5,000 or any integral multiple thereof) may be called for prior redemption in which case the Paying Agent shall, without charge to the Registered Owner of that Series 2019 Revenue Bond, authenticate and deliver a replacement Series 2019 Revenue Bond or Series 2019 Revenue Bonds for the portion of the Series 2019 Revenue Bond which was not called for prior redemption.

Notice of Redemption. Notice of redemption of those Series 2019 Revenue Bonds subject to optional redemption, identifying (i) the date fixed for redemption, (ii) the principal amount of Series 2019 Revenue Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, will be made upon presentation and surrender to the Paying Agent, (vi) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (vii) that on and after said date interest on Series 2019 Revenue Bonds which have been redeemed will cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Series 2019 Revenue Bonds to be redeemed and, if less than the face amount of any such Series 2019 Revenue Bond is to be redeemed, the principal amount to be redeemed, shall be given by the Paying Agent by mailing a copy of such redemption notice by registered or certified mail, not less than 30 days nor more than 60 days prior to the date fixed for redemption, (i) to the Bondholder of each such Series 2019 Revenue Bond to be redeemed in whole or in part at the address as it appears on the register of Series 2019 Revenue Bonds maintained by the Paying Agent, and (ii) the Board shall send such notice of redemption to the Municipal Securities Rulemaking Board's EMMA website or any successor thereto, and if EMMA or a successor does not exist, then to such national information service as the Board shall determine upon the advice of Bond Counsel. Failure to mail any such notice to the Registered Owner of any such Series 2019 Revenue Bond or any defect therein shall not affect the validity of the proceedings for such redemption of such Series 2019 Revenue Bond. Any such notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Registered Owner of any Series 2019 Revenue Bond receives the notice.

SOURCES OF PAYMENT AND SECURITY

Limited Obligations

The Series 2019 Revenue Bonds will not constitute general obligations or be an indebtedness of the Board or of Kenton County, Kentucky or of the Commonwealth of Kentucky (the "Commonwealth") nor are any properties subject to any mortgage or lien for the benefit of the owners of the Series 2019 Revenue Bonds within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of Kenton County or the Commonwealth (or any political subdivisions thereof) will be pledged to the payment of the Series 2019 Revenue Bonds.

Pledge of Net Revenues

The Board previously issued its Airport Revenue Refunding Bonds, Series 2016 (the "Series 2016 Revenue Bonds") under the General Bond Resolution, which is outstanding in the aggregate principal amount of $42,485,000. The Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any Additional Bonds that may hereafter be issued are collectively referred to hereinafter as the "Bonds." All Bonds, including the Series 2019 Revenue Bonds, are payable equally and ratably from and secured by a pledge of all Net Revenues.

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

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

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

Pledge of Funds

In addition to the pledge of the Net Revenues, all Bonds, including the Series 2019 Revenue Bonds, are secured by a pledge of money and Investment Obligations in the Bond Fund and the Bond Reserve Fund established pursuant to the Resolution and may be additionally secured by special Funds or Accounts pledged in a Series Resolution or any other action adopted by the Board.

Rate Covenant

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

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

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

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

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

Extraordinary Coverage Payments under the Airport Use Agreements

In addition to Landing Fees and Terminal Rentals and any other fees and charges as are allowable under the Airport Use Agreement, each Signatory shall be required to make extraordinary coverage protection payments in any Fiscal Year in which the amount of Revenues less Operation and Maintenance Expenses is or is forecasted to be less than 125% of the aggregate annual Principal and Interest Requirement (as calculated under the General Bond Resolution). Any amounts that must be collected for such extraordinary coverage protection payments from the Signatories shall be allocated to the Airfield Cost Center Requirement. See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES – Airline Use and Lease Agreements" and "- New Airline Agreements to Replace Current Airport Use Agreement" and "APPENDIX C – Summary of Certain Provisions of the Airport Use Agreements."

Common Bond Reserve Account in Bond Reserve Fund

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

Pursuant to the Series Resolution authorizing the Series 2016 Revenue Bonds (the "2016 Series Resolution"), the Board secured the Series 2016 Revenue Bonds with the 2016 Account of the Bond Reserve Fund (the "2016 Account"), which is currently funded at its reserve requirement of $4,326,000. Under the Series 2019 Resolution, the Board has designated the Series 2016 Revenue Bonds and the Series 2019 Revenue Bonds as Common Reserve Bonds and covenanted to secure the Series 2016 Revenue Bonds with the Common Bond Reserve Account (the "Common Bond Reserve Account"), rather than the 2016 Account, in the Bond Reserve Fund, on a parity with the Series 2019 Revenue Bonds and any other Common Reserve Bonds issued hereafter pursuant to the General Bond Resolution (the Series 2016 Revenue Bonds and the Series 2019 Revenue Bonds, together with any other Common Reserve Bonds are collectively, the "Common Reserve Bonds"). Upon issuance of the Series 2019 Revenue Bonds, the amount on deposit in the 2016 Account shall be transferred to, and a portion of the proceeds of the Series 2019 Revenue Bonds will be deposited in, the Common Bond Reserve Account. Thereupon, the amount on deposit therein shall equal the "Common Bond Reserve Requirement," which means an amount equal to the least of (i) 10% of the original par amount of the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds; (ii) the maximum annual Principal and Interest Requirements on all outstanding Series 2016 Revenue Bonds, Series 2019 Revenue Bonds and any other Common Reserve Bonds in any Fiscal Year; or (iii) 125% of the average annual Principal and Interest Requirements on the outstanding Series 2016 Revenue Bonds, Series 2019 Revenue Bonds and any other Common Reserve Bonds; provided that such amount may be recalculated at any time (a) upon the designation and issuance by the Board of any other Common Reserve Bonds and (b) in connection with the redemption or purchase and cancellation of any Series 2016 Revenue Bonds, any Series 2019 Revenue Bonds or any other Common Reserve Bonds. On the date of issuance of the Series 2019 Revenue Bonds, the Common Bond Reserve Requirement shall equal $5,243,202.21.

The Series 2019 Resolution requires payments into the Common Bond Reserve Account from the Net Revenues each month in an amount equal to one-twelfth (1/12) of the Reserve Requirement Deficiency after a withdrawal from the Common Bond Reserve Account to pay interest on the immediately preceding Interest Payment Date and/or to pay principal on the immediately preceding Principal Payment Date until the amount therein equals the Common Bond Reserve Requirement as described below in "– Funds and Accounts and Flow of Funds."

Under conditions specified in the Resolution, the Board may fund the Common Bond Reserve Requirement for the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds by delivering a letter of credit or other Credit Facility in substitution for, or in lieu of, moneys to be held in the Common Bond Reserve Account. It is not anticipated that any portion of the Common Bond Reserve Requirement will be funded with a Credit Facility.

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

Funds and Accounts and Flow of Funds

Funds Established.

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

Series 2019 Resolution. The Series 2019 Resolution also establishes (i) the Series 2019 Interest Subaccount and the Series 2019 PFC Interest Subaccount (in the Interest Account of the Bond Fund), (ii) the Series 2019 Principal Subaccount and the Series 2019 PFC Principal Subaccount (in the Principal Account of the Bond Fund), (iii) the Common Bond Reserve Account (in the Bond Reserve Fund), (iv) the Series 2019 Costs of Issuance Fund, (v) the Series 2019 Rebate Account, (vi) the Series 2019 Construction Account (in the Construction Fund) and (vii) the Series 2019 Capitalized Interest Subaccount (in the Series 2019 Construction Account of the Construction Fund). Under the Series 2019 Resolution, "Designated PFC Revenues" means certain Passenger Facilities Charges ("PFCs") that may be committed in the future to pay Principal and Interest Requirements of the Series 2019 Bonds when such PFCs are deposited in the Designated PFC Revenue Account pursuant to action taken by the Board. Such Designated PFC Revenues also shall be deemed Other Available Revenues pursuant to the General Resolution.

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

(i) Into the Operations and Maintenance Fund, the amount (disregarding amounts held as the Operations and Maintenance Required Reserve) sufficient to meet the O&M Expenses for the next month;

(ii) Into the Interest Account of the Bond Fund (specifically the Series 2019 Interest Subaccount or the Series 2019 PFC Interest Subaccount, as applicable) amounts set forth in the Series Resolutions with respect to each Series of Bonds sufficient to pay interest due on Outstanding Bonds and, if applicable, Net Payments related to Outstanding Bonds;

(iii) Into the Principal Account of the Bond Fund (specifically the Series 2019 Principal Subaccount or the Series 2019 PFC Principal Subaccount, as applicable) amounts set forth in the Series Resolutions with respect to each Series of Bonds sufficient to pay principal due on Outstanding Bonds (at maturity or otherwise) and, if applicable, Mandatory Sinking Fund Requirements related to Outstanding Bonds;

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

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

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

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

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

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

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

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

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

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

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

Bond Reserve Fund. The Bond Reserve Fund shall be used solely for the payment of Principal and Interest Requirements on the Bonds. An Account within the Bond Reserve Fund may be pledged to all Series of Bonds Outstanding or solely to one or more particular Series of Bonds as set forth in the Series Resolution. If a Reserve Requirement has been designated for a Series of Bonds, the related Series Resolution shall either (1) create a separate Account within the Bond Reserve Fund or (2) designate a previously created Account within the Bond Reserve Fund, if permitted, for the deposit of the Reserve Requirement. Under the Series 2019 Resolution, the Board has designated the Series 2016 Revenue Bonds and the Series 2019 Revenue Bonds as Common Reserve Bonds and covenanted to secure the Series 2016 Revenue Bonds with the Common Bond Reserve Account, rather than the 2016 Account, in the Bond Reserve Fund, on a parity with the Series 2019 Revenue Bonds and any other Common Reserve Bonds issued hereafter pursuant to the General Bond Resolution. On the date of issuance of the Series 2019 Revenue Bonds, the amount on deposit in the 2016 Account shall be transferred to, and a portion of the proceeds of the Series 2019 Revenue Bonds will be deposited in, the Common Bond Reserve Account. Thereupon, the amount on deposit in the Common Bond Reserve Account shall equal the Common Bond Reserve Requirement. Whenever there is a deficiency in the Bond Fund for the payment of Principal and Interest Requirements for Bonds for which a Reserve Requirement has been designated, funds available in the appropriate Account of the Bond Reserve Fund shall be used by the Board for the payment of Principal and Interest Requirements on such Bonds.

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

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

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

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

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

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

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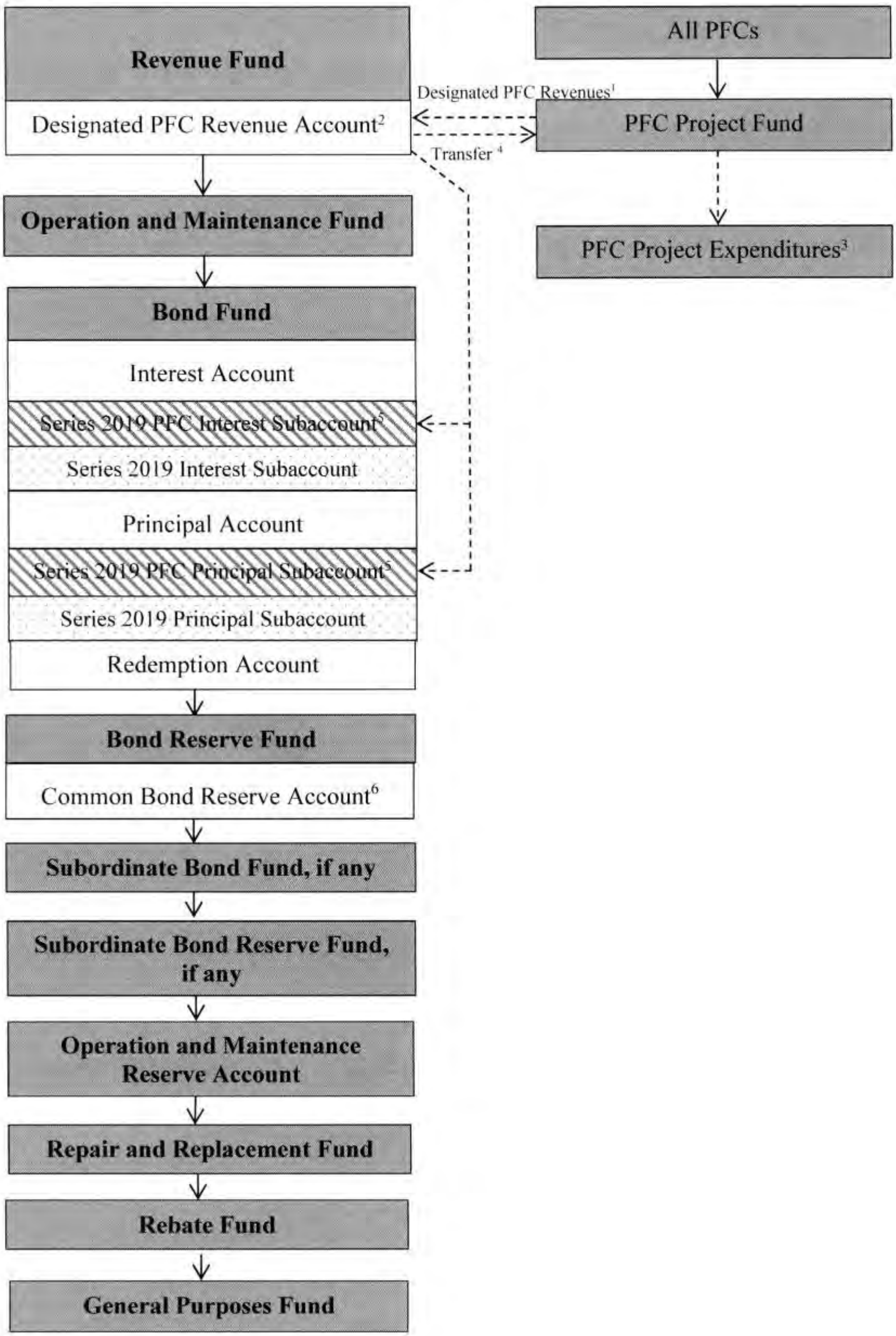
The following chart depicts the flow of funds required by the Resolution.



See footnotes on next page.

1. Irrevocable commitment of the lesser of (i) 125% of the Principal and Interest Requirements for the Series 2016 Revenue Bonds (not the Series 2019 Revenue Bonds), or (ii) the total amount of PFCs then on deposit in the PFC Project Fund, through the Fiscal Year ending December 31, 2020 (the "Irrevocable Commitment"), which period may be extended by action of the Board. At this time, the Board plans to use PFCs to fund a portion of the debt service on the Series 2019 Revenue Bonds, but has not elected to make an irrevocable commitment to do so.
2. The Designated PFC Revenue Account in the Revenue Fund.
3. PFC funds used for PFC eligible projects.
4. All amounts as of the last day of each Fiscal Year.
5. Investment income to be transferred to the PFC Project Fund monthly.
6. The Common Bond Reserve Account shall be for the benefit of the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds issued hereafter.

Additional Bonds

The Board has reserved the right and privilege at any time to issue one or more series of Additional Bonds from time to time payable from the Net Revenues and ranking on a basis of parity and equality with the Series 2016 Revenue Bonds and the Series 2019 Revenue Bonds, for the purpose of providing funds to pay the costs of further extensions and improvements to the Airport and air navigation facilities of the Airport, provided that before any such series of Additional Bonds are issued there must be procured and filed with the Board, the following:

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

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

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

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

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

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

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

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

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

There is no provision in the Resolution for acceleration of the maturity of the Series 2019 Revenue Bonds if any default occurs in the payment of the principal of or interest on the Series 2019 Revenue Bonds or in the performance of any other obligation of the Board under the Resolution or if interest on the Series 2019 Revenue Bonds becomes includible in the gross income of the owners thereof for federal income tax purposes. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution.

Other Obligations

Subordinate Bonds. The Board has reserved the right to issue, in addition to Additional Bonds, other obligations, the security and source of payment of which is subordinate and subject to the priority of the payments for the account of the Bonds, including the Series 2019 Revenue Bonds, or any Additional Bonds permitted to be issued by the Resolution. The Board may issue Subordinate Bonds for any lawful airport or aviation-related purposes permitted by law, so long as the following conditions are met:

(a) Subordinate Bonds issued or otherwise entered into by the Board, must rank junior and subordinate to the Bonds, including the Series 2019 Revenue Bonds, issued and outstanding under the General Bond Resolution and may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Bonds, including the Series 2019 Revenue Bonds, whether by maturity or redemption have been paid in full and the Board is current on all payments, if any, required to be made to replenish the Bond Reserve Fund and any separate Accounts therein. In all cases Subordinate Bonds shall be secured on a junior and subordinate basis to the Bonds, including the Series 2019 Revenue Bonds, by the pledge of the Net Revenues or shall be secured by assets that are not Net Revenues or shall be unsecured. No Bond, note, other instrument of indebtedness, or Interest Rate Swap, shall be deemed to be "Subordinate Bonds" for purposes of the General Bond Resolution and payable on a subordinated basis from Net Revenues unless specifically designated by the Board as a "Subordinate Bonds" in the authorizing resolution and Subordinate Bonds Issuing Instrument; and

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

On May 30, 2018, the Board financed the acquisition and equipping of eleven (11) buses for the purpose of transporting passengers at the Airport by entering into a Tax-Exempt Lease Agreement (the "Lease Agreement") with US Bancorp Governmental Lease and Finance, Inc. The Lease Agreement was designated by the Board as a Subordinate Bond Issuing Instrument and the payment obligations were designated as Subordinate Bonds pursuant to Section 8.14 of the General Bond Resolution. As such, the Board's payment obligations pursuant to the Lease Agreement are secured on a junior and subordinate basis to the Bonds with respect to the pledge of Net Revenues pursuant to the General Bond Resolution.

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

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

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

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

(c) no Event of Default then exists.

As of the date of this Official Statement, there are no Special Facility Obligations outstanding.

THE 2019 PROJECT

The 2019 Project

The 2019 Project (the "2019 Project") consists of: (1) the construction of the Main Terminal Roadway Improvement Project (also referred to herein as the "Series 2019 Revenue Project"), which will be financed by the Series 2019 Revenue Bonds; and (2) the Consolidated Ground Transportation Facility, which will be financed by the Series 2019 CFC Bonds; both, as described below:

(1) The Main Terminal Roadway Improvement Project. The Main Terminal Roadway Improvement Project includes all work as necessary to provide for the reconfiguration of the main terminal roadways to accommodate the construction of the Consolidated Ground Transportation Facility (the "Main Terminal Roadway Improvement Project"). In particular, the Main Terminal Roadway Improvement Project includes: (a) the construction of a new elevated roadway that will tie into the existing departures level roadway and a new at-grade road to tie into the existing arrival levels roadway; (b) the rehabilitation and realignment of portions of the existing terminal roadway system in order to provide access to other terminal area roads and facilities; and (c) the construction of a new terminal garage entrance and exit plazas that will tie into the reconfigured terminal roadway system and allow for the redesign of the old exit plaza area to provide for additional parking spaces to replace a portion of the spaces in the area of the existing terminal garage facility that are being torn down to accommodate the construction of the new elevated roadway system. The terminal roadway work also includes demolition of existing facilities and utility relocation work as necessary to allow for the construction of the Main Terminal Roadway Improvement Project.

(2) The Consolidated Ground Transportation Facility. The Consolidated Ground Transportation Facility will be located in the area immediately adjacent to the main terminal at the Airport and includes the Consolidated Rental Car Facility (the "CONRAC") and the Ground Transportation Center (the "GTC"), as described below.

(a) The Consolidated Rental Car Facility (CONRAC). The CONRAC is being constructed pursuant to the Consolidated Rental Car Facility Agreement, between the Rental Car Companies ("RACs") and the Board, and includes:

(i) The areas in a Ready/Return Garage (the "Ready/Return Area"), in which rental car vehicles are parked and/or staged for customer pick-up and return, consisting of approximately 1,370 spaces over three floors and 680 storage spaces on the top level.

(ii) A rental car Quick Turnaround Area (the "QTA"), where returned rental cars will be fueled, washed, and cleaned and light maintenance will be performed. This area consists of 240 staging spaces, 40 maintenance staging spaces and 231 storage space on the top level.

(iii) A rental car Service Yard Area (the "Service Yard"), which is approximately 10,350 square feet and includes three underground fuel tanks with a total of 45,000 gallons of capacity, an emergency generator and trash bins.

(iv) The Customer Service Building ("CSB"), which will be a joint use facility. It will have areas being leased exclusively to the RACs, including the 28 RAC counters and related offices, as well as common circulation space providing access to and from the main terminal, the Ready Return Area and the GTC. Within the CSB is space reserved to the Board for uses as the Board may designate in the future (the "KCAB Space").

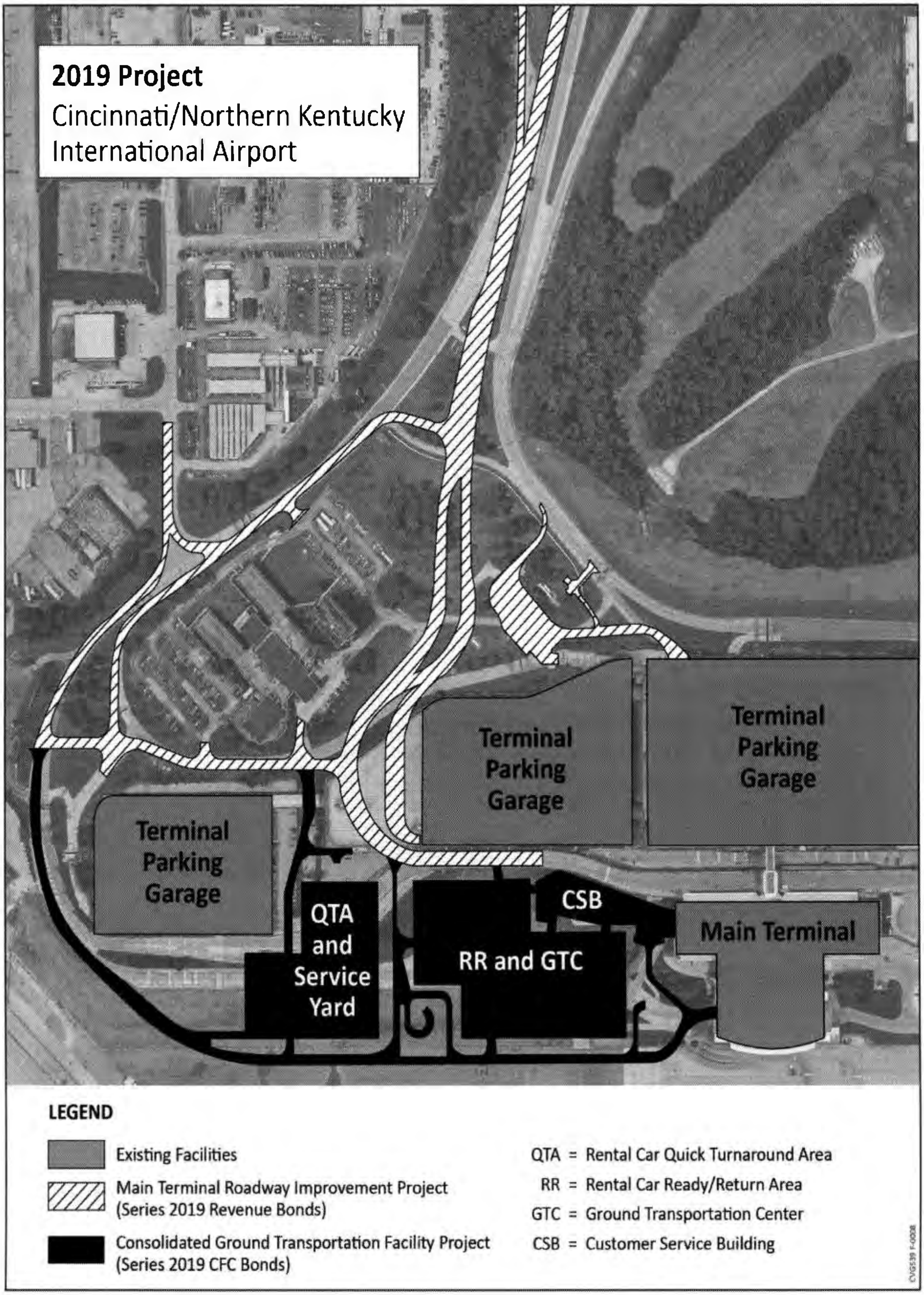
(v) Related roads and ramps for transporting vehicles and providing access to the various areas of the Ready/Return Area, the QTA, the Service Yard and the CSB.

(b) The Ground Transportation Center (GTC). The GTC will be located on the first level of the Ready/Return Garage structure, comprised of approximately 102,608 square feet, which is to be used by various ground transportation providers to drop off and pick up passengers.

The Series 2019 Revenue Bonds are being issued simultaneously with the issuance of the Series 2019 CFC Bonds to pay the costs of the Series 2019 Revenue Project. The Series 2019 Revenue Bonds are being issued pursuant to the Resolution.

Hereinafter, the Consolidated Ground Transportation Facility may be referred to as the Series 2019 CFC Project. The Series 2019 CFC Bonds are being issued simultaneously with the issuance of the Series 2019 Revenue Bonds to pay the costs of the Series 2019 CFC Project. The Series 2019 CFC Bonds are being issued pursuant to the CFC Indenture.

Set forth below is a depiction of the 2019 Project, which shows the components of the Series 2019 Revenue Project and the Series 2019 CFC Project:


2019 Project
Cincinnati/Northern Kentucky International Airport
Terminal Parking Garage
Terminal Parking Garage
Terminal Parking Garage
QTA and Service Yard
CSB
RR and GTC
Main Terminal
LEGEND
Existing Facilities
Main Terminal Roadway Improvement Project (Series 2019 Revenue Bonds)
Consolidated Ground Transportation Facility Project (Series 2019 CFC Bonds)
QTA = Rental Car Quick Turnaround Area
RR = Rental Car Ready/Return Area
GTC = Ground Transportation Center
CSB = Customer Service Building

Construction Contractor

Messer Construction Co. (the "Construction Contractor" or "Messer") is an Ohio Corporation, which was founded in 1932, and is experienced in the construction of complex commercial buildings in the aviation, healthcare, higher education, corporate work place, industrial, science and technology, and federal government market segments. Messer is a regional contractor with operations in Ohio, Kentucky, Indiana, Tennessee, North Carolina, and South Carolina with an annual revenue in excess of $1 billion. Messer regularly performs projects ranging from $1 million to $400 million in size, including more than $713 million in aviation-related projects and more than $475 million in parking garages. Messer has performed aviation-related projects at the following airports: Charlotte, Cincinnati/Northern Kentucky, Dayton, Knoxville, Lexington, Louisville and Nashville.

The 2019 Project Construction Contract

The Board and the Construction Contractor entered into a Construction Management-at-Risk Agreement (the "Construction Contract") pertaining to the majority of the construction costs related to the 2019 Project. The Construction Contract includes an amount of $570,000 for pre-construction design services to be performed by the Construction Contractor. The Board and the Construction Contractor have agreed to a guaranteed maximum construction price ("GMP") of $172,517,865 for the 2019 Project, which amount includes the cost of the work, construction manager fees, insurance, performance and payment bonds, escalation, allowances, construction contingency and costs of the other duties required of the Construction Contractor under the Construction Contract. The GMP is based upon design work that is substantially complete. If the GMP is less than the ultimate price for the 2019 Project, then the savings are retained by the Board. The Construction Contract requires the Construction Contractor to provide performance and payment bonds in the amount of the total price of the Construction Contract, payable to the Board in the event that the Construction Contractor does not faithfully perform all obligations and covenants set forth in the Construction Contract. Liquidated damages are provided on a daily basis if the Construction Contractor fails to achieve certain milestones for the 2019 Project. Any change orders are required to be approved by an employee of the Board, as designated by the Airport's Chief Executive Officer (the "Program Manager"), and the Airport's Chief Executive Officer. The 2019 Project construction cost budget also includes $7,433,759 of owner's contingency.

Under the Construction Contract, applications for payment are submitted monthly with lien release and waivers. The Program Manager must approve each application for payment. Under the Construction Contract, five percent (5%) is withheld from payments due to the Construction Contractor as security for the Board, which is referred to as "retainage." The Board will hold the retainage until the 2019 Project is substantially complete, at which point, the retainage will be released to the Construction Contractor; provided that, the Board will still retain 200% of the value of any remaining punch list items until the Construction Contractor finishes those items, and then, the remaining funds will be paid to the Construction Contractor.

The construction of the 2019 Project under the Construction Contract consists of two phases, as follows:

<u>Phase 1 – Roadways/Utilities</u>. Phase 1 involves the work as necessary to provide for the reconfiguration of the terminal access roadways to accommodate the construction of the Consolidated Ground Transportation Facility and the running of utilities to serve the site of the Consolidated Ground Transportation Facility. The Phase 1 work is underway and is anticipated to be completed by the third quarter of 2019.

Phase 2 – Consolidated Ground Transportation Facility. Phase 2 involves the construction of the work on the Consolidated Ground Transportation Facility site, including related access roads. Phase 2 work will commence after the issuance of the Series 2019 CFC Bonds, with the beneficial occupancy of the facility anticipated to occur in December 2021.

In addition to Phase 1 and 2 under the Construction Contract, there are smaller enabling projects that are part of the 2019 Project budget, but are outside of the Construction Contract GMP. The total estimated construction cost included in the 2019 Project budget related to these enabling projects is $3,030,400.

The 2019 Project Budget

The Airport's cost estimate, based upon the GMP, amounts for owner's contingencies, and estimated enabling construction cost, as well as estimated design, program and construction costs and other costs for the 2019 Project, is approximately $204,963,000, which the Airport believes is reasonably achievable. The Airport has engaged the services of R.W. Block and KMI International, independent nationally recognized professional cost estimating companies, to validate the 2019 Project budget.

The following table sets forth the costs of the major components of the 2019 Project. See "ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS" for a description of the sources and uses of funds for the 2019 Project. See also "APPENDIX A – Report of the Airport Consultant – Exhibit 1" for additional information on the 2019 Project and the funding sources for the 2019 Project.

Estimated Costs of the 2019 Project[1]

	Series 2019 Revenue Project	Series 2019 CFC Project	Total
Construction[2]	$32,000,000	$150,982,000	$182,982,000
Design	1,950,000	9,017,000	10,967,000
Program and Construction Management	1,350,000	6,226,000	7,576,000
Other[3]	-	3,438,000	3,438,000
Total 2019 Project Budget	$35,300,000	$169,663,000	$204,963,000

[1] Rounded to the nearest $1,000.
[2] Equal to the Construction Contract GMP, owner's construction contingency and enabling project construction cost as discussed in "THE 2019 PROJECT – The 2019 Project Construction Contract."
[3] Includes various legal and financial related costs pertaining to the Construction Contract, the RAC Agreements and preliminary financial analysis. These costs are being funded from the CFC Project Fund established pursuant to the Indenture.

ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS

The Board estimates that the development, construction and equipping of the 2019 Project will cost approximately $204,963,000 (approximately $35,300,000 for the Series 2019 Revenue Project and approximately $169,663,000 for the Series 2019 CFC Project) and will be financed with the sources and for the uses set forth below:

2019 Project Funding Sources(1)

	Series 2019 Revenue Project	Series 2019 CFC Project	2019 Project Total
Bond Proceeds	$35,300,000	$ 94,000,000	$129,300,000
Previously Collected CFCs and CFCs to be collected during Construction(2)		62,413,000	62,413,000
Board Funds(3)		13,250,000	13,250,000
Total	$35,300,000	$169,663,000	$204,963,000

(1) Rounded to the nearest $1,000.
(2) Upon the issuance of the Series 2019 Revenue Bonds, a portion of the proceeds of the Series 2019 Revenue Bonds will be: (a) used to reimburse the Board for capital expenditures previously made from CFCs for the Series 2019 Revenue Project; and (b) deposited in the CFC Project Fund.
(3) Legally available Board funds will be deposited in the CFC Project Fund upon the issuance of the Series 2019 CFC Bonds.

PLAN OF FINANCE

Proceeds of the Series 2019 Revenue Bonds will be used by the Board to (i) fund the costs of the Series 2019 Revenue Project at the Airport, (ii) fund a Common Reserve Account for the Series 2016 Revenue Bonds, the Series 2019 Revenue Bonds and any other Common Reserve Bonds, (iii) fund capitalized interest on the Series 2019 Revenue Bonds and (iv) pay certain costs of issuance relating to the Series 2019 Revenue Bonds.

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Application of Series 2019 Revenue Bond Proceeds

The following table sets forth the estimated application of the proceeds of the Series 2019 Revenue Bonds:

	Series 2019 Revenue Bonds
Sources	
Principal Amount	$32,935,000.00
Original Issue Premium	5,075,278.80
Total Sources	$38,010,278.80
Uses	
Deposit to Series 2019 Construction Account	$35,300,000.00
Deposit to Series 2019 Capitalized Interest Subaccount[1]	1,285,379.86
Deposit to Common Bond Reserve Account	917,202.21
Deposit to Series 2019 Costs of Issuance Fund[2]	507,696.73
Total Uses	$38,010,278.80

[1] To be used to pay the interest due on the Series 2019 Revenue Bonds through and including January 1, 2020.
[2] Includes Underwriters' discount, legal and other costs of issuance.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE REQUIREMENTS

Outstanding Obligations

After the issuance and delivery of the Series 2019 Revenue Bonds, the Series 2016 Revenue Bonds and the Series 2019 Revenue Bonds will be the only outstanding obligations of the Board, to which Net Revenues are pledged (the "Outstanding Bonds").

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Debt Service Requirements on Outstanding Bonds

Bond Year (Ended Jan. 1)	Series 2016 Principal	Series 2016 Interest	Total Series 2016 Debt Service	Series 2019 Principal	Series 2019 Interest	Total Series 2019 Debt Service	Total Debt Service
2020	$ 2,165,000	$ 2,124,250	$ 4,289,250		$ 1,285,380	$ 1,285,380	$ 5,574,630
2021	2,280,000	2,016,000	4,296,000		1,646,750	1,646,750	5,942,750
2022	2,390,000	1,902,000	4,292,000	$ 565,000	1,646,750	2,211,750	6,503,750
2023	2,510,000	1,782,500	4,292,500	590,000	1,618,500	2,208,500	6,501,000
2024	2,635,000	1,675,000	4,292,000	620,000	1,589,000	2,209,000	6,501,000
2025	2,765,000	1,525,250	4,290,250	655,000	1,558,000	2,213,000	6,503,250
2026	2,905,000	1,387,000	4,292,000	685,000	1,525,250	2,210,250	6,502,250
2027	3,050,000	1,241,750	4,291,750	720,000	1,491,000	2,211,000	6,502,750
2028	3,205,000	1,089,250	4,294,250	755,000	1,455,000	2,210,000	6,504,250
2029	3,360,000	929,000	4,289,000	795,000	1,417,250	2,212,250	6,501,250
2030	3,530,000	761,000	4,291,000	835,000	1,377,500	2,212,500	6,503,500
2031	3,710,000	584,500	4,294,500	875,000	1,335,750	2,210,750	6,505,250
2032	3,890,000	399,000	4,289,000	920,000	1,292,000	2,212,000	6,501,000
2033	4,090,000	204,500	4,294,500	965,000	1,246,000	2,211,000	6,505,500
2034				1,015,000	1,197,750	2,212,750	2,212,750
2035				1,065,000	1,147,000	2,212,000	2,212,000
2036				1,115,000	1,093,750	2,208,750	2,208,750
2037				1,175,000	1,038,000	2,213,000	2,213,000
2038				1,230,000	979,250	2,209,250	2,209,250
2039				1,290,000	917,750	2,207,750	2,207,750
2040				1,355,000	853,250	2,208,250	2,208,250
2041				1,425,000	785,500	2,210,500	2,210,500
2042				1,495,000	714,250	2,209,250	2,209,250
2043				1,570,000	639,500	2,209,500	2,209,500
2044				1,650,000	561,000	2,211,000	2,211,000
2045				1,730,000	478,500	2,208,500	2,208,500
2046				1,820,000	392,000	2,212,000	2,212,000
2047				1,910,000	301,000	2,211,000	2,211,000
2048				2,005,000	205,500	2,210,500	2,210,500
2049				2,105,000	105,250	2,210,250	2,210,250
TOTAL	$42,485,000	$17,621,000	$60,088,000	$32,935,000	$31,893,380	$64,828,380	$124,916,380

BOARD ORGANIZATION AND AIRPORT MANAGEMENT

Statutory Authorization

The Board was created pursuant to a resolution of the Fiscal Court of Kenton County adopted on June 3, 1943. Under the provisions of Chapter 183 of the Kentucky Revised Statutes and by the terms of such resolution, the Board has been created and organized as a public body politic and corporate. The Series 2019 Revenue Bonds are being issued by the Board pursuant to the provisions of Chapter 183 and Chapter 58 of the Kentucky Revised Statutes. Although the Airport is situated in Boone County, Kentucky, the Board has complete jurisdiction, control, possession and supervision of the Airport with the power and authority, among other things, to establish and fix reasonable rates, charges, and fees for the use of its landing areas, ramps and other common aviation facilities, and by contract or otherwise to negotiate general rates, charges, and fees for commercial vendors, concessionaires or other persons for the use and occupancy of its terminals or other ground use facilities.

Organization

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

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

Kenton County Airport Board Members

Board Member	Term Expiration
J. Michael Schlotman (Chair) Mr. Schlotman is the Executive Vice President and Chief Financial Officer of Kroger Company.	June 30, 2022
Paul T. Verst (Vice Chair) Mr. Verst is President and Chief Executive Officer at Verst Group Logistics, Inc.	June 30, 2019
Kevin W. Canafax Mr. Canafax is Vice President of Public Affairs-Midwest Region, at Fidelity Investments.	June 30, 2019
Bryan Carlisle Mr. Carlisle is Chief Executive Officer at Maxim Crane Works, LP.	June 30, 2021
Kathy Collins Ms. Collins is Retired Vice President of Private Banking at Fifth Third Bank.	June 30, 2022
Mike L. Drysdale Mr. Drysdale is Retired President and Owner of Drysdale Direct Express.	June 30, 2019
Kay Geiger Ms. Geiger is President Cincinnati/Northern Kentucky at PNC Bank, N.A.	June 30, 2021
John A. Mocker Jr. Mr. Mocker is Vice President and Partner at LB Industries Inc.	June 30, 2022
Paul F. Ritter Mr. Ritter is Senior Vice President and Chief Legal Officer at CTI Clinical Trial & Consulting Services.	July 1, 2020

Lisa Sauer Ms. Sauer is Vice President, Product Supply, Global Home Products and External Supply Solutions at Procter & Gamble.	June 30, 2021
Todd M. Schneider Mr. Schneider is President and Chief Operating Officer – Rental Division at Cintas Corporation.	July 1, 2020
William M. Schuler Mr. Schuler is Retired President and Chief Executive Officer, Senior Advisor, at Castellini Group of Companies.	June 30, 2022
Chad L. Summe Mr. Summe is the Chief Operating Officer at Quotient Technology.	July 1, 2020

Airport Management

Candace S. McGraw, Chief Executive Officer, was appointed Chief Executive Officer of the Airport in July 2011. Ms. McGraw has over 30 years of experience in aviation, legal affairs and public administration. Prior to leading the Airport staff, Ms. McGraw served in a number of positions at the Cleveland Airport System, including Deputy Director and served as General Counsel for Cleveland City Council and Legal Counsel and Deputy Director of Charitable Gaming for the Ohio Lottery Commission.

Ms. McGraw is active in the local community as well as the aviation industry.

She serves on a number of community boards. In addition, Ms. McGraw serves as the Chair of the Airport Council International-North America (ACI-NA), as well as the ACI World Board.

Ms. McGraw received her Bachelor's and Master's degrees in Political Science from Duquesne University and a Juris Doctor degree from the University of Pittsburgh School Of Pittsburgh School Of Law. In addition, she has earned the International Airport Professional (IAP) designation.

Tim Zeis, Chief Operating Officer, joined the Airport in January 2010. Mr. Zeis has over 36 years in aviation. Prior to joining the Airport staff, Mr. Zeis worked over 27 years with Comair serving in numerous capacities ranging from ramp agent to Vice President of Customer Service/Corporate Real Estate. Mr. Zeis worked a short time with Regional Elite Airline Handling Services, a wholly owned Delta Air Line, Inc. subsidiary, just prior to joining the Airport. Mr Zeis received his Bachelor of Arts degree in Business Administration in 1996 from Thomas More College in Crestview Hills, KY. Mr. Zeis is active in the community serving and/or chairing a number of boards, as well as working with young scholar-athletes at the high school and college level.

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

Brian Cobb, Chief Innovation Officer, joined the Airport as the Vice President of Customer Experience in 2010 and was appointed to the newly created Chief Innovation Officer position in January, 2018. Mr. Cobb is a graduate of Embry-Riddle Aeronautical University, with a Bachelor's degree in Aeronautical Science He has earned the International Airport Professional (IAP) designation. Prior to joining the Airport, Mr. Cobb worked in senior-level and executive leadership positions in the airline industry. He is also an active community participant and is a graduate of Leadership Northern Kentucky, Cincinnati's Leadership Action, and Cincinnati's CIO Roundtable program.

THE AIR TRADE AREA

The Airport's air trade area is the 15-county Cincinnati Metropolitan Statistical Area (MSA), which is the 29th largest metropolitan statistical area in the country. This area includes Brown, Butler, Clermont, Hamilton, and Warren counties in Ohio; Boone (in which the Airport is located), Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton counties in Kentucky; and Dearborn, Ohio, and Union counties in Indiana. While counties in the air trade area that are not a part of the MSA support a portion of the Airport's air passenger traffic demand, it is the economic strength of the MSA that provides the primary basis of demand for local air transportation at the Airport. As a result, the MSA is considered the Airport's primary air trade area (defined hereinafter as "Air Trade Area" for purposes of socioeconomic data analysis provided in the remainder of this section).

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

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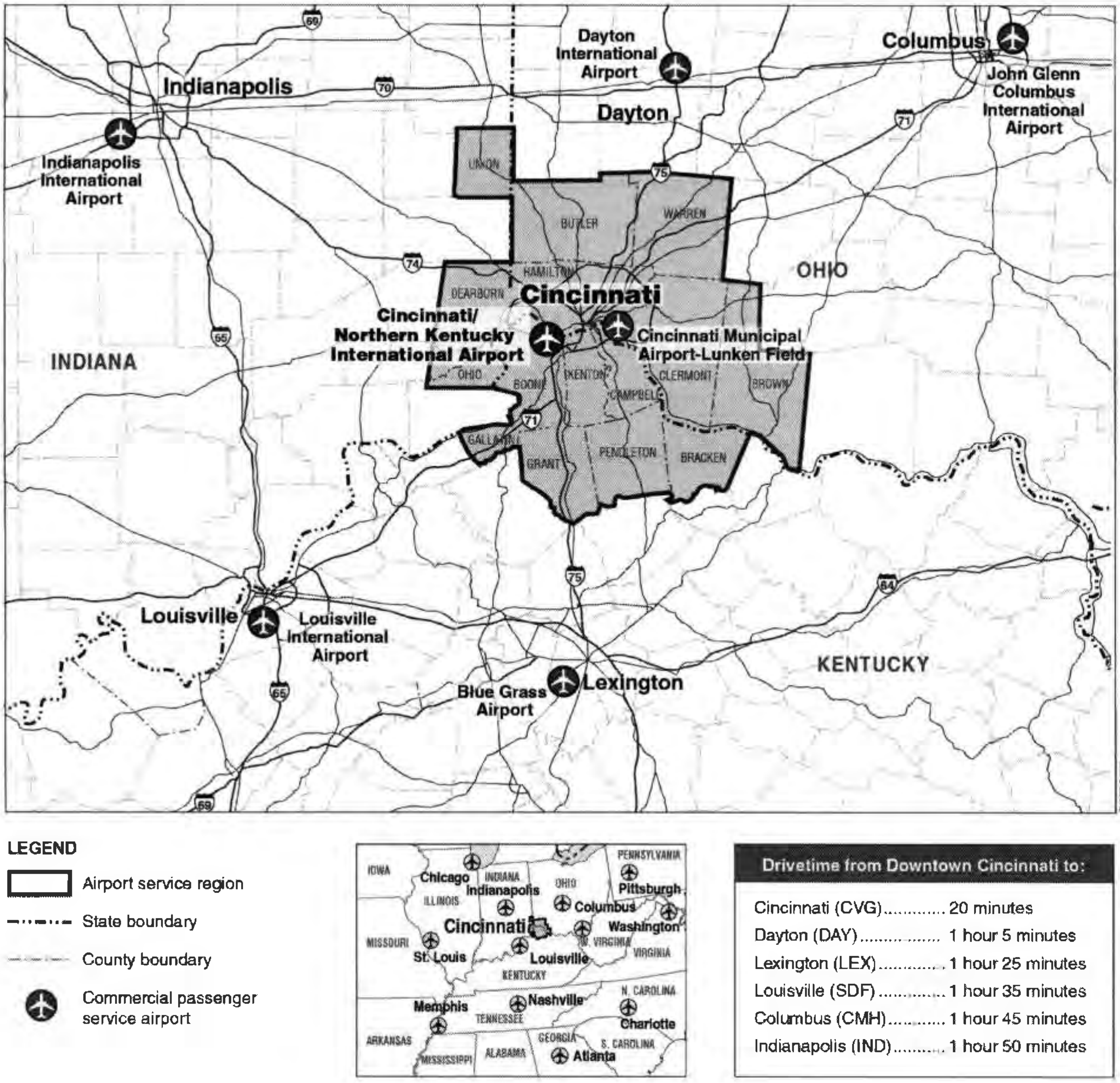

Population

As shown in the table below, between 2010 and 2017 (the most recent data available), the population of the MSA increased an average of 0.4% annually, compared with a 0.7% average annual increase for the nation as a whole.

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HISTORICAL POPULATION (000s)

	MSA	United States
2000	2,000	282,162
2005	2,055	295,517
2010	2,118	309,338
2011	2,123	311,644
2012	2,128	313,993
2013	2,136	316,235
2014	2,147	318,623
2015	2,156	321,040
2016	2,166	323,406
2017	2,179	325,719
2000-2005	0.5%	0.9%
2005-2010	0.6	0.9
2010-2017	0.4	0.7
2000-2017	0.5	0.8

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

Sources: U.S. Department of Commerce, Bureau of the Census website, www.census.gov, accessed September 2018.

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Income

As shown in the table below, the MSA's per capita personal income in 2017 ($51,536) was nearly equal to the national average ($51,640). Between 2010 and 2017 (the most recent data available), per capita personal income in the MSA and the nation as a whole each increased an average of 1.9% annually.

PER CAPITA PERSONAL INCOME (2017 DOLLARS)

	MSA	United States
2000	44,122	43,639
2005	45,824	44,994
2010	45,499	45,577
2011	47,304	46,560
2012	47,961	47,597
2013	47,574	47,166
2014	48,350	48,690
2015	50,284	50,613
2016	50,908	50,893
2017	51,536	51,640

AVERAGE ANNUAL PERCENT PERSONAL INCOME INCREASE (DECREASE)

2000-2005	0.8%	0.6%
2005-2010	(0.1)	0.3
2010-2017	1.9	1.9
2000-2017	0.9	1.0

Notes: Calculated percentages may not match those shown because of rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed September 2018.
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Employment

As shown in the table below, since 2012, the rate of unemployment has been lower for the MSA than for the nation. In 2017, unemployment in the MSA was 4.3% compared with 4.4% for the nation.

UNEMPLOYMENT RATES

	MSA	United States
2000	3.7%	4.0%
2005	5.4	5.1
2010	9.9	9.6
2011	8.9	8.9
2012	7.4	8.1
2013	7.3	7.4
2014	5.5	6.2
2015	4.5	5.3
2016	4.4	4.9
2017	4.3	4.4

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2018.
Prepared by: LeighFisher, Inc.

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As shown in the table below, between 2010 and 2017, nonagricultural employment in the MSA increased an average of 1.6% annually, compared with a 1.7% average annual increase for the nation as a whole.

NONAGRICULTURAL EMPLOYMENT (000s)

	MSA	United States
2000	1,015	132,024
2005	1,031	134,051
2010	982	130,362
2011	992	131,932
2012	1,009	134,175
2013	1,025	136,381
2014	1,042	138,958
2015	1,061	141,843
2016	1,080	144,352
2017	1,094	146,624

AVERAGE ANNUAL PERCENT EMPLOYMENT INCREASE (DECREASE)

2000-2005	0.3%	0.3%
2005-2010	(1.0)	(0.6)
2010-2017	1.6	1.7
2000-2017	0.4	0.6

Notes: Calculated percentages may not match those shown because of rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2018.
Prepared by: LeighFisher, Inc.

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The table below shows the 20 largest employers in the region. Of these 20 employers, three are both headquartered in the MSA and on the *Fortune 500* list of largest U.S. companies and six are in the field of health care. *Fortune* 500 companies headquartered in the MSA and their respective rankings, which are not listed in the table below include: Macy's (120); American Financial Group (413); AK Steel (461); Western & Southern Financial Group (476); Cincinnati Financial (484); and Cintas (500).

LARGEST EMPLOYERS

Cincinnati Tri-State Area

June 2017

Rank	Company	Employment	Type of business
1	Kroger Co. *(a)*	21,300	Grocer/retail
2	Cincinnati Children's Hospital	15,400	Health care
3	Cincinnati/Northern Kentucky International Airport	12,700 *(b)*	International airport
4	TriHealth Inc.	12,000	Health care
5	UC Health	11,200	Health care
6	University of Cincinnati	10,600	Education
7	General Electric	10,500	Aerospace
8	Mercy Health	10,400	Health care
9	Proctor & Gamble Co. *(a)*	10,000	Consumer products
10	St. Elizabeth Healthcare	8,400	Health care
11	Fifth Third Bank *(a)*	7,500	Financial services
12	City of Cincinnati	6,700	Local government
13	Christ Hospital Health Network	5,900	Health care
14	Archdiocese of Cincinnati	5,600	Religious organization
15	Internal Revenue Service	4,700	Government
16	Cincinnati Public Schools	4,500	Education
17	Hamilton County	4,500	Local government
18	Fidelity Investments	4,400	Financial services
19	Miami University	4,300	Education
20	Kings Island	4,200	Amusement park

Note: The Tri-state area as defined by Cincinnati Business Courier is generally analogous to the Cincinnati MSA.

(a) Fortune 500 company (based on 2017 revenue) headquartered in Cincinnati. Rank on Fortune 500: Kroger Co. (17), Proctor & Gamble Co. (42), Fifth Third Bank (336).

(b) Figure includes all employees who work at the Airport with a CVG badge, including those who work for airlines and other tenants.

Sources: Cincinnati Business Courier, 2017-2018 Book of Lists; Fortune 500 website, www.fortune.com.

Prepared by: LeighFisher, Inc.

Airport Competition

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

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The data in the table below compares air service, passengers, and airfares at the Airport and its five nearest regional competitors. In terms of seats, flights, and the number of destinations served, the Airport is most similar to the airports serving Columbus and Indianapolis. Louisville International Airport is roughly half the size of these airports, while the airports serving Dayton and Lexington are considerably smaller. Between 2012 and 2017, the Airport experienced a significantly larger decrease in average domestic airfare than any of the other airports. Correspondingly, the number of domestic originating passengers nearly doubled at the Airport over the same period. The Airport's nearest competitor in Dayton, by contrast, experienced the largest increase in average fare paid among the six airports and the loss of nearly one third of its domestic originating passenger volume.

DOMESTIC PASSENGER AIRLINE SERVICE, ORIGINATING PASSENGERS, AND AVERAGE AIRFARES

Cincinnati/Northern Kentucky International Airport and Nearest Competing Airports

	CVG	DAY	LEX	SDF	CMH	IND
Number of airlines providing scheduled service	7	4	4	6	7	8
Average daily departing seats *(a)*						
Domestic	14,030	3,284	2,650	7,269	14,623	15,582
International	382	-	-	-	194	241
Total	14,412	3,284	2,650	7,269	14,817	15,823
Average daily departures *(a)*						
Domestic	138	48	34	77	137	140
International	5	-	-	-	4	3
Total	143	48	34	77	141	143
Airports served nonstop *(a)*						
Domestic	47	16	15	28	34	41
International	2	-	-	-	1	2
Total	49	16	15	28	35	43
Domestic outbound O&D passengers (in thousands) *(b)*						
CY 2012	1,723	1,154	453	1,446	2,747	3,098
CY 2017	3,150	811	543	1,472	3,191	3,781
Percent change	*82.8%*	*(29.7)%*	*19.9%*	*1.8%*	*16.1%*	*22.1%*
Average one-way fare paid *(b)*						
CY 2012	$ 231.79	$ 172.86	$ 198.23	$ 185.59	$ 175.86	$ 185.86
CY 2017	$ 155.72	$ 190.44	$ 198.85	$ 201.60	$ 176.08	$ 172.71
Percent change	*(32.8)%*	*10.2%*	*0.3%*	*8.6%*	*0.1%*	*(7.1)%*

See footnotes on next page.

Sources:

(a) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed December 2018. Data shown are for scheduled domestic and international service in November 2018.

(b) U.S. Department of Transportation, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1, accessed December 2018. Data shown are for domestic passengers and fares for calendar year (CY) 2012 and CY 2017.

Prepared by: LeighFisher, Inc.

THE AIRPORT

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

The Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the "FAA"), ranking 52nd nationally according to Airport Council International's rankings in terms of total enplaned and deplaned passengers for the year ended December 31, 2017. In 2017, the Airport served 3,926,158 enplaned passengers. The Airport also serves as DHL Express's ("DHL") main international cargo hub for the U.S. and all of the Americas and in 2017 Amazon announced that it would build its primary Amazon Air (formerly known as Amazon Prime Air) cargo hub at the Airport. In 2017, the Airport ranked ninth amongst all North American airports with respect to total cargo handled according to Airport Council International-North America's ("ACI-NA") rankings and ranked seventh in terms of all-cargo landed weight according to the FAA's Air Carrier Activity Information System ("ACAIS").

Role of the Airport

The Airport primarily serves residents of, and visitors to, the Cincinnati region, with origin passengers representing 93.0% of the Airport's total enplanements in 2017. Historically, Delta Air Lines, Inc. ("Delta") operated a sizable connecting hub at the Airport. As Delta reorganized under bankruptcy protection and then merged with Northwest Airlines in 2009, it downsized its operations at the Airport, primarily impacting the Airport's connecting traffic. As Delta has restructured its hub, incumbent airlines expanded and new low-cost entrants commenced service at the Airport. As a result, the carrier base at the Airport has diversified, enhancing competition, lowering air fares, and stimulating local passenger traffic. Since 2013, the Airport's enplanements have experienced positive growth with enplanements increasing by 36.6% between 2013 and 2017. In the first nine months of 2018, this growth has continued with enplanements increasing by 14.8% and origin passengers representing 93.1% of total enplanements. Additionally, over this same time period, the number of passenger airlines offering scheduled service from the Airport has increased and Delta's share of enplaned passengers declined from 74.4% in 2013 to 43.1% for the first nine months of 2018.

The Airport serves as DHL's main international cargo hub for North America and South America and is one of DHL's three global "super hubs." In 2017, DHL accounted for 84.8% of cargo tonnage handled at the Airport and for approximately 42.6% of total Airport landed weight. See "INFORMATION CONCERNING THE AIRLINE INDUSTRY AND THE AIRLINES." DHL's U. S. hub operations were located at the Airport from 1983 until 2005, when DHL moved its U.S. hub to Wilmington, Ohio upon entering the U.S. domestic express business. In 2009, DHL refocused its U.S.

hub operations on handling international business and moved its operations back to the Airport. Since returning to the Airport, DHL has invested $281 million in its facilities at the Airport and has a total of $511 million invested in its hub facilities that were relocated to the south airfield area of the Airport in 2002. The latest expansion to the hub was completed in 2016 and added 16 wide body aircraft parking positions. DHL has an option on an additional 50 acres on the south side of their existing facility for future expansion.

In 2017, Amazon announced that it will build its primary Amazon Air (formerly known as Amazon Prime Air) cargo hub in the south airfield area of the Airport. Amazon commenced operating at the Airport in May 2017 utilizing DHL's hub facility. With the completion of DHL's latest expansion and the commencement of Amazon Air's operations, in 2017 the Airport was the fastest growing of the top 10 U.S. cargo airports in both cargo tons handled and cargo landed weight according to ACI-NA's rankings and the FAA's ACAIS, respectively.

Airport Facilities

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

All runways are 150 feet wide and are constructed of Portland cement or asphaltic concrete. Runway 18R/36L was constructed in 2005. Runways 18L/36R and 18C/36C were last rehabilitated in 2012 and 2011, respectively. The rehabilitation of Runway 9/27 is currently programmed to begin in 2020.

Navigational aids are in position for each runway. These navigational aids range from Category IIIa ILS capability, permitting flight activity with a 50-foot ceiling limit and a visibility limit of 600 feet, to Category I ILS capability, permitting flight activity with a ceiling limit of 200 feet and visibility limit of 1,800 feet.

Terminal Facilities. The commercial passenger terminal facilities at the Airport consist of an approximate 326,000 square foot main terminal (the "Main Terminal" formerly known as Terminal 3) which houses the ticketing and bag claim facilities for all passenger carriers operating at the Airport and an approximate 46,000 square foot passenger security screening facility. These facilities are connected to two mid-field concourses, Concourses A and B, via an Automated Ground Transportation System (AGTS) tunnel that contains moving sidewalks and a dual train system.

Concourse A is approximately 354,000 square feet and has a total of 23 gates, 21 of which have loading bridges. Concourse B is approximately 887,000 square feet and contains a total of 28 mainline passenger gates. Concourse B includes 10 international gates that can be cross-utilized as domestic gates and a 102,000 square-foot Federal Inspection Service (FIS) facility.

Since 2011 the Board has been implementing a phased terminal modernization program, with the first phase of the terminal modernization work including the refurbishment of public areas and certain gate areas in Concourse A, as well as half of the ticket counters and the public space on the ticketing level of the Main Terminal. A total of approximately $54.5 million has been spent on the terminal modernization program, with the additional phases of work including refurbishment of the main terminal bag claim level, the AGTS tunnel, additional gate areas in Concourse A and the public and gate areas in Concourse B.

Parking Facilities. Garage parking is provided immediately adjacent to the Main Terminal in a concrete parking deck with a total of 6,200 parking spaces. The Airport has two remote surface parking lots to serve passengers with shuttle transportation from the parking lots to the terminal. The larger lot has 6,100 spaces and the smaller lot has 1,400 spaces, which opened in 2018 and currently serves as an overflow lot to meet peak period demand.

Air Cargo Facilities. Air cargo needs are met by several facilities. Through a third party developer, the Airport is in the process of replacing its current main multi-tenant 27,000 square foot fully leased air cargo building with a new facility that is planned to be approximately 50,000 square feet. Federal Express is the largest tenant in the current multi-tenant cargo facility and will continue as the anchor tenant in the new facility. The Airport also owns a smaller 14,830 square foot fully leased multi-tenant cargo facility. In addition to DHL's facility discussed below, other cargo facilities at the Airport include a 130,300 square foot air cargo facility operated by Delta, and a 62,500 square foot U.S. Postal Service air mail facility.

DHL's hub facility is located in the south airfield area of the Airport on 182 acres that are located immediately adjacent to a cross field taxiway. DHL's facilities include sort facilities, truck docks, and an aircraft parking area, as well as various support facilities. The DHL facility is currently accessed from Wendell Ford Blvd. via South Airfield Drive, both of which are roads located on Airport property. Construction is planned to start in 2019 on an extension to Wendell Ford Blvd. to the south to connect to Aero Parkway, which will provide another point of access to the south airfield areas of the Airport, including DHL's site, as well as Amazon's south airfield cargo hub facilities.

Since Amazon's 2017 announcement that it will build its primary Amazon Air cargo hub at the Airport, work has been underway planning the development and going through the necessary regulatory and permitting review processes. It is anticipated that Amazon will start construction of the initial portions of its facilities in the south airfield area of the Airport in 2019, with the first phase planned to open in 2020-2021 and full build out anticipated in 2025-2027, depending on economic and operational requirements. The work in the south airfield area is planned to ultimately include construction of 225 acres of an aircraft parking ramp that would provide for parking of up to 77 cargo aircraft, vehicle parking lots and a sortation building, as well as local roadway improvements, for a total estimated cost of $1.5 billion.

Other Facilities. Other facilities at the Airport include a 177-room Doubletree by Hilton Hotel, an airline catering kitchen leased by Gate Gourmet, a warehouse for Delta, three aircraft maintenance hangars constructed and/or leased by Delta and utilized by Delta or Delta Connection subsidiaries, a maintenance hangar leased to American Airlines and utilized by American Airlines regional aircraft subsidiaries, an aircraft maintenance hangar constructed by Ameriflight, a maintenance facility for the fueling service operator leased by Aircraft Service International, a maintenance facility for the ground transportation service operator, five rental car service centers, an FAA air traffic control tower, an aircraft flight training center constructed by Flight Safety International; a 183,000 square foot five-story class A office building, and a general aviation center complex including hangar, office and apron facilities (leased to a Delta subsidiary for fixed base operations) and a corporate hangar. A third party developer is currently constructing a 103,000 square foot aircraft maintenance hangar to be leased by F&E Aircraft Maintenance to perform aircraft maintenance services for several of the DHL and Amazon carriers.

In order to diversify its revenue sources the Airport has begun to market under long-term leases property at the periphery of the Airport for non-aviation concurrent development. A General Electric jet engine warehousing facility was constructed at the Airport in the mid-1980's. In recent years, two manufacturing facilities and five industrial warehouse facilities with approximately 2.1 million square feet of space were constructed by third parties on Airport land. All the buildings are fully leased. In the spring of 2019, it is anticipated that ground will be broken on a 60,000 square foot manufacturing facility. The Airport expects to announce additional land lease agreements for non-aviation development in the near future.

Airlines Serving the Airport

Commercial air service is currently provided by the following airlines:

PASSENGER AIRLINES[1]	ALL-CARGO CARRIERS
Air Canada	Amazon Air[2]
Allegiant Airlines	DHL[2]
American Airlines	Federal Express
Delta Air Lines	
Frontier Airlines	
Southwest Airlines	
United Airlines	

Note: Regional affiliates of airlines providing scheduled passenger service are not shown.
[1] Service is provided through mainline and/or affiliates/code shares.
[2] DHL Express and Amazon Air operate their cargo flights through carrier contracts

As of November, 2018.
Source: Kenton County Airport Board; OAG Aviation Worldwide Ltd., OAG Analyser database, accessed November 2018.

Commercial Passenger Air Service

The following map shows the 37 destinations (35 domestic and 2 international) with daily nonstop passenger service and the 12 domestic destinations with less-than-daily nonstop passenger service from the Airport as scheduled for November 2018. Of the 49 destinations, 27 are served by two or more airlines and 30 have low cost carrier service.

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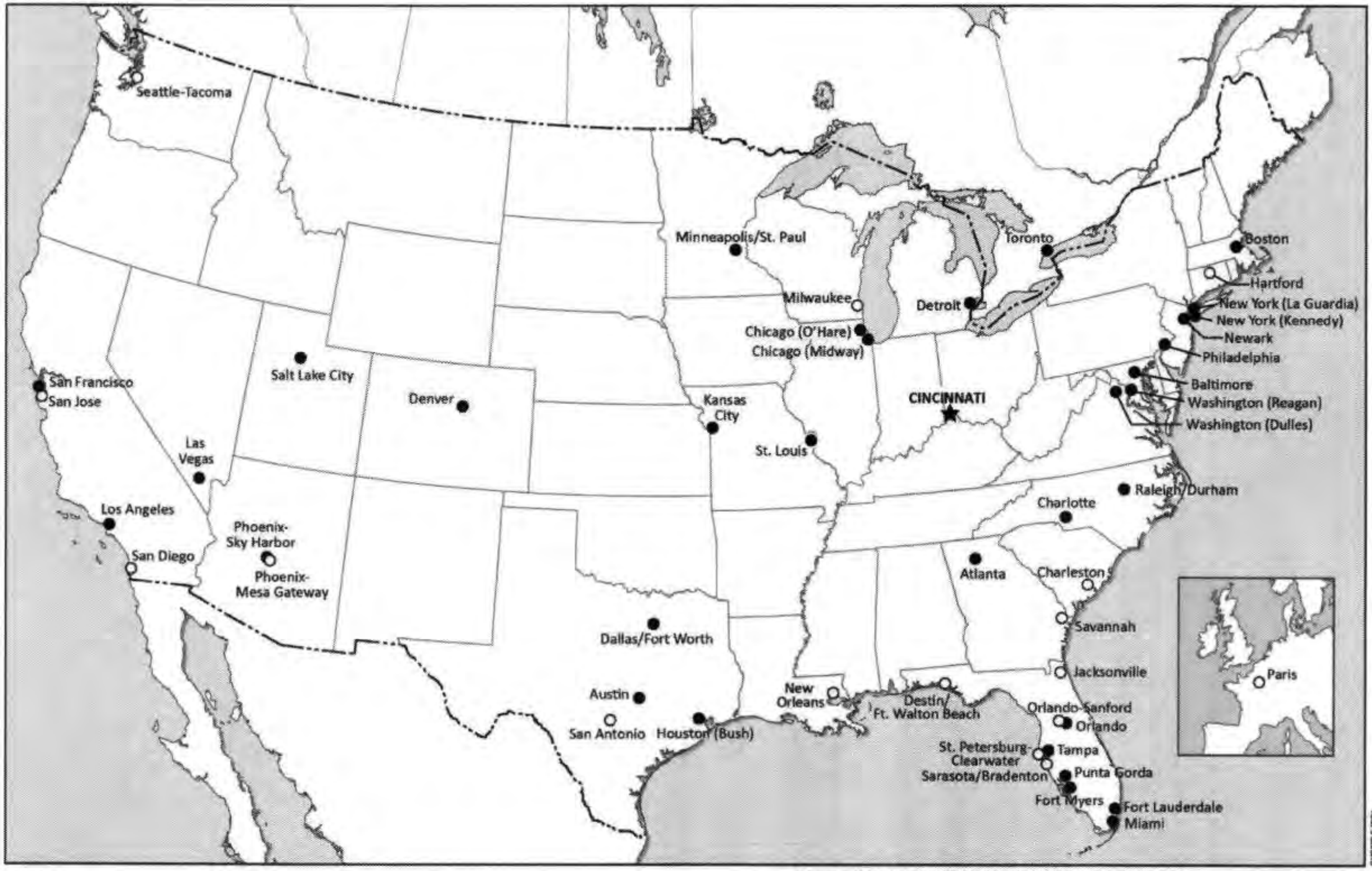
Destinations with Scheduled Nonstop Roundtrip Passenger Service

Cincinnati/Northern Kentucky International Airport

(November 2018)



LEGEND

● Destinations with daily scheduled service

○ Destinations with less than daily scheduled service

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2018.

The following table presents data on domestic originating passengers, average airfares and airline service for the 20 largest domestic originating passenger markets from the Airport. In 2017, the 20 largest markets accounted for 75.5% of all domestic originating passengers at the Airport. Of the 20 largest markets, all were served nonstop in October 2018, and 17 have competing nonstop service by two or more airlines.

The table illustrates the stimulative effect of lower airfares on passenger traffic. Between 2012 and 2017, the 20 largest markets recorded a collective passenger increase of 109.0% and an average decrease of 39.2% in airfares. Eight of the 20 markets had a greater than 40% decrease in average fare and only one market, Atlanta, had an increase in average airfare (+2.4%). All 20 markets recorded increases in passengers, with eight more than doubling the number of passengers.

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Passengers, Airfares, and Service in Top 20 Domestic Originating City Markets
Cincinnati/Northern Kentucky International Airport

Rank	City market	Airports included	Scheduled nonstop service (October 2018): Airlines serving	Scheduled nonstop service (October 2018): Average daily departing flights	Average daily enplaned originating passengers: CY 2012	Average daily enplaned originating passengers: CY 2017	Average daily enplaned originating passengers: As percent of total 2017	Average daily enplaned originating passengers: Percent increase (decrease) 2012-2017	Average one-way fare: CY 2012	Average one-way fare: CY 2017	Average one-way fare: Percent increase (decrease) 2012-2017
1	New York	EWR,JFK,LGA	AA,DL,F9,G4,UA	18	390	730	8.5%	87.3%	$270.04	$149.03	(44.8%)
2	Orlando	MCO,SFB	DL,F9,G4	4	243	605	7.0	149.1	144.32	87.85	(39.1)
3	Washington DC/Baltimore	BWI,DCA,IAD	AA,DL,UA,WN	15	209	444	5.1	111.9	207.16	117.53	(43.3)
4	Las Vegas	LAS	DL,F9,G4	3	127	430	5.0	238.1	214.63	106.75	(50.3)
5	Miami/Fort Lauderdale/West Palm Beach	FLL,MIA,PBI	AA,DL,G4	5	232	429	5.0	84.8	175.08	119.40	(31.8)
6	Los Angeles	BUR,LAX,LGB,ONT,SNA	DL,F9,G4	3	231	405	4.7	75.0	270.19	192.03	(28.9)
7	Chicago	MDW,ORD	AA,DL,UA,WN	21	174	384	4.5	120.4	275.38	123.92	(55.0)
8	Tampa/St. Petersburg	PIE,TPA	DL,F9,G4	2	157	356	4.1	126.5	150.56	94.50	(37.2)
9	Denver	DEN	DL,F9,G4,UA,WN	5	94	352	4.1	274.1	212.18	116.76	(45.0)
10	Dallas/Fort Worth	DAL,DFW	AA,DL,F9	6	125	314	3.6	150.2	289.80	156.86	(45.9)
11	San Francisco	OAK,SFO,SJC	DL,F9,UA	2	158	297	3.4	88.1	260.47	181.59	(30.3)
12	Phoenix	AZA,PHX	G4	0	81	257	3.0	217.0	226.17	110.80	(51.0)
13	Atlanta	ATL	DL,F9	8	163	236	2.7	45.3	195.12	199.72	2.4
14	Boston	BOS	DL	3	189	220	2.6	16.8	248.90	242.28	(2.7)
15	Fort Myers	RSW	DL,F9	1	120	219	2.5	82.4	164.34	98.31	(40.2)
16	Houston	HOU,IAH	DL,UA	5	118	210	2.4	78.4	234.96	168.64	(28.2)
17	Philadelphia	PHL	AA,DL	8	128	196	2.3	53.5	256.26	179.69	(29.9)
18	Minneapolis-St. Paul	MSP	DL,F9	5	107	167	1.9	55.7	300.80	200.49	(33.3)
19	Punta Gorda	PGD	G4	1	-	133	1.5	n.a.	-	64.02	n.a.
20	Charlotte	CLT	AA,DL	9	70	131	1.5	85.7	236.88	182.45	(23.0)
	Top 20 markets			126	3,118	6,516	75.5%	109.0%	$227.56	$138.38	(39.2%)
	All other markets			26	1,604	2,115	24.5	31.8	240.01	209.15	(12.9)
	All markets			152	4,722	8,630	100.0%	82.8%	$231.79	$155.72	(32.8%)

Notes: Columns may not add to totals shown because of rounding. Percentages shown were calculated using unrounded numbers.

Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, UA=United, WN=Southwest.

Airport legend: EWR=Newark, JFK=New York-Kennedy, LGA=New York-LaGuardia, MCO=Orlando Int'l, SFB=Orlando-Sanford, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, LAS=Las Vegas, FLL=Fort Lauderdale, MIA=Miami, PBI=West Palm Beach, BUR=Burbank, LAX=Los Angeles, LGB=Long Beach, ONT=Ontario, SNA=Orange County, MDW=Chicago-Midway, ORD=Chicago-O'Hare, PIE=St. Petersburg-Clearwater, TPA=Tampa, DEN=Denver, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth Int'l, OAK=Oakland, SFO=San Francisco, SJC=San Jose, AZA=Phoenix-Mesa Gateway, PHX=Phoenix-Sky Harbor, ATL=Atlanta, BOS=Boston, RSW=Fort Myers, HOU=Houston-Hobby, IAH=Houston-Bush, PHL=Philadelphia, MSP=Minneapolis-St. Paul, PGD=Punta Gorda, CLT=Charlotte.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed September 2018.

Air Cargo Service

Total air cargo tons handled at the Airport increased from 48,721 tons in 2008 to 1,041,890 tons in 2017. In 2017, DHL accounted for 84.8% of cargo tonnage handled at the Airport. Since 2010, DHL's first full year of operations after returning to the Airport, the compounded average annual growth rate in cargo volumes handled at the Airport has been 14.0%. Amazon Air cargo represented 57.0% of the 2017 growth.

The following table provides annual cargo service data for the Airport for the most recent 10-year period, as well as a year over year comparison of cargo service data for the Airport for the nine months ended September 30, 2017 and 2018:

Historical Air Cargo (in tons)[1]

Year	Airport	DHL	Amazon
2008	48,721	0	0
2009	152,970	113,360	0
2010	415,692	376,352	0
2011	537,139	499,743	0
2012	599,778	557,738	0
2013	655,479	619,210	0
2014	722,431	691,173	0
2015	804,088	765,933	0
2016	818,364	789,544	0
2017	1,041,890	883,138	127,506
2017[2]	733,708	634,741	76,872
2018[2]	909,121	706,687	180,448

[1] Includes enplaned & deplaned air mail, air express, & air freight.
[2] For the nine months ended September 30 in such year.

Source: Kenton County Airport Board

Airport Activity Data

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

Enplaned Passengers. Total enplaned passengers at the Airport decreased from 6.8 million in 2008 to 2.9 million in 2013 and increased from 2.9 million in 2013 to 3.9 million in 2017. Originating enplanements increased from 2.2 million in 2008 to 3.7 million in 2017. In 2017, originating enplanements represent 93.0% of total enplanements as compared to 32.3% of total enplanements in 2008.

These changes reflect the transition of the Airport from largely serving as a connecting hub for Delta to primarily serving residents of, and visitors to, the Cincinnati region. The growth in enplanements since 2013 is the result of increases in originating enplanements as incumbent airlines American Airlines and United Airlines expanded service and new low-cost entrants Allegiant Air, Frontier Airlines and Southwest initiated and expanded service at the Airport. This diversification in the carrier base has served to enhance competition at the Airport, thereby lowering air fares and stimulating local passenger traffic. With this stimulation in local passenger traffic, Delta's originating enplanements have also increased. See "APPENDIX A – Report of the Airport Consultant."

Total enplanements broken out between originating and connecting, for the years and nine-month periods indicated, are as follows:

Calendar Year	Total Enplanements	Originating Enplanements	Connecting Enplanements	Originating Percentage
2008	6,801,611	2,196,391	4,605,220	32.3
2009	5,300,792	2,343,094	2,957,698	44.2
2010	3,987,938	2,335,172	1,652,766	58.6
2011	3,525,486	2,257,934	1,267,552	64.0
2012	3,033,424	2,112,322	921,102	69.6
2013	2,874,788	2,171,371	703,417	75.5
2014	2,964,657	2,299,489	665,168	77.6
2015	3,160,248	2,669,588	490,660	84.5
2016	3,383,938	3,007,532	379,406	88.8
2017	3,926,158	3,652,270	273,888	93.0
2017[1]	2,918,796	2,697,167	221,629	92.4
2018[1]	3,350,211	3,120,141	230,070	93.1

Source: Kenton County Airport Board.

[1] For the nine months ended September 30 in such year.

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Enplaned Passengers by Airline. Since 2013, the carrier mix at the Airport has become increasingly diverse with Delta's share of enplanements decreasing from 74.4% in 2013 to 45.1% in 2017. In addition, in 2017, low cost carriers Allegiant Air's, Frontier Airlines' and Southwest Airlines' combined enplanements represented 28.3% of total enplanements and American Airlines' and United Airlines' shares of enplanements were 14.4% and 10.7% of total enplanements, respectively.

Enplanements by airline (combined mainline and regional carrier) for the years and the nine-month periods indicated, are as follows:

AIRLINE SHARES OF ENPLANED PASSENGERS
Cincinnati/Northern Kentucky International Airport
(calendar years)

						9 Months YTD	
Airline *(a)*	2013	2014	2015	2016	2017	2017	2018
Delta	2,137,435	2,010,409	1,778,433	1,729,630	1,772,571	1,329,986	1,442,397
American	418,004	446,932	480,960	532,599	563,506	419,962	422,533
Frontier	33,035	116,158	288,116	377,370	562,656	443,740	422,015
United	246,900	278,712	314,655	362,191	420,496	300,868	361,747
Allegiant	-	66,245	234,272	321,663	388,998	288,788	424,793
Southwest	-	-	-	-	159,679	89,456	211,392
Air Canada	10,860	15,261	21,012	26,902	29,419	21,971	24,361
WOW *(b)*	-	-	-	-	-	-	16,941
All Other	28,554	30,940	42,800	33,583	28,833	24,025	24,032
Total	2,874,788	2,964,657	3,160,248	3,383,938	3,926,158	2,918,796	3,350,211
Delta	74.4%	67.8%	56.3%	51.1%	45.1%	45.6%	43.1%
American	14.5	15.1	15.2	15.7	14.4	14.4	12.6
Frontier	1.1	3.9	9.1	11.2	14.3	15.2	12.6
United	8.6	9.4	10.0	10.7	10.7	10.3	10.8
Allegiant	-	2.2	7.4	9.5	9.9	9.9	12.7
Southwest	-	-	-	-	4.1	3.1	6.3
Air Canada	0.4	0.5	0.7	0.8	0.7	0.8	0.7
WOW *(b)*	-	-	-	-	-	-	0.5
All Other	1.0	1.0	1.4	1.0	0.7	0.8	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Regional code-sharing affiliates are included with their mainline airline partner.
(b) WOW air has discontinued service at the Airport.
Source: Kenton County Airport Board.

Landed Weights by Airline. With the growth in both passenger airline and cargo traffic, landed weights have increased from 7.0 million tons in 2013 to 10.3 million tons in 2017. This change is primarily comprised of a 28.4% increase in passenger airline landed weights and a 66.7% increase in cargo landed weights.

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Landed weights by airline, combined mainline and regional carrier, for the years and the nine-month periods inducted, are as follows:

AIRLINE SHARES OF LANDED WEIGHT(1)

	Landed Weight by Airline (Calendar Year)					9 months YTD 2017		9 months YTD 2018	
Airline (2)	2013	2014	2015	2016	2017	Landed Weight	Share	Landed Weight	Share
Delta	2,647,833	2,374,723	2,109,192	2,092,866	2,149,426	1,619,472	18.0%	1,708,762	18.9%
American	525,548	544,471	556,366	657,166	653,956	488,903	5.4%	525,562	5.8%
United	322,996	313,394	376,204	458,751	581,110	430,671	4.8%	476,502	5.3%
Air Canada	24,267	25,615	37,036	43,099	43,005	32,101	0.4%	33,652	0.4%
Allegiant	0	62,412	229,984	330,149	409,755	301,869	3.3%	415,031	4.6%
Frontier	31,493	124,851	309,066	350,244	515,784	411,630	4.6%	390,747	4.3%
Southwest	0	0	0	0	210,662	119,314	1.3%	278,068	3.1%
WOW	0	0	0	0	0	0	0.0%	16,824	0.2%
Other Scheduled Airlines	2,304	9,696	14,496	11,493	6,114	4,690	0.1%	0	0.0%
Non-Scheduled Flights	33,232	33,445	49,717	36,227	36,536	29,713	0.3%	34,934	0.4%
Subtotal - Passenger Airlines (3)	**3,587,673**	**3,488,606**	**3,682,060**	**3,979,994**	**4,606,347**	**3,438,364**		**3,880,082**	
DHL Carriers	3,207,159	3,410,914	3,758,545	4,054,868	4,407,833	3,127,543	34.7%	3,625,963	40.2%
Amazon Carriers	0	0	0	0	1,046,693	660,715	7.3%	1,270,222	14.1%
Other Cargo	217,108	232,095	269,594	227,306	252,238	170,779	1.9%	223,282	2.5%
Subtotal - Cargo Airlines (3)	**3,424,267**	**3,643,009**	**4,028,139**	**4,282,174**	**5,706,763**	**3,959,037**		**5,119,467**	
Other Non-Scheduled	18,709	23,692	31,427	32,580	28,220	21,732	0.2%	20,875	0.2%
Airport Total (3)	**7,030,650**	**7,155,307**	**7,741,626**	**8,294,749**	**10,341,330**	**7,419,132**		**9,020,424**	

Airline Market Share of Landed Weight (Calendar Year)

Airline (2)	2013	2014	2015	2016	2017
Delta	37.7%	33.2%	27.2%	25.2%	20.8%
American	7.5%	7.6%	7.2%	7.9%	6.3%
United	4.6%	4.4%	4.9%	5.5%	5.6%
Air Canada	0.3%	0.4%	0.5%	0.5%	0.4%
Allegiant	0.0%	0.9%	3.0%	4.0%	4.0%
Frontier	0.4%	1.7%	4.0%	4.2%	5.0%
Southwest	0.0%	0.0%	0.0%	0.0%	2.0%
WOW	0.0%	0.0%	0.0%	0.0%	0.0%
Other Scheduled Airlines	0.0%	0.1%	0.2%	0.1%	0.1%
Non-Scheduled Flights	0.5%	0.5%	0.6%	0.4%	0.4%
Subtotal - Passenger Airlines (3)	**51.0%**	**48.8%**	**47.6%**	**48.0%**	**44.5%**
DHL Carriers	45.6%	47.7%	48.5%	48.9%	42.6%
Amazon Carriers	0.0%	0.0%	0.0%	0.0%	10.1%
Other Cargo	3.1%	3.2%	3.5%	2.7%	2.4%
Subtotal - Cargo Airlines (3)	**48.7%**	**50.9%**	**52.0%**	**51.6%**	**55.2%**
Other Non-Scheduled(4)	0.3%	0.3%	0.4%	0.4%	0.3%
Airport Total (3)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Footnotes on next page.

(1) Weights are in thousands of pounds.
(2) For those airlines that were party to a merger or acquisition, only the surviving entity is presented in the table. However, the activity for the airlines that are not a part of the surviving airline is included in the information presented.
(3) Columns may not add to totals shown because of rounding.
(4) Includes maintenance flights and flights handled by the Fixed Base Operator (FBO).

Source: Kenton County Airport Board

AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES

Airline Use and Lease Agreements

Below is a summary of the Airport Use Agreement as well as the related Terminal Lease Agreements with passenger airlines who have signed the Airport Use Agreement ("Signatory Airlines"). Both the Airport Use Agreement and Terminal Lease Agreements expire on December 31, 2020. This summary does not purport to be, nor is it, a complete summary of the agreements listed below. Except as otherwise defined herein, the capitalized words and terms that are used below have the meanings set forth in "APPENDIX C – Summary of Certain Provisions of the Airport Use Agreements."

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

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

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

The Airport Use Agreement employs a hybrid rate setting methodology with an airfield residual and a terminal commercial compensatory rate setting methodology. The Operating and Maintenance Expenses, Expensed Capital Outlays, Amortization Charges, Debt Service, Coverage Requirement, Operations and Maintenance Reserve Account Requirement and the Repair and Replacement Reserve Fund Requirement are allocated to airline and Board Cost Centers. The airline Cost Centers include the Airfield, Terminal and Loading Bridge Cost Centers. The Board Cost Center includes the Commercial Property, Parking and Ground Transportation and Rental Car Sub-Cost Centers. The Landing Fee and Terminal rates and charges are calculated based on the costs allocated to the applicable airline Cost Centers. In the case of the Airfield Cost Center, a share of Net Remaining Revenues ("NRR"), as described below, reduces the Airfield Cost Center Requirement and this net requirement is fully recovered through the payment of Landing Fees and Terminal Ramp Area rental. The Terminal Cost Center Requirement is divided by total leasable terminal space to determine a gross rate that applies to all

Terminal areas. This gross rate is then reduced by a per square foot concession credit which is calculated separately for the Terminal 3 Facilities and Concourse A based on the Concession Revenues generated in the applicable facilities divided by total leasable space in that facility. The charges for use of Loading Bridges are calculated in a manner to fully recover the requirements for the Loading Bridge Cost Center.

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

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

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

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

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

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

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

Facilities under the Airport Use Agreement. These agreements include the Terminal 3 Facilities Agreement and the Delta O&M Agreement.

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

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

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

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

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

Signatory Airline	Concourse A Gates [1]
Allegiant Air	2
American Airlines	5
Frontier Airlines	2
Southwest Airlines	2
United Airlines	4

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

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

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

As part of the Concourse C Amendment, the term of the Concourse C Agreement was changed to expire on December 31, 2020 and the Board was granted the right to demolish Concourse C at any time. Demolition of Concourse C and construction on this site of a new centralized deicing facility with the capability to accommodate remote aircraft parking was completed in 2017.

New Airline Agreements to Replace Current Airport Use Agreement

The current Airport Use Agreement expires on December 31, 2020. Upon the expiration of the Airport Use Agreement, the Board may enter into extensions of such agreements with the airlines, enter into new agreements with the airlines, or impose rates and charges upon the airlines. The Board has covenanted in the General Bond Resolution (which extends beyond the expiration of the Airport Use Agreement) to establish rentals, rates and other charges for the use and operation of the Airport such that Revenues (including rentals, fees and charges imposed on the airlines), together with certain other moneys deposited in the accounts and funds established pursuant to the Resolution, are sufficient to satisfy the coverage requirements contained in the General Bond Resolution.

Non-Signatory Operating Agreements and Permits

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

Cargo Agreements

Set forth below is a description of certain agreements the Board has entered into with certain cargo carriers.

DHL Agreement. The Board has a ground lease with DHL for a 182-acre site, with the option for an additional 50 acres adjoining the south end of its existing leasehold interest. The agreement expires on December 2045, with two additional five-year extension options. DHL constructed the improvements on the site and has invested more than $500 million in the facility, from which DHL operates its largest North American hub.

Amazon Agreement. In January 2017, the Board entered into a term sheet with Amazon Fulfillment Services, Inc., which provided the framework for entering into agreements pertaining to the development by Amazon of a proposed air cargo operation at the Airport. This term sheet pertains to the option to lease approximately 440 acres in the south airfield area of the Airport and approximately 479 acres of land in the north airfield area of the Airport. Since that time, work has been underway for the planning of Amazon's cargo hub development and development of the related agreements, which, under the term sheet, will include an overall Development Framework Agreement that pertains to rights to develop both the south airfield and north airfield sites and ground leases to be entered into as the sites are developed. The initial term of each ground lease will be 50 years. At Amazon's option, when entering into a new ground lease, it will extend the term of prior ground leases so that all ground leases expire at the same time. Amazon is permitted to assign ground leases to affiliates. Amazon.com, Inc. is to provide a $70,000,000 guaranty to secure payment obligations under all ground leases. As discussed in "THE AIRPORT - Airport Facilities," the initial development is planned to occur on the south airfield site. The Board anticipates contributing $5,000,000 to fund infrastructure costs to be specified in the Development Framework Agreement. The Development Framework Agreement and the ground lease for the south airfield site will be finalized prior to the start of the construction on the south airfield site. The parties are not bound until definitive documents are agreed upon between the parties.

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

Terminal Concessions Agreements

The Board has agreements to lease space to concessionaires who provide food, beverages, specialty retail, news, gifts and other products and services to users of the Airport. The length of these contracts varies with some terms being month-to-month and with the latest expiration date being December 31, 2030. Under these agreements concessionaire are generally obligated to pay the higher of a percentage of gross revenues or a minimum annual guarantee.

Parking Agreements

The Board has a management agreement with Standard Parking to provide for the nonexclusive operation, management and maintenance of certain parking facilities at the Airport, which expires on November 30, 2019. A request for proposal is anticipated to be issued in the third quarter of 2019 to solicit bids for a new parking operation management agreement. Under the existing agreement, the Board pays Standard Parking a fixed monthly management fee that escalated at a fixed amount annually over the term of the agreement. Additionally, the Board reimburses Standard Parking for all direct local expenses pertaining to the operation and maintenance of the parking facilities. The Board receives all parking revenues.

Rental Car Agreements

There are currently ten on-airport rental car operators (Hertz, Budget, Avis, Payless, Zipcar, Dollar, Thrifty, Alamo, National and Enterprise) and no off-airport rental car operators at the Airport, which are owned by a total of three companies. The Board has been operating under one-year license agreements with each of these operators, which are renewable on a year-to-year basis. Under the license agreements, the rental car operator pays a fee equal to 10% of gross revenues. Additionally, the Board has a total of five ground and building leases, with the three companies that own the rental car operators, for the rental car service centers, at which customer service and maintenance functions occur for the various airport rental car operators, except Enterprise, which operates from an off-airport rental car facility. All of these agreements have a term that ends on October 31, 2021 and have a one-year option period. EAN Holdings, the owner of the Alamo/National and Enterprise concession at the Airport, also has a ground lease that runs through 2025 for a separate car storage lot. The Enterprise brand operates from an off-airport rental car service facility leased from a third party.

In September 2018, the Board issued a request for proposal ("RFP") for qualified companies to conduct automobile rental business from the CONRAC being constructed as part of the Series 2019 CFC Project. In order to conduct its automobile rental business from the CONRAC, pursuant to the RFP, the companies were required to enter into a Rental Car Concession Agreement ("RAC Concession Agreement") and a Consolidated Rental Car Facility Agreement ("CONRAC Facility Agreement"). In November 2018, the Board approved entering in the RAC Concession Agreement and CONRAC Facility Agreement with the following four companies: (1) EAN Holdings, LLC operating the Enterprise Rent-A-Car, Alamo Rent a Car and National Car Rental brands; (2) Avis/Budget Car Rental LLC operating the Avis Rent a Car, Budget Rent a Car, Payless Car Rental and Zipcar brands: (3) The Hertz Company operating the Hertz, Thrifty Car Rental and Dollar Rent A Car brands; and (4) Tom Wood Rental Kentucky, Inc. operating as Sixt Rent A Car.

Copies of the agreements have been executed by the RACs and are being held by the Board. These agreements will be executed by the Board on or prior to the date of issuance of the Series 2019 Revenue Bonds. The terms of the RAC Concession Agreement and the CONRAC Facility Agreement will expire 10 and 30 years, respectively, and the terms will begin after the first day of the month following the date which is 180 days following the date on which the Board provides the RACs, which are parties thereto, access to the CONRAC to commence construction of their tenant improvements.

Under the RAC Concession Agreement, each RAC will pay the greater of 10% of gross revenues or a minimum annual guarantee. They are also granted the rights to exclusively lease space and use common space and equipment in the CONRAC. Under the RAC Concession Agreement, the RACs are required to enter into the CONRAC Facility Agreement and commence operations in the CONRAC upon commencement of the term of the RAC Concession Agreement. Until such time as the term of the RAC Concession Agreement commences, the rental car companies will continue to operate under the terms of the existing license agreements.

The CONRAC Facility Agreements provide for, among other things, the RAC's obligations related to the operation and maintenance of the CONRAC and its obligations pertaining to the Series 2019 CFC Bonds, which are being issued simultaneously with the issuance of the Series 2019 Revenue Bonds, to fund portions of the cost of the Series 2019 CFC Project. Additionally, under the CONRAC Facility Agreement, each RAC is obligated to pay a pro-rata share of ground rent pertaining to the footprint of the CONRAC. Upon moving its operations to the CONRAC, the RACs will no longer be allowed to rent cars from its rental car service centers.

CAPITAL PLANS

Sources of Capital Funding

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

<u>Federal Grants</u>. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program ("AIP"), an airport grant program administered by the FAA and funded from the Airport and Airways Trust Fund. Moneys in the Trust Fund are generated from taxes and fees. The AIP provides funding for airport development, airport planning, noise compatibility planning and noise compatibility programs. AIP funds are administered by the FAA and are allocated to airports as entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system).

The AIP has been amended and reauthorized several times. On October 5, 2018, the President signed into law the FAA Reauthorization Act of 2018, which, among other things, authorizes the FAA's programs through federal fiscal year 2023 and authorizes funding for AIP at the same level as was in place for the preceding five years. Funding of the levels authorized under FAA reauthorization is subject to Congressional appropriation of funds. In addition, the AIP funding levels could be affected by the automatic across-the-board spending cuts, known as sequestration. Accordingly, actual entitlement and discretionary funding levels and timing of funding may vary from those authorized and such differences may be material. There can be no assurance that the Congress will enact and the President will sign future FAA reauthorization acts or provide for additional extensions before the current authorization expires. Failure to adopt such legislation may have a material, adverse impact on the AIP grant program and the Airport. The Board is unable to predict the level and timing of available AIP funding it may receive.

The funding as presented in the table under "- Capital Improvement Program (CIP)" below, entitled "Capital Improvement Program by Funding Source," assumes that AIP passenger and cargo entitlements will be fully funded at their current authorized levels. It also assumes that the Board will receive a total of approximately $10.5 million in discretionary funding over the period from 2019 through 2024 to be used on high priority airfield projects. Approximately $2.5 million of these discretionary grants have been awarded to date.

Passenger Facility Charges (PFCs). Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("AIR 21"), the VISION 100-Century of Aviation Reauthorization Act of 2008, the FAA Modernization and Reform Act of 2012 and the FAA Reauthorization Act of 2018 (collectively, the "PFC Acts"), public agencies controlling certain commercial service airports may charge each qualifying enplaned passenger using the airport a PFC at certain levels up to $4.50. Public agencies wishing to impose and use PFCs are required to apply to the FAA for such authority and to meet specific requirements as established by the FAA pursuant to the PFC Acts. PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents.

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

Since June 1, 1994, the Board has 14 approved PFC applications for total PFC collections and use of $569.9 million. Through September 2018, PFCs received by the Board, including investment earnings, totaled $559 million, of which approximately $480.2 million have been expended on approved project costs. Included in the approved PFC applications is the use of PFCs to pay the debt service requirements on the Series 2016 Revenue Bonds.

The Board has submitted its 15th PFC application to the FAA for approval, with such approval being anticipated by June 2019. This application requests approval to impose and use $85.1 million of PFCs on additional projects, including the PFC eligible portions of the debt service on the Series 2019 Revenue Bonds, and will extend the Board's collection authority to December 31, 2023, based upon approval to collect PFCs at $4.50 per qualifying enplaned passenger. At this time, the Board plans to use PFCs to fund a portion of the debt service on the Series 2019 Revenue Bonds, but has not elected to make an irrevocable commitment to do so. The Board currently plans to submit new applications to the FAA as required in order to continue to collect PFCs. However, if PFC collections were to cease in the future, the Board would have already collected the approved amounts for all existing PFC-approved projects. Consequently, the Board should have sufficient amounts of, and the Board may use, PFCs on deposit in the PFC Project Fund to pay PFC-eligible debt service for the Series 2016 Revenue Bonds based on existing approvals. Additionally, once the Board's 15th PFC application is approved, the Board will have authorization to collect sufficient funds to pay PFC-eligible debt service for the Series 2019 Revenue Bonds, but will have no obligation to use such funds to pay PFC-eligible debt service for the Series 2019 Revenue Bonds.

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

State and Local Grants. The Board may receive state or local grant funds for use on capital expenditures. The amounts shown as local grants in the table under "- Capital Improvement Program (CIP)" below, entitled "Capital Improvement Program by Funding Source," represent anticipated Commonwealth of Kentucky Transportation Cabinet administered Federal-aid Highway Program funds for funding of roadway improvements that support ongoing development in the south airfield of the Airport. Approximately $3.2 million of these grant funds have already been awarded.

Customer Facility Charges (CFCs). Pursuant to an ordinance of the Board, the collection of CFCs began on April 1, 2006. The CFCs, which are charged at a rate per rental car transaction day, are being collected to provide for the planning, construction, operation, and maintenance of facilities to accommodate the ground transportation needs at the Airport. CFCs are currently being collected at a rate of $7.50 per rental car transaction day and are being used to fund the Series 2019 CFC Project. See "THE 2019 PROJECT" and "ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS."

Board Funds. The Board maintains a Capital Expenditures Account which represents funds that have been designated for use on capital expenditures. This includes amounts that are transferred from the General Purposes Fund for use on capital expenditures, as well as any reimbursements received through federal and state grants, other third parties or PFCs for prior capital expenditures. As part of the 2018 and 2019 budget processes, a total of $25 million of funds from the General Purposes Fund have been designated to be transferred to the Capital Expenditures Account for use on capital expenditures. The Board Funds amounts as shown in the table under "- Capital Improvement Program (CIP)" below, entitled "Capital Improvement Program by Funding Source," assume the transfer of additional funds from the General Purposes Fund over the period from 2019 through 2024 to be used on capital expenditures. The actual amount to be transferred annually will be determined as part of the annual budget process, with this amount being limited by the intent to maintain, in the accounts available to pay operating expenses, a total minimum targeted balance of cash sufficient to pay 300 days of operating expenses.

Other Funds. As reflected in the table under "- Capital Improvement Program (CIP)" below, entitled "Capital Improvement Program by Funding Source," Third Party funds represent amounts to be received from tenants to fund environmental costs or portions of other improvement costs pertaining to their development at the Airport. Other Funds represents the anticipated operations and maintenance expense portion of projects that include both a capital and operating expense component.

Capital Improvement Program (CIP)

The Board submitted its most recent Airport Master Plan Update to the FAA in June 2013, which provided a blueprint for the growth of the Airport through the year 2035 (the "2035 Master Plan"). The 2035 Master Plan identified several terminal area alternatives for purposes of meeting future alternative demand scenarios. It additionally identified the Series 2019 CFC Project as a key project to address terminal curbside congestion and to enhance customer service.

In 2017, the Airport commenced work on a Master Plan Update (the "MPU Study") to inform future capital investment decisions, given the continued operational changes at the Airport since the completion of the 2035 Master Plan. These operational changes include the continued growth in origin passengers, growth of air cargo operations and increased demand for aeronautical and non-aeronautical land development. The goal of the MPU Study is to provide a plan that will serve as a guide for development to efficiently serve future aviation needs, while preserving the Airport's flexibility to respond to changing aviation conditions. The MPU Study will select a preferred terminal passenger facility plan to help guide future terminal investment decisions. The selection criteria for determining the preferred terminal passenger facility include providing a high level of customer service, maximizing the reuse of existing facilities and allowing for flexible incremental expansion based on demand. It is anticipated that the MPU Study will be complete and approved by the FAA in the first half of 2019, with the subsequent submission of the draft Airport Layout Plan to the FAA for review and approval.

The following table shows the estimated cost of the 2019-2024 Airport CIP. Condition assessments of various infrastructure components have been performed in support of the development of a cost-effective renewal and replacement program and to inform the MPU Study. The results of these assessment have been incorporated in the Board's 2019-2024 CIP. The CIP will be updated as needed to incorporate the results of the completed MPU Study. Until the MPU Study is completed, the Board cannot estimate the impact to the CIP with respect to the costs of the 2019 Project, timing of expenditures and required funding sources.

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Estimated Costs and Cash Flow
Capital Improvement Program
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

	Total Costs	Prior	Subtotal 2019-24	2019	2020	2021	2022	2023	2024
Consolidated Ground Transportation Facility									
Main Terminal Roadway Improvement Project	$ 35,263,466	$ 19,250,463	$ 16,013,004	$ 16,013,004	$ -	$ -	$ -	$ -	$ -
Consolidated Rental Car Facility & Ground Transportation Center	169,698,238	9,013,493	160,684,745	31,739,730	110,565,424	18,379,591	-	-	-
Subtotal Consolidated Ground Transportation Facility	$ 204,961,704	$ 28,263,956	$ 176,697,749	$ 47,752,734	$ 110,565,424	$ 18,379,591	$ -	$ -	$ -
Airfield									
Runway and Taxiway Improvements	$ 34,081,028	$ 1,081,305	$ 32,999,723	$ 11,044,223	$ 10,977,750	$ 10,977,750	$ -	$ -	$ -
Apron & Ramp Rehabilitation	16,641,268	5,437,005	11,204,263	3,254,263	1,550,000	3,400,000	3,000,000	-	-
Other	8,650,000	132,000	8,518,000	88,000	4,390,000	4,040,000	-	-	-
Subtotal Airfield	$ 59,372,296	$ 6,650,310	$ 52,721,986	$ 14,386,486	$ 16,917,750	$ 18,417,750	$ 3,000,000	$ -	$ -
Terminal									
Main Terminal Improvements	$ 25,021,404	$ 7,269,259	$ 17,752,145	$ 600,556	$ 1,065,556	$ 3,345,556	$ 555,556	$ 11,629,365	$ 555,556
Concourse B Modernization & Refurbishment	7,879,800	1,254,800	6,625,000	1,625,000	500,000	4,500,000	-	-	-
Terminal Joint Use Equipment (BHS, AGTS, CUSP, FIDS)	19,712,405	2,672,405	17,040,000	361,000	6,610,720	6,910,720	1,860,720	936,120	360,720
Passenger Loading Bridges	12,040,000	1,600,000	10,440,000	800,000	-	3,950,000	1,600,000	2,490,000	1,600,000
Subtotal Terminal	$ 64,653,609	$ 12,796,464	$ 51,857,145	$ 3,386,556	$ 8,176,276	$ 18,706,276	$ 4,016,276	$ 15,055,485	$ 2,516,276
Facilities Infrastructure									
Roof Replacements	$ 5,857,840	$ 1,488,840	$ 4,369,000	$ -	$ 3,033,000	$ 1,336,000	$ -	$ -	$ -
Other Facilities	3,925,000	-	3,925,000	850,000	1,825,000	-	1,250,000	-	-
Subtotal Facilities Infrastructure	$ 9,782,840	$ 1,488,840	$ 8,294,000	$ 850,000	$ 4,858,000	$ 1,336,000	$ 1,250,000	$ -	$ -
Parking									
Parking Lot Improvements	$ 2,396,423	$ 531,423	$ 1,865,000	$ 1,365,000	$ 500,000	$ -	$ -	$ -	$ -
PFC PayGo expenditures - CIP projects	12,918,647	2,561,647	10,357,000	2,766,668	2,398,668	1,691,664	3,500,000	-	-
Subtotal Parking	$ 15,315,070	$ 3,093,070	$ 12,222,000	$ 4,131,668	$ 2,898,668	$ 1,691,664	$ 3,500,000	$ -	$ -
Other									
Utilities	$ 10,542,000	$ 619,995	$ 9,922,005	$ 3,452,000	$ 2,436,669	$ 1,566,668	$ 1,066,668	$ 1,400,000	$ -
Commercial Development	39,256,731	4,298,874	34,957,857	33,794,251	1,163,606	-	-	-	-
Compliance/Regulatory	6,019,230	6,019,230	-	-	-	-	-	-	-
Information Technology	26,253,042	5,586,790	20,666,252	1,125,000	4,652,962	2,720,636	7,282,654	2,885,000	2,000,000
Vehicles & Equipment	18,690,922	717,922	17,973,000	1,239,000	4,869,000	4,005,000	2,060,000	3,850,000	1,950,000
Roadways	15,908,165	2,613,137	13,295,028	3,370,028	2,840,000	5,585,000	500,000	500,000	500,000
Other	6,213,039	1,330,301	4,882,738	487,000	356,798	4,038,940	-	-	-
Subtotal Other	$ 122,883,130	$ 21,186,250	$ 101,696,880	$ 43,467,279	$ 16,319,035	$ 17,916,244	$ 10,909,322	$ 8,635,000	$ 4,450,000
Total Capital Improvement Program	$ 476,968,651	$ 73,478,891	$ 403,489,760	$ 113,974,723	$ 159,735,153	$ 76,447,525	$ 22,675,598	$ 23,690,485	$ 6,966,276

Source: Kenton County Airport Board.

Consolidated Ground Transportation Facility. See "THE 2019 PROJECT."

Airfield Projects ($59.4 million). Key airfield capital projects include airfield pavement renewals and rehabilitation, including the rehabilitation of Runway 9/27 and associated taxiways, common use aircraft apron replacement, the extension of Taxilane N to improve south airfield circulation, and rehabilitation and realignment of the Airport's East Service Road.

Terminal & Airline Equipment Projects ($64.7 million). The Board, as part of its MPU Study, is in the process of selecting a preferred future terminal passenger facility plan. The CIP includes reserves for renewal and rehabilitation of key areas and shared systems in the main terminal and Concourse B, including the baggage system and train connecting the Main Terminal to Concourses A and B. The Board is planning near-term investment in the bag system to provide greater operational redundancy and capacity due to an increasingly diversified carrier base. Additionally, to respond to future demand growth, the Board has identified required capital investment in loading bridges, holdroom areas, and common use passenger processing equipment.

Parking and Ground Transportation Projects ($15.3 million). A key component of the parking and ground transportation capital program is the implementation of an intelligent parking guidance system in the terminal parking garage in order to increase the garage capacity and enhance customer service. It also includes the installation of energy efficient lighting fixtures, controls, metering and associated equipment in the terminal parking garage to replace the existing lighting fixtures and associated equipment. Other parking projects include completing a five-year phased upgrade of the parking revenue control system, replacement of employee and passenger parking shuttle busses, conveyance replacements in the garage, and rehabilitation of the long term parking lots.

Facilities Infrastructure ($9.8 million). Condition assessments have identified a number of key roof replacement projects to be undertaken in the next five years, including the replacement of the roof of the CVG Centre (an office building that houses the Board's administrative office as well as other tenants) and the parking garage roof. The Board has also created capital reserves for ongoing renewal and replacement of conveyances in the passenger terminal complex.

Other Capital Projects ($122.9 million). The Board and certain third parties plan to make investments in the following broad areas over the next five years: utilities ($10.5 million), commercial development ($39.3 million), compliance and regulatory ($6.0 million), information technology ($26.3 million), vehicles and equipment ($18.7 million), roadways ($15.9 million), and other miscellaneous projects ($6.2 million). Utilities investment focuses primarily on renewal and replacement of existing infrastructure, as well as ensuring adequate redundancy and backup power. The cost of commercial development projects are primarily related to environmental mitigation projects resulting from the establishment of Amazon's hub. Compliance and regulatory projects relate to completing the expansion of the spent aircraft deicing fluid system. The Board is also investing in information technology, including enterprise asset management systems and other critical systems, such as the closed circuit television system (CCTV) and other security systems, and utility monitoring. The vehicle and equipment replacement program was developed based on the age and estimated useful life of the fleet of equipment and vehicles and is updated annually to reprioritize the schedule. Roadways expenditures include the rehabilitation of existing roadways, as well as improvements to roadway serving the south airfield area of the Airport.

The following table presents the anticipated funding sources of the 2019-2024 CIP. If there is a reduction in the amount of AIP grants or local grants anticipated to be awarded to the Airport or delays in the timing of approval for use of PFCs or other delays in the timing of receipt of anticipated funds, such reduction could (1) increase by a corresponding amount the capital expenditures that the Board would need to fund from other sources, including from operating revenues or additional Bonds, (2) result in decreases to the Board's CIP or (3) extend the timing for completion of certain projects. Further, updates to the CIP resulting from the MPU Study may add projects to the CIP, requiring additional funding sources.

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Funding by Source
Capital Improvement Program
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

	Total 2019-24	Board Funds	AIP Grants	Local Grants	PFC PayGo	CFC PayGo	Series 2019 Revenue Bonds	Series 2019 CFC Bonds	3rd Party	Other
Consolidated Ground Transportation Facility										
Main Terminal Roadway Improvement Project	$ 16,013,004	$ -	$ -	$ -	$ -	$ -	$ 16,013,004	$	$ -	$ -
Consolidated Rental Car Facility & Ground Transportation Center	160,684,745	12,641,855	-	-	-	58,357,277	-	89,685,612	-	-
Subtotal Consolidated Ground Transportation Facility	$ 176,697,748	$ 12,641,855	$ -	$ -	$ -	$ 58,357,277	$ 16,013,004	$ 89,685,612	$ -	$ -
Airfield										
Runway and Taxiway Improvements	$ 32,999,723	$ -	$ 24,724,790	$ -	$ 8,274,932	$ -	$ -	$ -	$ -	$ 1
Apron & Ramp Rehabilitation	11,204,263	-	4,322,790	-	6,881,474	-	-	-	-	-
Other	8,518,000	350,000	3,125,999	-	2,442,001	-	-	-	2,600,000	-
Subtotal Airfield	$ 52,721,986	$ 350,000	$ 32,173,579	$ -	$ 17,598,406	$ -	$ -	$ -	$ 2,600,000	$ 1
Terminal										
Main Terminal Improvements	$ 17,752,145	$ 1,505,717	$ -	$ -	$ 16,246,428	$ -	$ -	$ -	$ -	$ -
Concourse B Modernization & Refurbishment	6,625,000	-	-	-	6,625,000	-	-	-	-	-
Terminal Joint Use Equipment (BHS, AGTS, CUSP, FIDS)	17,040,000	2,775,251	1,500,000	-	12,674,104	-	-	-	-	90,645
Passenger Loading Bridges	10,440,000	-	-	-	10,440,000	-	-	-	-	-
Subtotal Terminal	$ 51,857,145	$ 4,280,968	$ 1,500,000	$ -	$ 45,985,531	$ -	$ -	$ -	$ -	$ 90,645
Facilities Infrastructure										
Roof Replacements	$ 4,369,000	$ 3,967,200	$ -	$ -	$ 401,800	$ -	$ -	$ -	$ -	$ -
Other Facilities	3,925,000	2,374,990	-	-	1,550,000	-	-	-	-	10
Subtotal Facilities Infrastructure	$ 8,294,000	$ 6,342,190	$ -	$ -	$ 1,951,800	$ -	$ -	$ -	$ -	$ 10
Parking										
Parking Lot Improvements	$ 1,865,000	$ 1,465,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 400,000
PFC PayGo expenditures - CIP projects	10,357,000	10,357,000	-	-	-	-	-	-	-	-
Subtotal Parking	$ 12,222,000	$ 11,822,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 400,000
Other										
Utilities	$ 9,922,005	$ 5,083,000	$ -	$ -	$ 4,839,002	$ -	$ -	$ -	$ -	$ 3
Commercial Development	34,957,857	5,344,788	-	-	-	-	-	-	28,817,235	795,834
Compliance/Regulatory	-	-	-	-	-	-	-	-	-	-
Information Technology	20,666,252	17,480,626	-	-	2,485,626	200,000	-	-	-	500,000
Vehicles & Equipment	17,973,000	6,002,560	-	-	11,970,438	-	-	-	-	2
Roadways	13,295,028	6,959,724	-	5,738,244	-	-	-	-	597,061	-
Other	4,882,738	799,852	105,713	-	108,287	3,359,066	-	-	-	509,820
Subtotal Other	$ 101,696,880	$ 41,670,549	$ 105,713	$ 5,738,244	$ 19,403,353	$ 3,559,066	$ -	$ -	$ 29,414,296	$ 1,805,659
Total Capital Improvement Program	$ 403,489,759	$ 77,107,562	$ 33,779,292	$ 5,738,244	$ 84,939,091	$ 61,916,343	$ 16,013,004	$ 89,685,612	$ 32,014,296	$ 2,296,315

Source: Kenton County Airport Board.
1.) Excludes costs incurred prior to 2019. Totals herein reconcile with the preceding table entitled "Estimated Costs and Cash Flow", but do not reconcile with the table entitled "2019 Project Funding Services" under the caption "ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS," which includes amounts for periods prior to 2019.

FINANCIAL INFORMATION

General

The Board maintains its financial records on a calendar year basis. Financial statements are audited annually by a firm of independent certified public accountants. The audited financial statements for the years ended December 31, 2017 and 2016 are included in this Official Statement as "APPENDIX D – 2017 Financial Statements and Report of Independent Auditors." These statements are presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Prior to 2016, the Airport's audited financial statements were presented on a basis of accounting designed to comply with the Airport's prior bond resolution and Airport Use Agreement that expired on December 31, 2015.

The Board's annual budget is presented on a basis of accounting designed to account for compliance with the Airport's bond resolutions. In 2016, the Board issued the Series 2016 Revenue Bonds, which refunded all of the Airport's outstanding debt. Concurrently with the adoption of the Series 2016 Resolution pertaining to the Series 2016 Revenue Bonds, the Board approved the General Bond Resolution that governs the Series 2016 Revenue Bonds and the issuance of Additional Bonds, including the Series 2019 Revenue Bonds. Since 2016, the Board's annual budget has been prepared using a basis of accounting designed to account for compliance with the General Bond Resolution and reflects the amounts as required to be deposited in the Funds and Accounts established under the General Bond Resolution.

The financial information included in "FINANCIAL INFORMATION - Summary of Historical Financial Operating Results" and "- Summary of Financial Projections – Operating Results" are presented using the basis of accounting used in preparing the Board's 2019 budget.

Summary of Historical Financial Operating Results

The financial information presented for the years ended December 31, 2017 and 2016 was derived from the amounts reflected in the audited financial statements presented in "APPENDIX D – 2017 Financial Statements and Report of Independent Auditors," as adjusted to reflect the basis of accounting used in preparation of the Board's annual budget. The 2018 information represents the estimated actual amounts prepared as part of the 2019 budget process and the 2019 amounts represent the 2019 budget as adopted by the Board in November 2018.

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Summary of Financial Operating Results
Cincinnati / Northern Kentucky International Airport
(2015-2019)

	For Year Ended December 31 (in thousands)				
	2015	2016	2017	2018	2019
Operating Revenues	Audited[1]	Audited[1]	Audited[1]	Est. Actual[2]	Budget
Airline Revenues[3]					
Landing fees	$ 18,686	$ 17,236	$ 17,663	$ 21,134	$ 23,728
Terminal and Ramp rentals & use charges	20,219	15,068	15,690	15,921	19,394
Misc. Airline Revenue	136	173	173	173	173
Total Airline Revenues	$ 39,041	$ 32,477	$ 33,526	$ 37,228	$ 43,295
Non-Airline Revenues					
Parking	$ 28,751	$ 31,695	$ 37,044	$ 43,456	$ 43,264
Rental cars	6,728	6,953	7,643	8,178	8,315
Terminal concessions	4,393	4,659	5,080	5,810	6,183
Commercial development	4,259	4,661	4,913	5,302	6,207
Reimbursed O&M expenses	2,923	2,070	2,265	2,753	2,839
Aircraft servicing & catering	1,019	610	155	233	236
Ground transportation	408	649	1,043	1,162	1,280
Terminal rentals - Non-Airline	255	376	440	514	546
Miscellaneous Non-Airline Revenue	576	684	683	625	664
Total Non-Airline Revenues	$ 49,312	$ 52,357	$ 59,266	$ 68,033	$ 69,534
Total Operating Revenues	$ 88,353	$ 84,834	$ 92,792	$ 105,261	$ 112,829
Non-Operating Revenues					
Investment income	$ 168	$ 432	$ 947	$ 1,708	$ 2,721
Customer Facility Charge[4]	5,744				
Police forfeiture revenues (transferred for expense)	175				
Designated Passenger Facility Charge Revenue	3,628	6,293	5,365	5,366	5,362
Total Non-Operating Revenues	$ 9,715	$ 6,725	$ 6,312	$ 7,074	$ 8,083
Total Revenues Deposited in the Revenue Fund	**$ 98,068**	**$ 91,559**	**$ 99,104**	**$ 112,335**	**$ 120,912**
Operating Expenses					
Salaries, wages and benefits[5]	$ 41,326	$ 38,190	$ 41,940	$ 45,305	$ 49,237
Contracted services	18,312	17,074	20,951	23,559	26,818
Utilities	7,270	7,098	6,844	7,837	8,455
General administration	1,605	1,323	1,442	2,137	2,564
Supplies	6,131	4,342	3,912	4,990	5,063
Insurance	1,245	1,257	1,293	1,326	1,429
Expensed Capital	3,007	1,323	1,216	2,775	2,557
Total Operating Expenses	$ 78,896	$ 70,607	$ 77,598	$ 87,929	$ 96,123
Non-Departmental Expenses					
Demolition Funding Expense[6]	$ 9,800	$ -	$ -	$ -	$ -
Customer Facility Charge[4]	5,744	-	-	-	-
Total Non-Departmental Expenses	15,544	-	-	-	-
Total Operation & Maintenance Expense	**$ 94,440**	**$ 70,607**	**$ 77,598**	**$ 87,929**	**$ 96,123**
Net Revenue	**$ 3,628**	**$ 20,952**	**$ 21,506**	**$ 24,406**	**$ 24,789**
Less Uses of Net Revenue					
Debt Service					
General Airport Revenue Bond (GARB) Debt Service Funding					
Revenue Bond Principal	$ -	$ 2,190	$ 1,985	$ 2,065	$ 2,165
Revenue Bond Interest	2,902	2,845	2,307	2,227	2,124
Total GARB Debt Service	$ 2,902	$ 5,035	$ 4,292	$ 4,292	$ 4,289
Subordinate Debt Service Funding					
Sub Debt Principal	$ -	$ -	$ -	$ 117	$ 177
Sub Debt Interest	-	-	-	12	16
Total Subordinate Debt Service	$ -	$ -	$ -	$ 129	$ 193
Total Debt Service	$ 2,902	$ 5,035	$ 4,292	$ 4,421	$ 4,482
Other Required Transfers					
Operations and Maintenance Reserve Account[7]	N/A	$ -	$ 786	$ 2,415	$ 2,021
Repair and Replacement Reserve Fund[8]	N/A	-	-	-	-
Passenger Facilty Charge Project Fund	726	1,259	1,073	1,073	1,072
Total Other Required Transfers	$ 726	$ 1,259	$ 1,859	$ 3,488	$ 3,093
Total Uses of Net Revenue	**$ 3,628**	**$ 6,294**	**$ 6,151**	**$ 7,909**	**$ 7,575**
Available for Deposit to the General Purposes Fund[10]	**$ (0)**	**$ 14,658**	**$ 15,355**	**$ 16,497**	**$ 17,214**
GARB Debt Service Coverage[9]	**1.25**	**4.16**	**5.01**	**5.69**	**5.78**

Source: Kenton County Airport Board.

See footnotes on following page

Notes:

1. Derived from the amounts reflected in the audited financial statements as adjusted to reflect the basis of accounting used in preparation of the Board's 2019 budget. The basis of accounting used in preparation of the Board's annual budget is designed to account for compliance with the General Bond Resolution and reflects amounts as required to be deposited in the Funds and Accounts established under the General Bond Resolution.
2. 2018 amounts represent the estimated actual projections developed at the time the 2019 budget was prepared.
3. 2016-2019 airline revenues are net of Signatory Airlines Share of Net Remaining Revenues which offset the amount of rentals, fees, and charges that are due from the Signatory Airlines each fiscal year.
4. Under the airport use agreement that expired December 31, 2015 and the prior bond resolution, CFCs were considered earned upon collection from the rental car companies and were recognized as both operating revenues and general administrative operating expense and transferred to the CFC account in the restricted account group. Under the General Bond Resolution, CFCs are not included as Revenues unless designated as such under a Series Resolution.
5. 2015 amounts include $5.1 million in pension expense recorded as a result of GASB 68 (as defined herein) provisions as described in "Discussion of Historical Financial Results - Operating Expenses" and "Pension Plan and Post-Employment Benefits Other than the Pension Plan" below.
6. Demolition Funding Expense represents an amount the Signatory Airlines agreed to include as operating expenses in 2015 for purposes of setting funds aside that were used for the demolition of Terminals 1 and 2 and Concourse C
7. Operations & Maintenance Reserve Account was fully funded on January 1, 2016 equal to 25% of budgeted 2016 O&M expenses.
8. Repair and Replacement Reserve Fund was fully funded January 1, 2016 at $10,000,000.
9. Debt service coverage calculation is net revenues divided by total debt service.
10. Under the prior bond resolution, net revenues were deposited in the restricted for debt service and/or improvements to airport accounts versus the General Purposes Fund. Amounts on deposit in the restricted for debt service and/or improvements to airport accounts were transferred to the General Purposes Fund after fully funding the Operations and Maintenance Reserve Account and Repair and Replacement Reserve Fund.

Discussion of Historical Financial Operating Results

Operating Revenues.

Airline Revenues. Airline revenues represent landing fees and other charges to airlines for the use of the terminal, ramp and airfield areas of the Airport. These charges are calculated in accordance with the terms of the relevant Airport Use Agreement. Accordingly, the 2015 amounts are calculated in accordance with the rates and charges methodology under the prior Airport Use Agreement that expired on December 31, 2015, while the amounts presented for the years 2016 through 2019 reflect the rates and charges methodology under the current Airport Use Agreement.

Under the expired Airport Use Agreement, the landing fees paid by airline tenants were based upon an airport-residual methodology, under which the airlines who signed that Agreement agreed to pay landing fees in an amount that would result in net revenues (revenues less O&M expenses) equaling 1.25 times the debt service on the Board's outstanding Bonds (the coverage requirements). Under this methodology, the amount of net revenues less debt service and required transfers was significantly different than the amount retained under the current Airport Use Agreement.

Under this airport-residual methodology, landing fees, as calculated under the Airport Use Agreement that expired on December 31, 2015, did not reflect the actual cost of the airfield, but rather was the balancing figure to make net revenues equal the coverage requirement. Under the expired Airport Use Agreement, terminal and ramp rentals and use charges were determined every three years with the rates calculated based on the second preceding year's terminal and ramp costs. The last change in rates occurred on January 1, 2013, and thus, the rates as charged in 2015 were based on 2011 costs.

Airline revenues for the years 2016 through 2019 reflect the airline rates and charges methodology under the current Airport Use Agreement. Over the time period from 2016 through 2019, airline revenues have increased by $10.82 million. This increase is primarily the result of an increase in expenses allocated to the airline cost centers to be recovered through rates and charges, offset in part by an increase in the share of NRR available to be applied to reduce the Airfield Cost Center Requirement and to adjust Terminal Rentals. Also contributing to the increase in airline revenues over this time period is an increase in the amount of leased airline terminal space as airlines expanded service and new airlines entered the market. See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES - Airline Use and Lease Agreements." For purposes of the Airport's operating budget, Airline Revenues are recorded net of landing fees and terminal rentals waived under the Airport's Air Service Incentive Programs ("ASIP"). The Board's ASIP was first implemented in 2017, and total waived fees recorded to reduce airline revenues in 2017 was $500,000. The 2018 estimated actual and 2019 budget include a reduction in airline revenues related to waived fees of $800,000 and $300,000, respectively.

Non-Airline Revenues. The primary sources of non-airline revenues are activity based revenues, such as parking, rental cars and terminal concessions. The $14.51 million and $1.58 million increase in parking and rental car revenues over the period from 2015 through 2018 reflect changes in originating enplanements. Also impacting parking revenues was an increase in parking rates in January 2018. The $1.79 million increase in terminal concessions over the period from 2015 through 2019 is primarily the result of the increase in enplanements over this time period. Another contributing factor was an increase in the per-passenger spend as the terminal concession program offerings were expanded and additional concession locations opened. See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES – Terminal Concessions Agreements", "- Parking Agreements" and "- Rental Car Agreements."

Commercial development includes revenues received related to leasing of "non-terminal" buildings and land at the Airport. These revenues have increased by $1.9 million over the period from 2015 through 2019 as the result of the continued increase in commercial leasing activity at the Airport, as well as increases in rates under existing agreements. See "THE AIRPORT- Airport Facilities."

Ground transportation revenues includes fees received from transportation network companies, taxis and other companies providing services that transport passengers to/from the Airport. These revenues have increased by $870,000 over the period from 2015 to 2018 as a result of the increase in origin and destination passengers and the introduction of service in the third quarter of 2015 by the transportation network companies entering into permits to service the Airport.

Non-Operating Revenues. Non-operating revenues represent revenues which would not be considered operating revenues under GAAP, but are considered as revenues pursuant to the definition of revenues under the bond resolutions in place during the respective years.

Customer Facility Charges. CFCs are a per rental car transaction day fee imposed by the Board to fund ground transportation related improvements. See "CAPITAL PLANS - Sources of Capital Funding." CFCs were included as revenues for purposes of calculating the airport-residual landing fee rate under the expired Airport Use Agreement. Under the General Bond Resolution, CFCs are not included as Revenues unless designated as such under a Series Resolution.

Passenger Facility Charges. Under the General Bond Resolution, PFCs are not included as Revenues unless designated as such under a Series Resolution. Under the prior resolution, PFC's were considered as Revenues only to the extent they were transferred by the Board from the PFC Project Fund to the PFC Revenue Account to fund debt service requirements on bonds authorized to be paid from PFCs. For the years 2015 through 2019, PFCs equal to 125% of the debt service requirements on PFC eligible bonds were transferred or are budgeted to be transferred to the PFC Revenue Account or designated as Revenues under a series resolution. The increases in the amounts of Designated PFC Revenues over the period 2016 through 2019 as compared to 2015 is reflective of a decrease in the amount of PFC-eligible debt service required to be funded in 2015 due to the early redemption of the PFC eligible bonds that were scheduled to mature on March 1, 2015 and 2016.

Operating Expenses.

Departmental Operating Expenses. Departmental operating expenses represent the types of expenses which would be considered as operating expenses under the bond resolutions in place during the respective years.

The Board participates in the Kentucky Retirement Systems' ("KRS") County Employees Retirement System ("CERS"), a cost-sharing multiple employer plan. Operating expenses under the bond resolution in place in 2015 were defined to include expenses considered to be operating expenses under GAAP. As such, the 2015 operating expenses include $5.1 million in additional pension expense as required to be recorded under GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27" ("GASB 68") of the Governmental Accounting Standards Board ("GASB"). Operating expenses as defined under the General Bond Resolution, which became effective in 2016, reflect only the required contributions to the Board's pension plan. See "FINANCIAL INFORMATION - Pension Plan and Post-Employment Benefits Other than the Pension Plan" for additional information related to the CERS and the impacts of GASB 68 and the upcoming implementation of GASB's Statement No. 75 ("GASB 75"), which relates to financial reporting for other post-employment benefits ("OPEB").

Salaries, wages and benefits increased $13.0 million over the period from 2016 to 2018 prior to the recording of the $5.1 million in additional pension expense in 2015 pursuant to GASB 68. This increase primarily resulted from increases in wage rates, as well as increases in the number of full time equivalent positions over the period. Another contributing factor is the implementation in 2017 of a Board-wide performance incentive program which is awarded based upon achieving certain Board-wide performance metrics.

Contracted services increased by $8.5 million over the period from 2015 to 2019. Amounts decreased from 2015 to 2016 due to a number of special projects, including a large moving sidewalk repair project that occurred in 2015. Contracted service began to trend up in 2017 with increases in major maintenance work, infrastructure condition assessments performed in support of the ongoing Master Plan Update Study and development of a formal asset management program and technology initiatives.

Utilities expense remained relatively level from 2015 through 2017 with changes primarily attributable to weather and changes in the price of fuel and natural gas. In 2018 and 2019, utilities increased largely related to increasing electric costs due to a rate increase implemented in the second half of 2018.

Supplies expense decreased from 2015 to 2016 due to the recording of certain adjustments as needed to issue the Airport's 2016 audited financial statements in conformity with GAAP. In 2016, adjustments were made to supplies expense to reflect the recording of a year-end supplies inventory balance. The beginning 2016 inventory balance was recorded as change in the Airport's net position as reflected in the December 31, 2017 and 2016 audited financial statements. Supplies expenses has fluctuated over the period from 2016 through 2019 with the primary variations pertaining to the severity of the winter weather as well as the cost of fuel.

Non-Departmental Operating Expenses. Non-departmental operating expenses represent expenses, which would not be considered as operating expenses under GAAP, but were considered as operating expenses under the prior bond resolution. Under the prior bond resolution, the definition of operating expenses was tied to the definition of operating expenses under the Airport Use Agreement that expired on December 31, 2015. The expired Airport Use Agreement provided that, by MII approval of the airlines signatory to the agreement, costs that would not otherwise be considered operating expenses could be included as operating expenses for purposes of establishing the airline landing fee rate.

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

Demolition funding expense represents an amount the Signatory Airlines agreed to include as operating expenses in 2015 for purposes of calculating the landing fee rate so that funds could be accumulated and set aside for purposes of demolishing Terminals 1 and 2 and Concourse C.

Debt Service Coverage. Under the expired Airport Use Agreement's airport residual landing fee formula, the excess revenues over debt service were equal to 0.25 times debt service, thereby resulting in a debt service coverage ratio of 1.25. Under this formula, the amount of excess revenues over debt service was directly tied to debt service requirements. With the implementation of the new Airport Use Agreement, the 2016 debt service coverage was 4.16 and has continued to increase with a 2019 budgeted coverage of 5.78.

Cost Per Enplaned Passenger. The cost per enplaned passenger (passenger airline costs divided by enplanements) for the years 2015 through 2019 is as follows:

HISTORICAL, ESTIMATED ACTUAL AND BUDGETED COST PER ENPLANEMENT (CPE)

(For Years Ended December 31, 2015-2019)

	2015	2016	2017	2018EA	2019 Budget
CPE	$9.17	$6.90	$5.89	$5.33	$6.21

Source: Kenton County Airport Board

Risk Management and Insurance

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

Investment Policy

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

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

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

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

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

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

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

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

To the extent possible, the Board will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Board's funds should not, in general, be invested in securities maturing more than three years from the date of purchase. However, the Board may collateralize its repurchase agreements using longer-dated investments not to exceed 10 years to maturity. Reserve funds may be invested in securities that mature or are redeemable within 5 years from the date of purchase.

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

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

In April 2013, Kentucky adopted a hybrid cash balance retirement plan for state and local public employees who commenced employment on or after January 1, 2014. The hybrid cash plan replaces the cost sharing defined benefit pension plan, redefining the defined benefit of the formula-based annuity which participants would have previously received during retirement, with a lump sum benefit or accumulated account balance, at the individual participant's retirement date. The accumulated account balance is composed of contributions from the participant during the participant's employment period, an employer contribution, or pay credit, equal to a percentage of compensation paid to the participant during the participant's employment period, and an interest credit added to the accumulated balance each year during the participant's employment period. At the participant retirement date, the accumulated account balance is converted to either a lump sum payment or a monthly annuity, at which point the retirement benefit becomes fixed and no additional pay credits or interest credits are accrued to the outstanding balance.

Required employer contribution rates are determined by the Board of Trustees of the CERS. The contribution rates are determined annually with the contribution rates being inclusive of funding for the defined benefit plan, hybrid cash balance plan and other post-employment benefits as discussed below.

As required by the GASB, beginning in its 2015 audited financial statements, the Board will implement the provisions of GASB 68. Under GASB 68, the Board, like other governmental employers which participate in cost sharing multiple-employer defined benefit pension plans, is required to reflect in its financial statements a proportionate share of the pension plan's net pension liability and pension expense. The purpose of GASB 68, as stated by the GASB, is to improve the decision-usefulness of information in the financial reports of participating employers, enhancing its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

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

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

GASB 68, in the year implemented, required retroactive implementation for all years presented within the audited financial statements. Accordingly, the 2014 amounts presented for comparative purposes in the 2015 statements were restated to also reflect applicable amounts under the provisions of GASB 68.

The history of GASB 68 amounts on the Board's financial statements (in $1,000) is as follows:

	Balance Sheet			Statement of Revenues and Expenses		
	Change in Net Pension Liability -	Change in Deferred Outflows +	Change in Deferred Inflows =	GASB 68 *Additional* Expense +	Accrual basis Employer Contributions To Plan** =	Total GAAP Expense
2014	$38,228	$ 1,712	$4,050	$40,566*	$5,237	$ 5,237*
2015	$12,582	$ 6,664	($ 810)	$ 5,108	$5,201	$10,309
2016	$ 7,485	$ 1,920	($ 779)	$ 4,786	$5,486	$10,272
2017	$16,808	$15,040	$3,340	$ 5,108	$6,044	$11,152
2017 Balance Sheet -	($75,103)	$25,336	($5,801)			

* *As required by the provisions of GASB 68, the initial $40,566, rather than being reflected as expense, was recorded in the 2015 financial statements as a reduction in 2015 beginning of year Net Position.*

** *Amounts used in calculation of air carrier rates and charges as they represent actual cash expenditures made or to be made.*

Certain experience factors will be adjusted each year and, as reflected in the table above, will result in changes to the amounts recorded on the financial statements of the participant employers. The CERS has represented that it intends to also perform experience studies at five-year intervals. Depending upon such primary factors as investment returns, mortality rates, lengths of service, the amount and average salary levels of employees retiring, and the funding received from other sources, the Net Pension Liability and pension expense to be recognized under GAAP will increase or decrease.

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

In its 2018 financial statements, the Board will be required to reflect the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Similar to the provisions of GASB 68, the Board will be required to report its assigned proportional share of the Insurance Fund's unfunded liability, deferred inflows/outflows and collective OPEB expense. Based on amounts reported in the comprehensive annual financial report of the Kentucky Retirement Systems for the year ended June 30, 2017, the amount of the unfunded liability related to the CERS Insurance Fund was approximately 35% of the unfunded liability of the pension. Accordingly, the amounts of the liability, deferred inflows/outflows and OPEB expense which will be required to be recognized on the financial statements of the Board under GASB 75 are expected to be significantly less than the corresponding amounts recognized for the pension under GASB 68.

OPEB expense, like pension expense, is expected to increase or decrease with the plan experience and changes in factors and assumptions which are used in the actuarial calculations.

Additional Information. More information related to the CERS can be found in the footnotes to the 2017 audited financial statements attached hereto as APPENDIX D and in the comprehensive annual financial report of the Kentucky Retirement Systems at http://kyret.ky.gov.

INFORMATION CONCERNING THE AIRLINE INDUSTRY AND THE AIRLINES

General

For discussion on key factors affecting the level of aviation activity and the airline industry, see "APPENDIX A – Report of the Airport Consultant."

Airline Information

Certain of the airlines or their parent corporations, including Delta, are subject to the information reporting requirements of the Exchange Act, and as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements may be inspected in the Public Reference Room of the SEC which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation ("DOT"). These reports may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of the reports may be obtained from the DOT at prescribed rates.

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

NEITHER THE BOARD NOR THE UNDERWRITERS UNDERTAKE ANY RESPONSIBILITY FOR NOR MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE CONTENT OF INFORMATION APPEARING ON THE SEC'S WEBSITE

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

CERTAIN INVESTMENT CONSIDERATIONS

The Series 2019 Revenue Bonds may not be suitable for all investors. Prospective purchasers of the Series 2019 Revenue Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

General

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

Airline Mergers, Acquisitions and Alliances

In the past decade, several airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta completed its merger with Northwest Airlines. In 2010, United Airlines and Continental Airlines merged, creating the world's then largest airline in terms of operating revenue and revenue passenger miles. In 2011, Southwest Airlines completed its acquisition of AirTran. In 2015, American Airlines and US Airways completed their merger which created the largest airline in the world in terms of operating revenue and revenue passenger miles (surpassing United Airlines).

In addition, all of the large U.S. airlines are members of alliances with foreign-flag airlines, which alliances, and other marketing arrangements, provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines.

Cost of Aviation Fuel

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

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

Financial Condition of Airlines and Tenants Serving the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees paid by airlines and other tenants using the Airport. The financial strength and stability of these airlines and tenants, together with the underlying strength of the Airport's passenger and cargo markets and numerous other factors, influence the level of aviation activity at the Airport and revenues, including PFCs, realized by the Airport. The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Delta, to make the necessary investments to provide service. Many of the airlines serving the Airport were impacted by the global economic downturn and recession that occurred between 2008 and 2009, and most major domestic airlines suffered significant financial losses. Since then, the U.S. airline industry has posted seven consecutive years of profitability through the year 2017. This comes as U.S. carriers have continued to exercise significant capacity discipline in recent years by eliminating unprofitable routes and redundant services at smaller hubs and in less profitable markets, beginning to grow operations strategically, often serving key hubs, and focusing on the use of right-sized aircraft to serve markets. In addition, an increase in fees for ancillary services, such as checked baggage, flight reservation and cancellation and early boarding, has also helped to increase revenues. After seven years of profitable operations by the major U.S. airlines, there is cautious optimism that the U.S. airline industry has moved to a cycle of sustainable profits.

Nonetheless, although many of the airlines serving the Airport have improved their financial position since the recession, there can be no assurances that any such improvement or recovery will continue. Current and future financial and operational difficulties encountered by the airlines serving the Airport, could have a material adverse effect on operations at, and the financial condition of, the Airport.

Effect of Airline Bankruptcy

Several airlines (including some operating at the Airport) have emerged from bankruptcy reorganization over the last several years. Other U.S. airlines may file for bankruptcy protection in the future. The cessation of operations by an airline with significant operations at the Airport, such as Delta, could have a material adverse effect on operations, Revenues (with the resultant effect on repayment of the Series 2019 Revenue Bonds) and the cost to the other airlines of operating at the Airport.

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

Rejection of an Airport Use Agreement by a Signatory that is a debtor in a bankruptcy proceeding would result in the termination of that Airport Use Agreement. Such rejection of an Airport Use Agreement would give rise to an unsecured claim of the Board against the Signatory's estate for damages, the amount of which is limited by the Bankruptcy Code. As a result of a Signatory's rejection of an

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

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

Concentration of Delta Operations at the Airport

For the nine months ended September 30, 2018, Delta accounted for approximately 43.1% of the total enplaned passengers at the Airport. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. Delta leases all 28 gates in Concourse B at the Airport, through December 31, 2020. However, in the case of Delta at the Airport, this risk is mitigated by the following factors: (a) Delta is a consistently profitable airline; and (b) the development of service by Delta and other carriers at the Airport has demonstrated a large O&D passenger demand that could be served by other airlines at the Airport in the unlikely event Delta were to reduce service at the Airport. Nevertheless, the Board cannot predict what effect a reduction or discontinuation of service by Delta would have on enplanements and deplanements at the Airport, or whether another airline would absorb the service provided by Delta.

Public Health Risks

Travel restrictions, as well as other public health measures, may be imposed to limit the spread of communicable diseases which may arise. In 2003, there was an outbreak of a serious strain of bird flu in Asia and Canada called "Severe Acute Respiratory Syndrome" or SARS. In 2009, the World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security) declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or "flu." The U.S. Centers for Disease Control and Prevention issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, were occurring.

Future outbreaks or pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Net Revenues. The Board is unable to predict how serious the impact of any future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.

Aviation Safety and Security Concerns

Concerns about the safety of air travel and the effectiveness of security precautions, particularly in the context of international hostilities, domestic and foreign terrorist attacks, threat levels declared by the Department of Homeland Security and other airline incidents may influence passenger travel behavior and air travel demand. Travel behavior may continue to be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Board cannot predict whether the Airport will be a target of terrorists in the future. Additionally, the Board cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

Capacity of National Air Traffic Control and Airport System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. The FAA Reauthorization Act contains several provisions aimed at accelerating the implementation of NextGen. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations (down approximately 17% between 2007 and 2017), but, as airline travel increases in the future, flight delays and restrictions can be expected, and no assurances can be given that any airline travel increase will not again adversely affect airline operations.

Expiration of Current Airline Use and Lease Agreements

The expiration date of the Airport Use Agreements is December 31, 2020. A significant portion of the debt service on the Series 2019 Revenue Bonds becomes due after such date. It is not possible to predict whether any airline will be contractually obligated to make payments, including, among other things, for debt service on the Series 2019 Revenue Bonds, the Series 2016 Revenue Bonds or any Additional Bonds after the expiration date of the Airport Use Agreements in 2020. Upon the expiration of the Airport Use Agreements, the Board may enter into extensions of such agreements with the airlines, enter into new agreements with the airlines, or impose rates and charges upon the airlines. The Board has covenanted in the Resolution (which extends beyond the expiration of the Airport Use Agreements) to establish rentals, rates and other charges for the use and operation of the Airport such that Revenues (including rentals, fees and charges imposed on the airlines), together with certain other moneys deposited in Accounts and Funds pursuant to the Resolution, are sufficient to satisfy the coverage requirements contained in the Resolution. See "SOURCES OF PAYMENT AND SECURITY – Rate Covenant."

Ability to Collect PFCs

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

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

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Board) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. Furthermore, the FAA's PFC regulations require Collecting Carriers to account for PFC collections separately, and further indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC. In early cases, in which PFCs were at issue, certain bankruptcy court decisions indicated that PFCs may not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds. In the more recent cases, such as the American Airlines bankruptcy, however, the bankruptcy court has recognized the airports' interests in the PFCs and taken steps to segregate PFCs from airline revenues. Where an air carrier files for bankruptcy protection and liquidates, PFC revenues may not be recoverable if they have been expended by the carrier before such filing.

To the extent that any portion of the funding assumed in the plan of finance for capital projects at the Airport is not available as anticipated, the Board may be required to issue an additional Series of Bonds or Subordinate Bonds to pay the costs of such capital projects and to increase airline rates and charges to pay debt service on the Bonds and any Subordinate Bonds to fund the required coverage thereon. As an alternative to issuing additional Bonds or Subordinate Bonds, the Board may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule, producing different results than those included in the projections shown in the "APPENDIX A – Report of the Airport Consultant."

Additional Federal Authorization and Funding Considerations

The Board receives funding for the Airport not only in connection with FAA AIP Grants and PFC authorizations, but also in the form of funding for TSA, air traffic control and other FAA staffing and facilities. On October 5, 2018, the President signed into law a five-year reauthorization bill for the FAA – the FAA Reauthorization Act of 2018. The 2018 FAA reauthorization retains the federal cap on PFCs at $4.50 and authorizes $3.35 billion per year for AIP Grants through federal fiscal year 2023, which is the same funding level as was in place for the preceding five years. The AIP Grants provide federal capital grants to support airport infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, allocated on the basis of specific set-asides and the national priority ranking system. The Board is unable to predict the level of AIP Grant funding at this time, since authorization is subject to Congressional appropriation. If there is a reduction in the amount of AIP Grants awarded to the Board for the Airport, it could: (1) increase by a corresponding amount the capital expenditures that the Board would need to fund from other sources, including Net Revenues and Bond proceeds; (2) extend the timing to complete certain projects; or (3) reduce the scope of individual proposed projects or the CIP, or both.

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

Regulations and Restrictions Affecting the Airport

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

In addition, following the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the TSA and the Department of Homeland Security. It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the Board or whether such restrictions or legislation or regulations would adversely affect Revenues.

Cyber-Security

The Board, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the Board may be the target of cybersecurity incidents that could result in adverse consequences to the Board and its Systems Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Board's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

Climate Change Issues

Possible Increased Regulations. Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at the Airport and also could affect ground operations at airports.

The U.S. Environmental Protection Agency ("EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. Regulation by the EPA can be initiated by private parties or by governmental entities other than the EPA. In 2007, several states petitioned the EPA to regulate GHGs from aircraft. On July 30, 2008, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") relating to GHG emissions and climate change. Part of the ANPR requested comments on whether and how to regulate GHG emissions from aircraft. The final rule, the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260), requires reporting of GHG data and other relevant information from large stationary sources and electricity and fuel suppliers, but not mobile aircraft. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. 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, and the EPA finalized its findings on July 25, 2016. The EPA has stated its intent to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization, which were adopted in 2017. The Board cannot predict what the EPA's emission standards will be or what effect those standards may have on the Board or air traffic at the Airport. The effects, however, could be material.

Competition

The Airport competes for passengers with several other commercial service airports in the region, each of which are located within a two-hour drive of the Airport, namely: Blue Grass Airport (LEX), Dayton International Airport (DAY), Indianapolis International Airport (IND), Louisville International Airport (SDF), and Port Columbus International Airport (CMH). Cincinnati Municipal Lunken Airport (LUK), owned and operated by the City of Cincinnati, is primarily a general aviation airport with a limited amount of scheduled service provided by Ultimate Air Shuttle. In terms of seats, flights, and the number of destinations served, the Airport is most similar to the airports serving Columbus and Indianapolis. Louisville International Airport is roughly half the size of these airports, while the airports serving Dayton and Lexington are considerably smaller. See "THE AIR TRADE AREA – Airport Competition."

Competition for airline travelers by these competitive airports has been largely based on level of service, but as low-cost carriers introduce service, the price of airfare has become a key competitive factor. The Board cannot predict, however, whether this trend will continue long-term. See "APPENDIX A – Report of the Airport Consultant" for a more detailed discussion.

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

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

Report of the Airport Consultant

The Report of the Airport Consultant included as APPENDIX A to this Official Statement contains certain assumptions and forecasts. The Report of the Airport Consultant should be read in its entirety for a discussion of historical and forecasted results of air traffic activity at the Airport and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material.

Accordingly, the projections contained in the Report of the Airport Consultant or that may be contained in any future certificate of the Board or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the Board assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Board are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2019 Revenue Bonds are cautioned not to place undue reliance upon the Report of the Airport Consultant or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Revenues may be materially less than expected and consequently, the ability of the Board to make timely payment of the principal of and interest on the Series 2019 Revenue Bonds may be materially adversely affected.

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

Impact of Economic Conditions on Airport

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economy. With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Following significant and dramatic changes which occurred in the financial markets in September 2008, the U.S. economy experienced a recession followed by weak growth. As a result of concerns about the U.S. government's ability to resolve long-term deficits, S&P in August 2011 downgraded the credit rating of the U.S. sovereign debt from "AAA" to "AA+." More recently, the significant improvement in economic conditions in the U.S. has contributed to the rebound in aviation activity levels nationwide. It is not known at this time whether the improving national unemployment rate or the current rate of national and global economic growth will continue and what effect, if any, they will have on the air transportation industry.

Alternative Travel Modes and Travel Substitutes

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

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

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

The occurrence of an Event of Default under the Resolution does not grant a right to the bondholders to accelerate payment of the Series 2019 Revenue Bonds. As a result, the Airport may be able to continue collecting Revenues and applying them to the operation of the Airports even if an Event of Default has occurred and no payments are being made on the Series 2019 Revenue Bonds. In addition, an Event of Default with respect to one Series of Bonds does not cause an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds under the Resolution. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Events of Default and Remedies - No Acceleration; No Cross-Default."

The rights and remedies available to the owners of the Series 2019 Revenue Bonds upon an Event of Default under the Resolution are in many respects dependent upon judicial enforcement actions which are often subject to discretion and delay.

Force Majeure Events Affecting the Board and the Airport

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

FORWARD-LOOKING STATEMENTS

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

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant set forth in APPENDIX A was prepared by the Airport Consultant in connection with the issuance of the Series 2019 Revenue Bonds. The Airport Consultant has provided its consent to include the Report of the Airport Consultant as APPENDIX A hereto. The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of LeighFisher, Inc., as the Airport Consultant. As noted in the Report, any forecast is subject to uncertainties. Therefore, the actual results achieved during the forecast period may vary, and the variations may be material. The financial projections and forecasts presented in the Report of the Airport Consultant are based on various assumptions that reflect the best information available and circumstances existing as of the date of the Report. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein.

Accordingly, the projections contained in the Report or that may be contained in any future certificate of the Board or an Airport Consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the Board assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Board are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2019 Revenue Bonds are cautioned not to place undue reliance upon the Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Board to make timely payment of the principal of and interest on the Series 2019 Revenue Bonds may be materially adversely affected.

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

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the Board, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Series 2019 Revenue Bonds, the collection of Revenues or the use of Revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Series 2019 Revenue Bonds have been authorized and are to be issued or delivered, or the validity of the Series 2019 Revenue Bonds or that would materially adversely affect the assets of the Airport or its operations.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance of the Series 2019 Revenue Bonds are subject to the approving legal opinion of Squire Patton Boggs (US) LLP, Bond Counsel. A signed copy of that opinion will be delivered to the Underwriters at the time of such original delivery, substantially in the form attached hereto as "APPENDIX E – Proposed Form of Bond Counsel Opinion."

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

RELATIONSHIP OF CERTAIN PARTIES

One of the members of the Board, Kay Geiger, is President of the Cincinnati/Northern Kentucky division of PNC Bank, N.A., an affiliate of PNC Capital Markets LLC, one of the underwriters of the Series 2019 Revenue Bonds and the Series 2019 CFC Bonds. Pursuant to the Board's Code of Ethics (the "Code of Ethics"), it was disclosed to the Board that Ms. Geiger has a financial interest as defined in the Code of Ethics in the selection of PNC Capital Markets LLC as an underwriter. As a result, Ms. Geiger recused herself from any discussion pertaining to such selection and abstained from voting thereon.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 2019 Revenue Bonds to send certain information annually and to provide notice of certain events to the MSRB pursuant to the requirements of Section (b)(5) of the Rule. The MSRB has designated its Electronic Municipal Market Access website, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below. The form of the Undertaking is included in this Official Statement as APPENDIX G.

A failure by the Board to comply with the Undertaking will not constitute a default under the Resolution, and beneficial owners of the Series 2019 Revenue Bonds are limited to the remedies described in the Undertaking. See below under subcaption "Consequences of Failure of the Board to Provide Information." A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019 Revenue Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019 Revenue Bonds and their market price.

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

Annual Financial Information Disclosure

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

"Annual Financial Information" means (a) financial and statistical data of the Airport relating to (i) Enplaned Passengers by Airline, (ii) Landed Weight by Airline (iii) Debt Service Coverage, (iv) Historical Cost Per Enplanement and (v) Historical Air Cargo (in tons), generally consistent with that contained in the Official Statement and (b) with respect to each Obligated Person other than the Board, the information set forth in the Undertaking, the form of which is included in this Official Statement as APPENDIX G. If any of the Board's Annual Financial Information that is published by a third party is no longer publicly available, the Board shall include a statement to that effect as part of its Annual Financial Information for the year in which such lack of availability arises.

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

"Obligated Person" means the Board and each airline or other entity at any time using the Airport (i) that is obligated under an Airport Use Agreement, lease or other agreement having a term of more than one year to pay a portion of the debt service on the Airport Obligations and (ii) has paid amounts equal to at least 20% percent of the Revenues of the Airport for each of the prior two fiscal years of the Airport. At this time, there are no airlines or other entities using the Airport that qualify as an Obligated Person under this definition.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB no later than 270 days after the last day of the Board's fiscal year, which currently is December 31, commencing with the Board's fiscal year ending December 31, 2018. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed when available.

Material Event Notification and Disclosure

The Board covenants that it will disseminate in a timely manner, in accordance with the Rule, to the MSRB the disclosure of the occurrence of a Material Event, with respect to the Series 2019 Revenue Bonds (as described below). The "Material Events," certain of which may not be applicable to the Series 2019 Revenue Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the securities, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar event of the obligated person;*

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of the name of a trustee, if material;

15. incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

Consequences of Failure of the Board to Provide Information

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

In the event of a failure of the Board to comply with any provision of the Undertaking, the beneficial owner of any Series 2019 Revenue Bond may seek mandamus or specific performance by court order to cause the Board to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Kenton County, Kentucky. A default under the Undertaking shall not be deemed a default under the Resolution, and the sole remedy under the Undertaking in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

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

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

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into

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

account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2019 Revenue Bonds, as determined by parties unaffiliated with the Board (such as the Paying Agent or bond counsel); or

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

Termination of Undertaking

The Undertaking shall be terminated if the Board shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2019 Revenue Bonds under the Resolution. If this provision is applicable, the Board shall give notice in a timely manner to the MSRB.

EMMA

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

Additional Information

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

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

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

TAX TREATMENT

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2019 Revenue Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; and (ii) interest on the Series 2019 Revenue Bonds is exempt from income taxation by the Commonwealth and all political subdivisions thereof and the Series 2019 Revenue Bonds are exempt from ad valorem taxation by the Commonwealth and all political subdivisions thereof. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2019 Revenue Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Board contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2019 Revenue Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Board's certifications and representations or the continuing compliance with the Board's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2019 Revenue Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Board may cause loss of such status and result in the interest on the Series 2019 Revenue Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019 Revenue Bonds. The Board has covenanted to take the actions required of it for the interest on the Series 2019 Revenue Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2019 Revenue Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2019 Revenue Bonds or the market value of the Series 2019 Revenue Bonds.

Interest on the Series 2019 Revenue Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2019 Revenue Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2019 Revenue Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2019 Revenue Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Series 2019 Revenue Bonds ends with the issuance of the Series 2019 Revenue Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Series 2019 Revenue Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2019 Revenue Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Series 2019 Revenue Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2019 Revenue Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2019 Revenue Bonds.

Prospective purchasers of the Series 2019 Revenue Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2019 Revenue Bonds at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2019 Revenue Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2019 Revenue Bonds will not have an adverse effect on the tax status of interest on the Series 2019 Revenue Bonds or the market value or marketability of the Series 2019 Revenue Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2019 Revenue Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax, and eliminated the tax-exempt advance refunding of tax-exempt bonds, among other things. Additionally, investors in the Series 2019 Revenue Bonds should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Series 2019 Revenue Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2019 Revenue Bonds may be affected and the ability of holders to sell their Series 2019 Revenue Bonds in the secondary market may be reduced. The Series 2019 Revenue Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2019 Revenue Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2019 Revenue Bonds.

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

Original Issue Premium

Certain of the Series 2019 Revenue Bonds ("Premium Series 2019 Revenue Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2019 Revenue Bond, based on the yield to maturity of that Premium Series 2019 Revenue Bond (or, in the case of a Premium Series 2019 Revenue Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2019 Revenue Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Series 2019 Revenue Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2019

Revenue Bond, the owner's tax basis in the Premium Series 2019 Revenue Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2019 Revenue Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2019 Revenue Bond. A purchaser of a Premium Series 2019 Revenue Bond in the initial public offering who holds that Premium Series 2019 Revenue Bond to maturity (or, in the case of a callable Premium Series 2019 Revenue Bond, to its earlier call date that results in the lowest yield on that Premium Series 2019 Revenue Bond) will realize no gain or loss upon the retirement of that Premium Series 2019 Revenue Bond.

Owners of Premium Series 2019 Revenue Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the existence of bond premium, the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Premium Series 2019 Revenue Bonds, other federal tax consequences in respect of bond premium, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

RATINGS

Fitch Ratings ("Fitch") has assigned the Series 2019 Revenue Bonds the rating of "A+" with a stable outlook and Moody's Investors Service, Inc. ("Moody's") has assigned the Series 2019 Revenue Bonds the rating of "A1" with a stable outlook.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The Board has furnished to the rating agencies certain information and materials relating to the Series 2019 Revenue Bonds and the Airport, including certain information and materials that have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that any rating will continue for any given period of time, or that any rating will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2019 Revenue Bonds.

UNDERWRITING

The Underwriters, represented by Merrill Lynch, Pierce, Fenner & Smith Incorporated, have agreed, jointly and severally, to purchase the Series 2019 Revenue Bonds subject to certain conditions set forth in the Bond Purchase Agreement with the Board. The Bond Purchase Agreement provides that the obligations of the Underwriters to accept delivery of the Series 2019 Revenue Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2019 Revenue Bonds if any Series 2019 Revenue Bonds are purchased. The Underwriters have agreed to purchase the Series 2019 Revenue Bonds at an aggregate purchase price of \$37,836,024.47 (reflecting the par amount of the Series 2019 Revenue Bonds less an underwriters' discount of \$174,254.33, plus original issue premium of \$5,075,278.80).

The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2019 Revenue Bonds to the public.

The Series 2019 Revenue Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Series 2019 Revenue Bonds into investment accounts.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Frasca & Associates, LLC (the "Municipal Advisor"), serves as independent Municipal advisor to the Board on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments and is an independent registered municipal advisor. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Series 2019 Revenue Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2019 Revenue Bonds was based on materials provided by the Board and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated or otherwise verified the information provided by the Board or the information set forth in this Official Statement or any other information available to the Board with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

AIRPORT CONSULTANT

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of LeighFisher, Inc. as the Airport Consultant. The forecasts in the Report of the Airport Consultant are based on information and assumptions that were provided by or reviewed with and agreed to by the Board. The forecasts reflect the Board's expected course of action during the Forecast Period and, in the Board's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the Report. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

Any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher, Inc., nor any person acting on its behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. LeighFisher, Inc., has no responsibility to update the Report to reflect events and circumstances occurring after the date of the Report.

INDEPENDENT AUDITORS

The financial statements of the business-type activities of the Airport as of and for the years ended December 31, 2017 and 2016, included in this Official Statement as APPENDIX D have been audited by Blue & Co., LLC, independent auditors, as stated in their report appearing herein.

CONCLUDING STATEMENT

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

This Official Statement is not to be construed as a contract with the original purchasers or subsequent holders of the Series 2019 Revenue Bonds.

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

KENTON COUNTY AIRPORT BOARD

By: /s/ Sheila R. Hammons

Chief Financial Officer

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CINCINNATI / NORTHERN KENTUCKY INTERNATIONAL AIRPORT

AIRPORT REVENUE BONDS, SERIES 2019

Prepared for

Kenton County Airport Board, Kentucky

Prepared by
LeighFisher
Cincinnati, Ohio

February 19, 2019

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Leigh|Fisher

February 19, 2019

Ms. Candace McGraw
Chief Executive Officer
Kenton County Airport Board
77 Comair Blvd
Erlanger, KY 41018

Re: Report of the Airport Consultant on behalf of the Kenton County Airport Board, concerning the issuance of Airport Revenue Bonds, Series 2019

Dear Ms. McGraw:

We are pleased to submit this Report on certain aspects of the proposed issuance of Airport Revenue Bonds, Series 2019 (the Series 2019 Revenue Bonds). The Series 2019 Revenue Bonds are to be issued by the Kenton County Airport Board (the Board or KCAB).* This letter and the accompanying attachment and exhibits constitute our Report.

The Board owns and operates the Cincinnati/Northern Kentucky International Airport (the Airport), which is the primary air carrier airport serving the Greater Cincinnati region. The Series 2019 Revenue Bonds are being issued for the purpose of funding the costs of the Series 2019 Improvement Project (hereafter the Series 2019 Revenue Bond Project) at the Airport. The Series 2019 Revenue Bonds are being issued under the authority of Chapter 183 of the Kentucky Revised Statutes (the Act), and are issued under and secured by the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016 and supplemented from time to time (the General Bond Resolution), as further supplemented by the 2019 Revenue Bond Resolution adopted by the Board on January 22, 2019 (the Series 2019 Resolution and, together with the General Bond Resolution, the Resolution).

The Series 2019 Revenue Bonds are payable from, and secured by a pledge of, Net Revenues (as described herein) of the Board which is on a parity with the pledge of Net Revenues made to secure the Board's Series 2016 Bonds (as defined herein) and any Additional Bonds which may be issued and outstanding from time to time pursuant to the Resolution. The Series 2019 Revenue Bonds will be secured by a pledge of Net Revenues derived from the use and operation of the Airport.

The purpose of the Report is to evaluate the ability of the Board to satisfy the requirements of the Rate Covenant during the Forecast Period taking into account the proposed Series 2019 Revenue Bonds. At this time, the proposed Series 2019 Revenue Bonds are the only series of Bonds the Board plans to issue during FY 2019 through FY 2024 (the Forecast Period). **

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*Capitalized terms not otherwise defined in this Report have the meanings given in the Airport Use Agreement, General Bond Resolution, Series 2016 Resolution, Series 2019 Resolution, or Official Statement to which this Report is attached. Definitions in this Report do not purport to be comprehensive or complete and the Official Statement to which this Report is attached should be read in its entirety for additional information and definitions.

**The Board's Fiscal Year (FY) ends on December 31.

THE 2019 PROJECT

The 2019 Project consists of the construction of a Consolidated Ground Transportation Facility, together with the Main Terminal Roadway Improvement Project, and other enabling work in support of both projects, such as demolition, site preparation, utilities, and relocation of existing infrastructure. The design work is substantially complete and the Board has entered into a Construction Contract pertaining to the majority of the construction costs.

The Consolidated Ground Transportation Facility (hereafter sometimes referred to as the Series 2019 CFC Bond Project) will be constructed in areas immediately adjacent to the main terminal at the Airport and construction of this facility will serve to relieve terminal curbside vehicular congestion and enhance customer service. The Consolidated Ground Transportation Facility includes: (i) a Consolidated Rental Car Facility (CONRAC); and (ii) a Ground Transportation Center (GTC).

The CONRAC is being developed pursuant to the Consolidated Rental Car Facility Agreement between the rental car companies (RACs) and the Board and includes: (i) a Ready/Return Area in which rental car vehicles are parked and/or staged for customer pick-up and return consisting of approximately 1,370 spaces over 3 floors and 680 storage spaces on the top level; (ii) a rental car Quick Turnaround Area (QTA) where returned rental cars will be fueled, washed, and cleaned and light maintenance will be performed. This area consists of 240 staging spaces, 40 maintenance bay spaces and 231 storage spaces on the top level; (iii) a rental car Service Yard which is approximately 10,350 square feet and includes three underground fuel tanks with a total capacity of 45,000 gallons; (iv) a Customer Service Building (CSB) which will be a joint use facility. It will have areas being leased exclusively to the RACs including 28 RAC counters and related offices as well as common circulation space providing access to/from the main terminal and to/from the Ready/Return Area and the GTC. Additionally, certain areas of the CSB have been designated as KCAB Space with use of this space to be determined in the future; and (v) related access roads and ramps for transporting vehicles and providing access to the various areas of the Ready/Return Area, the QTA, the Service Yard, and the CSB.

The new GTC will be located on the first level of the Ready/Return Area and will comprise of approximately 102,608 square feet. It is to be used by various ground transportation providers to drop off and pick up passengers from the main terminal area.

The Main Terminal Roadway Improvement Project (hereafter sometimes referred to as the Series 2019 Revenue Bond Project) includes all work as necessary to provide for the reconfiguration of the main terminal roadways to accommodate the construction of the Consolidated Ground Transportation Facility. This includes: (i) the construction of a new elevated roadway that will tie into the existing departures level roadway and a new at grade road to tie into the existing arrivals level roadway; (ii) the rehabilitation and realignment of portions of the existing terminal roadway system in order to provide access to other terminal area roads and facilities; and (iii) the construction of a new terminal garage entrance and exit plazas that will tie into the reconfigured terminal roadway system and allow for the redesign of the old exit plaza area to provide for additional parking spaces to replace a portion of the spaces in the area of the existing terminal garage facility that are being torn down to accommodate the construction of the new elevated roadway system. The terminal roadway work also includes demolition of existing facilities and utility relocation work as necessary to allow for the construction of the Main Terminal Roadway Improvement Project.

The following is a graphic of the 2019 Project which shows the components of the Series 2019 CFC Bond Project and the Series 2019 Revenue Bond Project.

PLAN OF FINANCE – SERIES 2019 REVENUE BOND PROJECT

The Series 2019 Revenue Bond Project includes the Main Terminal Roadway Improvement Project. The Board intends to issue the Series 2019 Revenue Bonds, in the par amount of $35.0 million.* Proceeds from the Series 2019 Revenue Bonds are expected to be used for the following purposes:

- Funding the Costs of the 2019 Revenue Bond Project (the Main Terminal Roadway Improvement Project),
- Funding capitalized interest on the Series 2019 Revenue Bonds,
- Funding the Common Bond Reserve Account in satisfaction of the Common Bond Reserve Requirement, and
- Funding the costs of issuing the Series 2019 Revenue Bonds, including underwriters' discount and financing, legal, and other costs.

In addition to the Series 2019 Revenue Bonds, a Series 2019 CFC Bond is to be issued to fund the Series 2019 CFC Bond Project. The Series 2019 CFC Bonds are being issued simultaneously with the Series 2019 Revenue Bonds to pay the costs of the Series 2019 CFC Bond Project. The Board estimates that the development, construction, and equipping of the 2019 Project – including the Series 2019 CFC Bond Project and the Series 2019 Revenue Bond Project – will cost approximately $205 million. Previously collected customer facility charges (CFCs) and CFCs to be collected during construction will also be used for the Series 2019 CFC Bond Project. The Board will also contribute $13.25 million of Board Funds towards the Series 2019 CFC Bond Project.

LEGAL FRAMEWORK – GENERAL BOND RESOLUTION AND SERIES RESOLUTIONS

Deposit Requirement – Section 8.03(a)

In Section 8.03(a), Rate Covenant, of the General Bond Resolution, the Board covenants to meet a requirement defined for the purposes of this Report as a "Deposit Requirement." That section states:

> The Board shall fix, charge and collect rates, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate, so that Net Revenues in each Fiscal Year will be at least equal to 100% of the aggregate amount required to be applied or deposited by the Board under Subsections 6.04(a)(ii) through (ix) [Application of Money in Revenue Fund] hereof during such Fiscal Year.

* Preliminary and subject to change.

Rate Covenant – Section 8.03(b)

In Section 8.03(b), Rate Covenant, of the General Bond Resolution, the Board covenants to meet a requirement defined for the purposes of this Report as a "Coverage Requirement." That section states:

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

Under Section 5.9 of the AUA, the Board may charge the Signatory Airlines extraordinary coverage protection payments (ECP) in any Fiscal Year in which the amount of Revenues less O&M Expenses is, or is forecasted to be, less than one hundred twenty-five percent (125%) of the Principal and Interest Requirements on all Outstanding Bonds. Any amounts collected for such ECP from the Signatories shall be allocated to the Airfield Cost Center Requirement.

Application of Revenues – Section 6.04

In Section 6.04, Application of Money in Revenue Fund, of the General Bond Resolution, the Board covenants, so long as there are any Bonds Outstanding, all Revenues shall be deposited into the Revenue Fund and shall be set aside on or before the 20th day of each month for the payment of the following amounts or deposited or transferred to the following Funds and Accounts in the order listed:

i. Operations and Maintenance Fund;
ii. Interest Account of the Bond Fund;
iii. Principal Account of the Bond Fund;
iv. Bond Reserve Fund;
v. Subordinate Bond Fund;
vi. Subordinate Bond Reserve Fund;
vii. Operations and Maintenance Reserve Account;
viii. Repair and Replacement Fund;
ix. Rebate Fund; and
x. General Purposes Fund from time to time, at the discretion of the Board, any amount of the moneys remaining in the Revenue Fund, which the Board has reasonably determined taking into account additional Revenues projected to be received, will not be needed to make deposits required in paragraphs (i) through (ix) above.

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

Designated PFC Revenues means certain Passenger Facility Charges that may be committed in the future to pay Principal and Interest Requirements of the Series 2019 Revenue Bonds when such Passenger Facility Charges are deposited in the Designated PFC Revenue Account pursuant to action taken by the Board. Such Designated PFC Revenues also shall be deemed Other Available Revenues pursuant to the General Resolution.

As permitted by the General Bond Resolution, in the Series 2016 Resolution the Board irrevocably committed for the Fiscal Years ending December 31, 2016 through 2020 to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay the Principal and Interest Requirement on the Series 2016 Bonds. In the Series 2019 Resolution, the Board has not irrevocably committed to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Revenue Bonds. The Board currently plans to take action in each Fiscal Year to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Bonds (and on the Series 2016 Bonds after December 31, 2020) but is under no obligation to do so.

LEGAL FRAMEWORK – AIRPORT USE AGREEMENT

The Airport Use Agreement (the AUA) became effective on January 1, 2016 and expires on December 31, 2020. This agreement replaced a prior agreement that was entered into by the Board in 1972 and which expired on December 31, 2015. Allegiant, American, Delta, DHL, Federal Express, Frontier, Southwest, and United are signatories to the AUA.

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

The AUA employs a hybrid rate setting methodology with an airfield residual and a terminal commercial compensatory rate setting methodology. The AUA also establishes Cost Centers to which the Board's costs are assigned and allocated. Several airline Cost Centers are established, which include: Airfield, Terminal, and Loading Bridge. In addition, a Board Cost Center is established, which is comprised of several Sub-Cost Centers: Commercial Property, Parking and Ground Transportation, and Rental Car.

Under the AUA, the landing fee rate and the terminal related rates and charges to be paid under the Terminal Lease Agreements are calculated based on the costs allocated to the applicable airline Cost Centers (the Cost Center Requirement) less certain offsets. These revenue offsets include a reduction in the terminal rental rate based on terminal concession revenues and a share of Net Remaining Revenues (NRR) that serves to reduce the landing fee rate and Terminal Rentals.

The Landing Fees and Terminal Rentals are established annually during the budget process and therefore are based on projected airline activity, revenues, and cost. Under the AUA, the Board may make adjustments to Landing Fees and Terminal Rentals once during the Fiscal Year to account for changes in activity levels and budget changes, which result in a required adjustment of ten percent (10%) or more to the Landing Fees and Terminal Rentals. Additionally, after the close of each Fiscal

Year, the Landing Fee rate, Terminal Rentals and the NRR adjustment to Terminal Rentals shall be recalculated using audited financial data. The Airline Revenues as recorded are net of the applicable NRR adjustments.

Under Section 5.9 of the AUA, the Board may charge the Signatory Airlines Extraordinary Coverage Payments (ECP) in any Fiscal Year in which the amount of Revenues less O&M Expenses is or is forecasted to be less than one hundred twenty-five percent (125%) of the Principal and Interest Requirements on all Outstanding Bonds. Any amounts collected for such ECP from the Signatories shall be allocated to the Airfield Cost Center Requirement.

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

KEY ASSUMPTIONS

The section of the Report entitled "Basis for Airline Passenger Demand" describes the airport service region, the demographic and economic profile of the region, and the economic outlook. The section of the Report entitled "Airline Traffic Analysis" describes the role of the Airport, including airline service, passenger traffic, and top markets; the key factors affecting future airline traffic; and the air traffic forecasts. The section of the Letter Report entitled "Financial Analysis" provides a summary of the legal framework governing the financial operation of the Board, the Capital Improvement Program, the Passenger Facility Charges program, debt service, O&M Expenses, Revenues, debt service coverage and rate covenant compliance.

Certain key assumptions relating to the forecasts are summarized here, and described more fully in the accompanying text:

- **Air Traffic.** Total enplaned passengers are projected to increase 13.3% in 2018, 1.7% in 2019, and forecasts average annual growth of 2.0% per year thereafter through 2024.

- **Capital Improvement Program.** The projections in the Forecast Period are based upon the Board's funding plan for its current 2019-2024 capital improvement plan (the CIP).

- **Series 2019 Revenue Bonds.** The Series 2019 Revenue Bonds do not reflect final pricing and assume a principal amount of $34,995,000, final maturity in 2049, and a true interest cost of 4.35%, as prepared by the Board and its financial advisor (Frasca & Associates, LLC).

- **The AUA.** The forecast assumes that the methodology for calculating Landing Fees and Terminal Rentals as established under the AUA will continue in a substantially similar manner through 2024, with certain adjustments made beginning in 2021 related primarily to the Board assuming the operation and maintenance of certain facilities and equipment currently operated and maintained by Delta (see section O&M Expenses, Figure 12, and accompanying text) and the expiration of the Terminal Lease Agreements.

- **Passenger Facility Charge (PFC) Program.** The Board has submitted and received FAA approval for 14 PFC applications, as amended, authorizing the Board to collect and use

$569.9 million of PFC revenue. The Board's 15th PFC application is expected to be submitted to the FAA for approval in January 2019, with such approval being anticipated by June 2019. This application requests approval to impose and use $85.1 million of PFCs on additional projects, including PFC eligible portions of the debt service on the Series 2019 Revenue Bonds, and will extend the Board's collection authority to December 1, 2023 (based upon approval to collect PFCs at $4.50 per qualifying enplaned passenger).

- **PFC Commitment.** At this time, the Board plans to use PFCs to fund a portion of the debt service on the Series 2019 Revenue Bonds, but has not elected to make an irrevocable commitment to do so. For the purposes of this Report, it is assumed that the Board will continue to submit new applications to the FAA as required in order to continue to collect a PFC of $4.50 per qualifying enplaned passenger throughout the Forecast Period. However, if PFC collections were to cease in the future, the Board would have already collected the approved amounts for all existing PFC-approved projects. Consequently, the Board should have sufficient amounts of, and the Board may use, PFCs on deposit in the PFC Project Fund to pay PFC-eligible debt service for the 2016 Bonds based on existing approvals. Additionally, once the Board's 15th PFC application is approved, the Board with have authorization to collect sufficient funds to pay PFC-eligible debt service for the Series 2019 Bonds. As permitted by the General Bond Resolution, in the Series 2016 Resolution the Board irrevocably committed for the Fiscal Years ending December 31, 2016 through 2020 to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay the Principal and Interest Requirement on the Series 2016 Bonds. In the Series 2019 Resolution, the Board has not irrevocably committed to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Revenue Bonds. However, the Board currently plans to take action in each Fiscal Year to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Bonds (and on the Series 2016 Bonds after December 31, 2020) but is under no obligation to do so.

- **Rental Car Activity.** Total rental car transactions are projected at 451,000 in 2018 and are forecast to increase by 0.9% to 455,000 in 2019. Through 2024, rental car transactions are forecast to grow 1.2% on average per year. The average duration of a car rental was projected at 3.4 days in 2018 and is forecast to remain at 3.4 days throughout the forecast period. Rental car prices are projected to increase by 1% annually throughout the forecast period.

- **Operating Expenses**. Operating and Maintenance Expenses including Expensed Capital Outlays are projected to grow at an average annual growth rate of 5.8% between 2019 and 2024 from $96.1 million to $127.6 million, driven by increases of 5.4% in 2020 and 14.9% in 2021. The Outside Contractor category of expenses is projected to increase the most of all categories, in both absolute dollar and percentage terms, between 2019 and 2024. This increase is primarily attributed to multiple airport systems changing from Delta's control and maintenance responsibility to the Board's control.

- **Outside Contractor Expenses.** Outside Contractor Expenses are forecast to increase 44.8% in 2021 (from $22.2 million in 2020 to $32.1 million in 2021, or $9.9 million) (see figure 12). The $9.9 million increase is comprised of: Baggage system maintenance ($2.6 million), Automated Guideway Transit System (AGTS) maintenance ($2.4 million), Concourse B Loading Bridges maintenance ($2.2 million), Ramp Tower operation ($1.1 million), and housekeeping, pre-conditioned air, and cargo building maintenance expenses ($0.8 million). Additionally, Outside Contractors expenses increase in 2021 due to the 2019 Project ($0.5 million).

- **Parking Activity**. Total Parking revenues are projected at $43.5 million in 2018 and are budgeted at $43.3 million in 2019. From 2019 through 2024, parking transactions are forecast to grow 0.2% on average per year. Daily maximum rates for both Long-term garage and ValuPark are projected to be increased by $1.00 in 2021 and by an additional $1.00 in 2024.

SCOPE OF REPORT

This Report was prepared to evaluate the ability of the Board to satisfy the requirements of the Rate Covenant (Section 8.03(b) of the General Bond Resolution) during the Forecast Period. In preparing this Report, we analyzed:

- The status and estimated costs of the Series 2019 Revenue Bonds Project, including the facilities expected to be provided in connection therewith, and the estimated completion date(s), as provided by the Board.

- Estimated sources and uses of funds for the Series 2019 Revenue Bonds Project, the annual debt service for the proposed Series 2019 Revenue Bonds, as provided by the Board's Financial Advisor, Frasca & Associates, LLC.

- Forecast airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport's service region, historical trends in airline traffic, recent airline service developments and airfares, and other key factors that may affect future airline traffic.

- The Board's approved PFC applications, historical and estimated future PFC revenues and the Board's intended use of PFC revenues during the Forecast Period for funding portions of the CIP on a pay-as-you-go basis and as a source for payment for the debt service for the Series 2016 Bonds and Series 2019 Revenue Bonds. We also reviewed the Board's PFC #15 draft application submitted to the FAA in January and preliminary plans for future PFC applications to be submitted during the Forecast Period.

- The Board's preliminary draft official statement for the Series 2019 Revenue Bonds, the General Bond Resolution, the 2016 Series Resolution, and the 2019 Series Resolution.

- The Board's policies and rate-making methodologies and procedures relating to the calculation of airline terminal rents and landing fees, including the Board's financial model for calculating airline rates and charges.

- The Board's AUA entered into with certain air transportation companies effective January 1, 2016 which governs the rates and charges paid by those air transportation companies signatory to the Agreement.
- The Delta Air Lines lease agreement for the Terminal 3 Facilities, expiring December 31, 2020.
- The Board's procedure for allocating direct and indirect expenses as documented in the Board's financial model for calculating annual airlines rates and charges.
- The historical correlations between and among operating revenues, operating expenses, and passenger enplanements at the Airport.
- The anticipated correlations between and among future operating revenues, operating expenses, and passenger enplanements at the Airport.
- The Board's actual operating expenses for 2016 through 2017, projected operating expenses for 2018 (based on 9 months of unaudited actual data), the Board's budget for operating expenses for 2019, and the Board's assumptions pertaining to our forecast of operating expenses for 2020 through 2024.
- The Board's actual operating revenues for 2016 through 2017, projected operating revenues for 2018 (based on 9 months of unaudited actual data), the Board's budget for revenues for 2019, and the Board's assumptions pertaining to our forecast revenues for 2020 through 2024.

We also identified key factors upon which the future Net Revenues of the Board may depend and formulated assumptions about those factors with the Board. On the basis of those assumptions, we assembled the forecasts presented in the accompanying exhibits provided at the end of this Report and summarized in this letter.

FORECAST DEBT SERVICE COVERAGE

Exhibit 7, which is summarized in the following table, presents the forecasts of debt service coverage, taking into consideration debt service on the existing Series 2016 Bonds and the proposed Series 2019 Revenue Bonds. The 125% Coverage Requirement of the Rate Covenant of the General Bond Resolution is met in all years of the forecast.

FORECAST DEBT SERVICE COVERAGE
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(Years ending December 31; in thousands except coverage ratios)

The forecast presented in this figure was prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

		2019	2020	2021	2022	2023	2024
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues (1)	[A]	$ 24,791	$ 26,018	$ 25,651	$ 24,257	$ 23,911	$ 25,197
Rate Covenant Coverage Requirement (1.25x)	[B]	5,362	7,557	8,302	8,303	8,300	8,301
Rate Covenant Compliance, 8.03(b)	[A]-[B]>=0	**$ 19,429**	**$ 18,461**	**$ 17,349**	**$ 15,954**	**$ 15,610**	**$ 16,897**
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues (1)	[C]	$ 24,791	$ 26,018	$ 25,651	$ 24,257	$ 23,911	$ 25,197
Total Deposits	[D]	7,576	9,044	12,268	9,331	9,230	9,205
Rate Covenant Compliance, 8.03(a)	[C]-[D]>=0	**$ 17,214**	**$ 16,974**	**$ 13,383**	**$ 14,926**	**$ 14,681**	**$ 15,993**
FINANCIAL METRICS							
Debt Service Coverage							
Net Revenues (1)	[C]	$ 24,791	$ 26,018	$ 25,651	$ 24,257	$ 23,911	$ 25,197
Subtotal Principal and Interest Requirements on Outstanding and Proposed Bonds	[E]	4,289	6,046	6,642	6,642	6,640	6,641
Debt Service Coverage	[C / E]	**5.78**	**4.30**	**3.86**	**3.65**	**3.60**	**3.79**
Airline Cost per Enplaned Passenger (CPE)							
Passenger Airline Revenues	[F]	$ 28,074	$ 30,736	$ 36,853	$ 36,317	$ 37,668	$ 37,817
Enplaned Passengers	[G]	4,524	4,627	4,726	4,817	4,906	5,010
Airline Cost per Enplaned Passenger (CPE)	[F / G]	**$ 6.21**	**$ 6.64**	**$ 7.80**	**$ 7.54**	**$ 7.68**	**$ 7.55**

Sources: Kenton County Airport Board and LeighFisher.

1.) Net Revenues includes Other Available Funds. The debt service for the Series 2016 Revenue Bonds is assumed to be fully paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text. The debt service for the Series 2019 Revenue Bonds is assumed to be 89% paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The forecasts in this Report are based on information and assumptions that were provided by or reviewed with and agreed to by the Board. The forecasts reflect the Board's expected course of action during the Forecast Period and, in the Board's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. We have no responsibility to update this Report to reflect events and circumstances occurring after the date of the Report.

*　*　*　*　*

We appreciate the opportunity to serve as the Airport Consultant in connection with this proposed financing.

Respectfully submitted,

LeighFisher

LEIGHFISHER

Attachment

BACKGROUND, ASSUMPTIONS, AND
RATIONALE FOR THE FINANCIAL FORECASTS

Kenton County Airport Board

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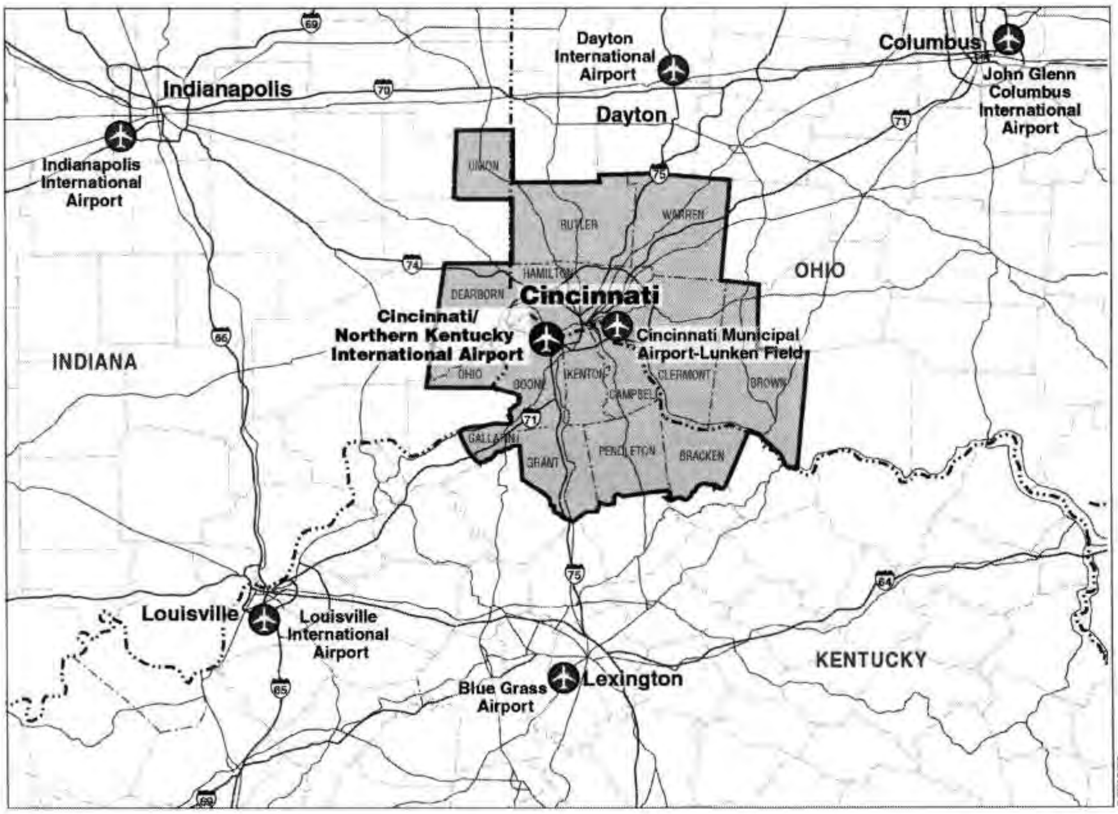
BASIS FOR AIRLINE PASSENGER DEMAND

AIRPORT SERVICE REGION

The Airport's primary service region is the 15-county Cincinnati Metropolitan Statistical Area (the MSA), shown on Figure 1. According to the U.S. Department of Commerce, Bureau of the Census, the estimated population of the MSA was nearly 2.2 million in 2017, making it the 29th largest in the country.

Figure 1
Airport Service Region
Cincinnati/Northern Kentucky International Airport



Drivetime from Downtown Cincinnati to:	
Cincinnati (CVG)	20 minutes
Dayton (DAY)	1 hour 5 minutes
Lexington (LEX)	1 hour 25 minutes
Louisville (SDF)	1 hour 35 minutes
Columbus (CMH)	1 hour 45 minutes
Indianapolis (IND)	1 hour 50 minutes

Several airports offering scheduled passenger air service are located within a 2-hour drive of Cincinnati, namely: Cincinnati/Northern Kentucky International Airport (CVG), Dayton International Airport (DAY), Blue Grass Airport (LEX), Louisville International Airport (SDF), John Glenn Columbus International Airport (CMH), and Indianapolis International Airport (IND), in order of shortest driving time. A comparison of domestic passenger airline service, originating passengers, and average airfares at the Airport and these other airports is presented in Table 7. Cincinnati Municipal Lunken Airport (LUK), owned by the City of Cincinnati, is primarily a general aviation airport with a limited amount of scheduled service provided by Ultimate Air Shuttle.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of the Cincinnati MSA is a key determinant of long-term passenger demand at the Airport. The development and diversity of the economic base of an airport service region are important to passenger traffic growth at an airport serving that region. This is particularly true where the industries in the region rely on the airport for passenger and cargo service.

Historical Socioeconomic Data

Table 1 shows data on historical population, per capita income, nonagricultural employment, and unemployment rates for the MSA and the nation.

Population. Between 2010 and 2017, the population of the MSA increased an average of 0.4% annually, compared with a 0.7% average annual increase for the nation.

Per Capita Income. The MSA's per capita personal income in 2017 ($51,536) was slightly lower than the national average ($51,640). Between 2010 and 2017, per capita personal income in the MSA increased an average of 1.9% annually—the same rate as the national average. It is worth noting, however, that in 2016 the MSA had a 10.4% lower cost of living than the national average according to the American Chamber of Commerce Research Association (ACCRA) Cost of Living Index.

Per Capita Gross Domestic Product (GDP). Since 2000, the MSA has had a higher per capita GDP than the nation. Between 2010 and 2017, the MSA's per capita GDP increased an average of 1.6% annually, compared with a 1.4% average annual increase for the nation. In 2017, the MSA's per capita GDP was 5.9% higher than the national average.

Nonagricultural Employment. Between 2010 and 2017, nonagricultural employment in the MSA increased an average of 1.6% annually, compared with a 1.7% average annual increase for the nation.

Unemployment Rates. Since 2012, the rate of unemployment has been lower for the MSA than for the nation. In 2017, unemployment in the MSA averaged 4.3% compared with 4.4% for the nation.

Table 1
Historical Socioeconomic Data

	Population (thousands)		Per capita personal income (2017 dollars)		Per capita GDP (2017 dollars)		Nonagricultural employment (thousands)		Unemployment rate	
	MSA	United States	MSA	United States	MSA	United States	MSA	United States	MSA	United States
2000	2,000	282,162	44,122	43,639	54,432	51,395 *(a)*	1,015	132,024	3.7%	4.0%
2005	2,055	295,517	45,824	44,994	58,228	55,368	1,031	134,051	5.4	5.1
2010	2,118	309,338	45,499	45,577	56,832	54,480	982	130,362	9.9	9.6
2011	2,123	311,644	47,304	46,560	57,326	54,347	992	131,932	8.9	8.9
2012	2,128	313,993	47,961	47,597	57,904	55,072	1,009	134,175	7.4	8.1
2013	2,136	316,235	47,574	47,166	59,309	55,848	1,025	136,381	7.3	7.4
2014	2,147	318,623	48,350	48,690	59,502	56,940	1,042	138,958	5.5	6.2
2015	2,156	321,040	50,284	50,613	61,210	58,691	1,061	141,843	4.5	5.3
2016	2,166	323,406	50,908	50,893	62,516	59,077	1,080	144,352	4.4	4.9
2017	2,179	325,719	51,536	51,640	63,345	59,823	1,094	146,624	4.3	4.4
	Average annual percent increase (decrease)									
2000-2005	0.5%	0.9%	0.8%	0.6%	1.7%	1.9% *(b)*	0.3%	0.3%		
2005-2010	0.6	0.9	(0.1)	0.3	(0.5)	(0.3)	(1.0)	(0.6)		
2010-2017	0.4	0.7	1.9	1.9	1.6	1.4	1.6	1.7		
2000-2017	0.5	0.8	0.9	1.0	1.0	1.0 *(b)*	0.4	0.6		

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

(a) Data shown for per capita Gross Domestic Product (GDP) is for 2001. Older data was unavailable.
(b) Average annual percent increase for per capita GDP from 2001.

Sources: U.S. Department of Commerce, Bureau of Census website, www.census.gov, accessed September 2018.
U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed December 2018.
U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2018.

Nonagricultural Employment by Industry Sector. Table 2 shows growth in employment by industry sector between 2010 and 2017, and employment shares by sector in 2017. The largest percentage increases for the MSA were in mining, logging, and construction, leisure and hospitality, and financial activities.

Table 2
Average Annual Non-Agricultural Employment Growth 2010-2017 and Employment Share by Industry 2017

	Average annual percent increase (decrease) 2010-2017		2017 percent share *(a)*	
Industry	MSA	United States	MSA	United States
Trade, transportation, and utilities	1.4%	1.6%	19.7%	18.8%
Professional and business services	1.7	2.9	15.2	14.0
Education and health services	1.6	2.2	15.1	15.8
Government	(0.2)	(0.1)	11.9	15.2
Leisure and hospitality	2.6	3.0	11.2	10.9
Manufacturing	1.7	1.1	10.6	8.5
Financial activities	2.4	1.4	6.8	5.8
Mining, Logging, and Construction	3.8	3.0	4.3	5.2
Other Services	0.8	1.2	3.9	3.9
Information	(0.3)	0.5	1.3	1.9
TOTAL	1.6%	1.7%	100.0%	100.0%

(a) Columns may not add to totals shown because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, Current Employment Statistics survey, www.bls.gov, accessed September 2018.

Major Employers. Table 3 shows the 20 largest employers in the region, ranked by regional employment. Of these 20 employers, 3 are both headquartered in the MSA and on the *Fortune* 500 list of largest U.S. companies and 6 are in the field of health care. *Fortune* 500 companies headquartered in the MSA, and their respective rankings, that are not listed in Table 3 include:

- Macy's (120)
- American Financial Group (413)
- AK Steel (461)
- Western & Southern Financial Group (476)
- Cincinnati Financial (484)
- Cintas (500)

Table 3
Largest Employers
Cincinnati Tri-State Area
(June 2017)

Rank	Company	Employment	Type of business
1	Kroger Co. *(a)*	21,300	Grocer/retail
2	Cincinnati Children's Hospital	15,400	Health care
3	Cincinnati/Northern Kentucky International Airport	12,700 *(b)*	International airport
4	TriHealth Inc.	12,000	Health care
5	UC Health	11,200	Health care
6	University of Cincinnati	10,600	Education
7	General Electric	10,500	Aerospace
8	Mercy Health	10,400	Health care
9	Proctor & Gamble Co. *(a)*	10,000	Consumer products
10	St. Elizabeth Healthcare	8,400	Health care
11	Fifth Third Bank *(a)*	7,500	Financial services
12	City of Cincinnati	6,700	Local government
13	Christ Hospital Health Network	5,900	Health care
14	Archdiocese of Cincinnati	5,600	Religious organization
15	Internal Revenue Service	4,700	Government
16	Cincinnati Public Schools	4,500	Education
17	Hamilton County	4,500	Local government
18	Fidelity Investments	4,400	Financial services
19	Miami University	4,300	Education
20	Kings Island	4,200	Amusement park

Note: The Tri-state area as defined by Cincinnati Business Courier is generally analogous to the Cincinnati MSA.

(a) Fortune 500 company (based on 2017 revenue) headquartered in Cincinnati. Rank on Fortune 500: Kroger Co. (17), Proctor & Gamble Co. (42), Fifth Third Bank (366).

(b) Figure includes all employees that work at the Airport with a CVG badge, including those who work for airlines and other tenants.

Sources: Cincinnati Business Courier, 2017-2018 Book of Lists; Fortune 500 website, www.fortune.com.

ECONOMIC OUTLOOK

Outlook for the U.S. Economy

Following real (inflation-adjusted) gross domestic product (GDP) growth of 2.4% in 2014, 2.6% in 2015, 1.5% in 2016, and 2.3% in 2017, the Congressional Budget Office forecasts real GDP growth of 3.0% in 2018, 2.9% in 2019, and an average of 1.7% per year thereafter.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high fiscal deficits, inflation remaining within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners.

Outlook for the Airport Service Region Economy

The economic outlook for the Airport service region generally depends on the same factors as those for the nation. Table 4 shows socioeconomic forecasts for the Airport service region and the nation. Population and employment are forecast to increase at less than the national average.

Table 4
Socioeconomic Forecasts

	Average annual percent increase (decrease)		
	Historical 2000-2017	Forecast 2017-2025	
Airport service region			
Population	0.5%	0.3%	
Nonagricultural employment	0.4	0.3	*(a)*
United States			
Population	0.8%	0.7%	
Nonagricultural employment	0.6	0.7	

(a) Percentage shown for the forecast use data that is collectively similar to the Airport service region, but excludes the counties of Brown in Ohio, Bracken, Gallatin, Grant, and Pendleton in Kentucky, and Ohio and Union in Indiana.

Sources:
Population:
Historical—U.S. Department of Commerce, Bureau of the Census website, www.census.gov, accessed October 2018.
Forecast— STATS Indiana Population Projections, 2015-2050, www.stats.indiana.edu.
Ohio Development Services Agency office of research, April 2018, www.development.ohio.gov.
Kentucky State Data Center, Projections of Populations 2015-2040, www.ksdc.louisville.edu.
U.S. Department of Commerce, Bureau of the Census, 2017 National Population Projections 2016-60, September 2018, www.census.gov.
Nonagricultural employment:
Historical—U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed October 2018.
Forecast—The Ohio-Kentucky-Indiana Regional Council of Governments, OKI Regional Transportation Plan, 2010-2040, 2040.oki.org.
U.S. Department of Labor, Bureau of Labor Statistics, Employment Projections: 2016-2026, October 2017, www.bls.gov.

AIRLINE TRAFFIC ANALYSIS

This section includes a discussion of airlines serving the Airport; enplaned passenger trends; airport service comparisons; airline shares of passengers; nonstop destinations; service in top markets; domestic originating passengers; and air cargo trends and comparisons.

AIRLINES SERVING THE AIRPORT

Table 5 lists the airlines serving the Airport as of November 2018.

Table 5
Airlines Serving the Airport
Cincinnati/Northern Kentucky International Airport
(as of November 2018)

Scheduled passenger service	All-cargo operators
Air Canada	Amazon Air *(a)*
Allegiant Air	DHL *(a)*
American Airlines	Federal Express
Delta Air Lines	
Frontier Airlines	
Southwest Airlines	
United Airlines	

Note: Regional affiliates of airlines providing scheduled passenger service are not shown.

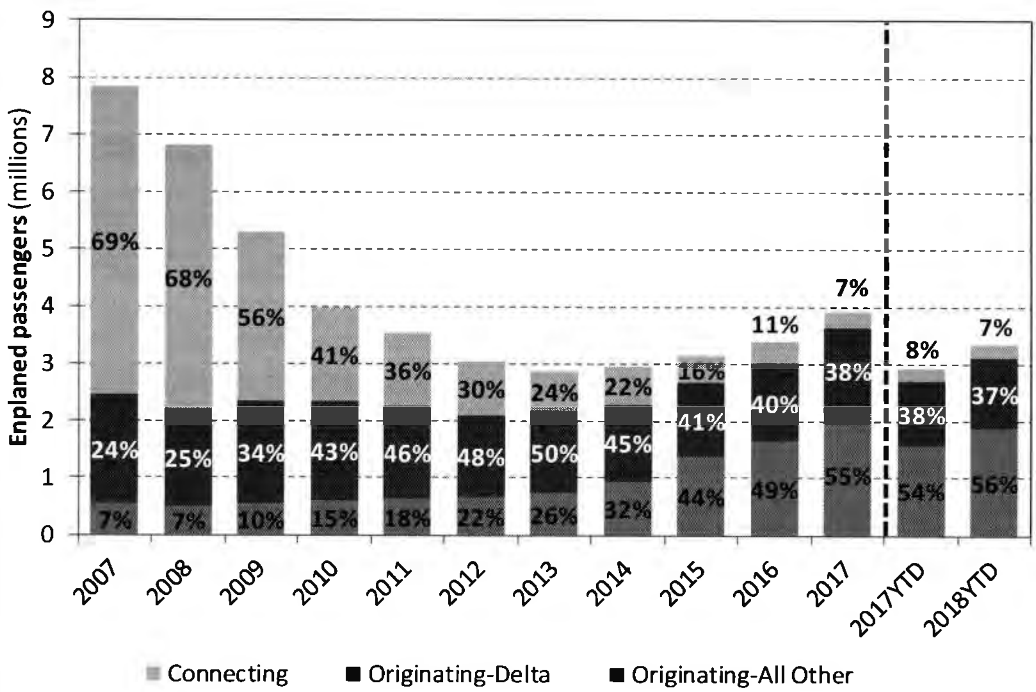
(a) DHL Express and Amazon Air operate their cargo flights through carrier contracts.

Sources: Kenton County Airport Board; OAG Aviation Worldwide Ltd., OAG Analyser database, accessed November 2018.

ENPLANED PASSENGER TRENDS BY SEGMENT

The Airport primarily serves travelers who are residents of, or visitors to, the Cincinnati region (i.e., originating passengers). Until 2006, Delta Air Lines operated a sizable connecting hub at the Airport. As Delta reorganized under bankruptcy protection and then merged with Northwest Airlines in 2009, it reduced its operations at the Airport. This led to a reduction in connecting traffic but also presented business opportunities to other airlines at the Airport. Legacy airlines and new entrant low-cost carriers (LCCs) materially expanded service, and the resulting competition has led to lower average airfares in many markets and stimulation of local originating travel demand.* Between 2013 and 2017, the number of enplaned passengers increased 36.6% at the Airport. Figure 2 depicts the enplaned passenger trend by segment (originating vs. connecting) at the Airport from 2007 through the first 9 months of 2018.

Figure 2
Enplaned Passengers, by Originating and Connecting
Cincinnati/Northern Kentucky International Airport
(calendar years and 9 months year-to-date)



Note: Percentages may not sum to 100 due to rounding.
Source: Kenton County Airport Board.

The decrease shown in passenger traffic was due entirely to a reduction in connecting passengers (nearly all of whom were carried by Delta), which declined from 5.4 million in 2007 to 270,000 in

*For purposes of this report, the following airlines are considered to be low-cost carriers: Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and Sun Country Airlines, as well as defunct airlines ATA, Independence Air, Midway Airlines, National Airlines, Virgin America, and AirTran Airways.

2017. Originating passenger volumes were relatively stable between 2007 and 2014 but then increased substantially, from 2.3 million in 2014 to 3.7 million in 2017, driven primarily by airlines other than Delta. By 2017, originating passengers accounted for 93% of passengers at the Airport, up from 31% in 2007.

As shown in Table 6, for the 12 months ended June 30, 2018, Delta accounted for 40.0% of originating passengers and 91.9% of connecting passengers at the Airport. Connecting passengers on Delta accounted for 14.2% of the airline's enplaned passengers.

Table 6

Enplaned Passengers by Airline Group, Sector, and Type of Passenger

Cincinnati/Northern Kentucky International Airport

(12 months ended June 30, 2018)

	Average daily enplaned passengers			Distribution by airline group		
	Delta	All other airlines	All Airlines	Delta	All other airlines	All Airlines
By sector						
Domestic	4,837	6,391	11,228	95.7%	97.2%	96.5%
International	217	185	402	4.3	2.8	3.5
Total	5,054	6,576	11,630	100.0%	100.0%	100.0%
By type of passenger						
Originating - resident *(a)*	2,994	3,811	6,805	59.2%	57.9%	58.5%
Originating - visitor *(b)*	1,345	2,702	4,047	26.6	41.1	34.8
Subtotal originating	4,339	6,513	10,852	85.8%	99.0%	93.3%
Connecting	715	63	778	14.2	1.0	6.7
Total	5,054	6,576	11,630	100.0%	100.0%	100.0%
Share of passengers						
Originating	40.0%	60.0%	100.0%			
Connecting	91.9	8.1	100.0			
Total	43.5	56.5	100.0			

Notes: Rows and columns may not add to totals shown because of rounding. Percentages were calculated using unrounded numbers.

(a) Originating-resident passengers are defined as those passengers whose flight itineraries began at CVG. These passengers are apt to make use of parking facilities at the Airport.

(b) Originating-visitor passengers are defined as those passengers whose flight itineraries began at airports other than CVG. These passengers are apt to make use of ground transportation, including rental cars, at the Airport.

Sources: Kenton County Airport Board; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100.

Table 7 compares air service, passengers, and airfares at the Airport and its five nearest regional competitors. In terms of seats, flights, and the number of destinations served, the Airport is most similar to the airports serving Columbus and Indianapolis. Louisville International Airport is roughly half the size of these airports, while the airports serving Dayton and Lexington are considerably smaller. Between 2012 and 2017, the Airport experienced a significantly larger decrease in average domestic airfare than any of the other competing regional airports—shifting from the most to the least expensive of the six airports. Correspondingly, the number of domestic originating passengers nearly doubled at the Airport over the same period. The Airport's nearest competitor in Dayton, by contrast, experienced the largest increase in average fare paid among the six airports and the loss of nearly one third of its domestic originating passenger volume.

Table 7

Domestic Passenger Airline Service, Originating Passengers, and Average Airfares

Cincinnati/Northern Kentucky International Airport and Nearest Competing Airports

	CVG	DAY	LEX	SDF	CMH	IND
Number of airlines providing scheduled service	7	4	4	6	7	8
Average daily departing seats (a)						
Domestic	14,030	3,284	2,650	7,269	14,623	15,582
International	382	-	-	-	194	241
Total	14,412	3,284	2,650	7,269	14,817	15,823
Average daily departures (a)						
Domestic	138	48	34	77	137	140
International	5	-	-	-	4	3
Total	143	48	34	77	141	143
Airports served nonstop (a)						
Domestic	47	16	15	28	34	41
International	2	-	-	-	1	2
Total	49	16	15	28	35	43
Domestic outbound O&D passengers (in thousands) (b)						
CY 2012	1,723	1,154	453	1,446	2,747	3,098
CY 2017	3,150	811	543	1,472	3,191	3,781
Percent change	*82.8%*	*(29.7)%*	*19.9%*	*1.8%*	*16.1%*	*22.1%*
Average one-way fare paid (b)						
CY 2012	$231.79	$172.86	$198.23	$185.59	$175.86	$185.86
CY 2017	$155.72	$190.44	$198.85	$201.60	$176.08	$172.71
Percent change	*(32.8)%*	*10.2%*	*0.3%*	*8.6%*	*0.1%*	*(7.1)%*

Sources:

(a) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed December 2018. Data shown are for scheduled domestic and international service in November 2018.

(b) U.S. Department of Transportation, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1, accessed December 2018. Data shown are for domestic passengers and fares for calendar year (CY) 2012 and CY 2017.

AIRLINE SHARES OF PASSENGERS

Table 8 presents the airline market shares of enplaned passengers at the Airport from 2013 through the first 9 months of 2018. In 2017, Delta enplaned the largest share of passengers at the Airport (45.1%), followed by American (14.4%) and Frontier (14.3%). Delta's market share has decreased from 74.4% in 2013 as it has reduced the size of its connecting hub at the Airport. Over the same period, LCCs Frontier, Allegiant, and Southwest launched service at the Airport, growing to account for 28.3% of the passenger market in 2017, and the remaining airlines increased their market share from 24.5% to 26.6%.

Year-to-date data through September 2018 shows a 14.8% increase in total enplaned passengers, and a 4.0 percentage point increase in market share for LCCs. From 2013 to 2017, LCC share of the market has increased from 1.1% to 28.3%.

Table 8
Airline Shares of Enplaned Passengers
Cincinnati/Northern Kentucky International Airport
(calendar years)

						9 Months YTD	
Airline *(a)*	2013	2014	2015	2016	2017	2017	2018
Delta	2,137,435	2,010,409	1,778,433	1,729,630	1,772,571	1,329,986	1,442,397
American	418,004	446,932	480,960	532,599	563,506	419,962	422,533
Frontier	33,035	116,158	288,116	377,370	562,656	443,740	422,015
United	246,900	278,712	314,655	362,191	420,496	300,868	361,747
Allegiant	-	66,245	234,272	321,663	388,998	288,788	424,793
Southwest	-	-	-	-	159,679	89,456	211,392
Air Canada	10,860	15,261	21,012	26,902	29,419	21,971	24,361
WOW *(b)*	-	-	-	-	-	-	16,941
All Other	28,554	30,940	42,800	33,583	28,833	24,025	24,032
Total	2,874,788	2,964,657	3,160,248	3,383,938	3,926,158	2,918,796	3,350,211
Delta	74.4%	67.8%	56.3%	51.1%	45.1%	45.6%	43.1%
American	14.5	15.1	15.2	15.7	14.4	14.4	12.6
Frontier	1.1	3.9	9.1	11.2	14.3	15.2	12.6
United	8.6	9.4	10.0	10.7	10.7	10.3	10.8
Allegiant	-	2.2	7.4	9.5	9.9	9.9	12.7
Southwest	-	-	-	-	4.1	3.1	6.3
Air Canada	0.4	0.5	0.7	0.8	0.7	0.8	0.7
WOW *(b)*	-	-	-	-	-	-	0.5
All Other	1.0	1.0	1.4	1.0	0.7	0.8	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Regional code-sharing affiliates are included with their mainline airline partners.
(b) WOW air has discontinued service at the Airport.

Source: Kenton County Airport Board.

AIRLINE SERVICE

Figure 3 shows the 37 destinations (35 domestic and 2 international) with daily nonstop passenger service and the 12 domestic destinations with less-than-daily nonstop passenger service from the Airport as scheduled for November 2018. Of the 49 destinations, 27 are served by two or more airlines and 30 have LCC service.

TOP 20 DOMESTIC ORIGINATING MARKETS

Table 9 presents data on domestic originating passengers, average airfares, and airline service for the top 20 domestic originating passenger markets from the Airport. In 2017, the largest 20 markets accounted for 75.5% of all domestic originating passengers at the Airport. Of the top 20 markets, all are served nonstop in October 2018, and 17 have competing nonstop service by two or more airlines.

This table illustrates the stimulative effect of lower airfares on passenger traffic. Between 2012 and 2017, the top 20 markets recorded a collective passenger increase of 109.0% and an average decrease of 39.2% in airfares. Eight of the 20 markets had a greater than 40% decrease in average fare and only one market, Atlanta, had an increase in average airfare (+2.4%). All 20 markets recorded increases in passengers, with eight more than doubling the number of passengers.

Figure 3
Destinations with Scheduled Nonstop Roundtrip Passenger Service
Cincinnati/Northern Kentucky International Airport
(November 2018)

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2018.

LEGEND

- ● Destinations with daily scheduled service
- ○ Destinations with less than daily scheduled service

Table 9

Passengers, Airfares, and Service in Top 20 Domestic Originating City Markets

Cincinnati/Northern Kentucky International Airport

			Scheduled nonstop service (October 2018)		Average daily enplaned originating passengers				Average one-way fare		
Rank	City market	Airports included	Airlines serving	Average daily departing flights	CY 2012	CY 2017	As percent of total 2017	Percent increase (decrease) 2012-2017	CY 2012	CY 2017	Percent increase (decrease) 2012-2017
1	New York	EWR,JFK,LGA	AA,DL,F9,G4,UA	18	390	730	8.5%	87.3%	$270.04	$149.03	(44.8%)
2	Orlando	MCO,SFB	DL,F9,G4	4	243	605	7.0	149.1	144.32	87.85	(39.1)
3	Washington DC/Baltimore	BWI,DCA,IAD	AA,DL,UA,WN	15	209	444	5.1	111.9	207.16	117.53	(43.3)
4	Las Vegas	LAS	DL,F9,G4	3	127	430	5.0	238.1	214.63	106.75	(50.3)
5	Miami/Fort Lauderdale/West Palm Beach	FLL,MIA,PBI	AA,DL,G4	5	232	429	5.0	84.8	175.08	119.40	(31.8)
6	Los Angeles	BUR,LAX,LGB,ONT,SNA	DL,F9,G4	3	231	405	4.7	75.0	270.19	192.03	(28.9)
7	Chicago	MDW,ORD	AA,DL,UA,WN	21	174	384	4.5	120.4	275.38	123.92	(55.0)
8	Tampa/St. Petersburg	PIE,TPA	DL,F9,G4	2	157	356	4.1	126.5	150.56	94.50	(37.2)
9	Denver	DEN	DL,F9,G4,UA,WN	5	94	352	4.1	274.1	212.18	116.76	(45.0)
10	Dallas/Fort Worth	DAL,DFW	AA,DL,F9	6	125	314	3.6	150.2	289.80	156.86	(45.9)
11	San Francisco	OAK,SFO,SJC	DL,F9,UA	2	158	297	3.4	88.1	260.47	181.59	(30.3)
12	Phoenix	AZA,PHX	G4	0	81	257	3.0	217.0	226.17	110.80	(51.0)
13	Atlanta	ATL	DL,F9	8	163	236	2.7	45.3	195.12	199.72	2.4
14	Boston	BOS	DL	3	189	220	2.6	16.8	248.90	242.28	(2.7)
15	Fort Myers	RSW	DL,F9	1	120	219	2.5	82.4	164.34	98.31	(40.2)
16	Houston	HOU,IAH	DL,UA	5	118	210	2.4	78.4	234.96	168.64	(28.2)
17	Philadelphia	PHL	AA,DL	8	128	196	2.3	53.5	256.26	179.69	(29.9)
18	Minneapolis-St. Paul	MSP	DL,F9	5	107	167	1.9	55.7	300.80	200.49	(33.3)
19	Punta Gorda	PGD	G4	1	-	133	1.5	n.a.	-	64.02	n.a.
20	Charlotte	CLT	AA,DL	9	70	131	1.5	85.7	236.88	182.45	(23.0)
	Top 20 markets			126	3,118	6,516	75.5%	109.0%	$227.56	$138.38	(39.2%)
	All other markets			26	1,604	2,115	24.5	31.8	240.01	209.15	(12.9)
	All markets			152	4,722	8,630	100.0%	82.8%	$231.79	$155.72	(32.8%)

Notes: Columns may not add to totals shown because of rounding. Percentages shown were calculated using unrounded numbers.

Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, UA=United, WN=Southwest.

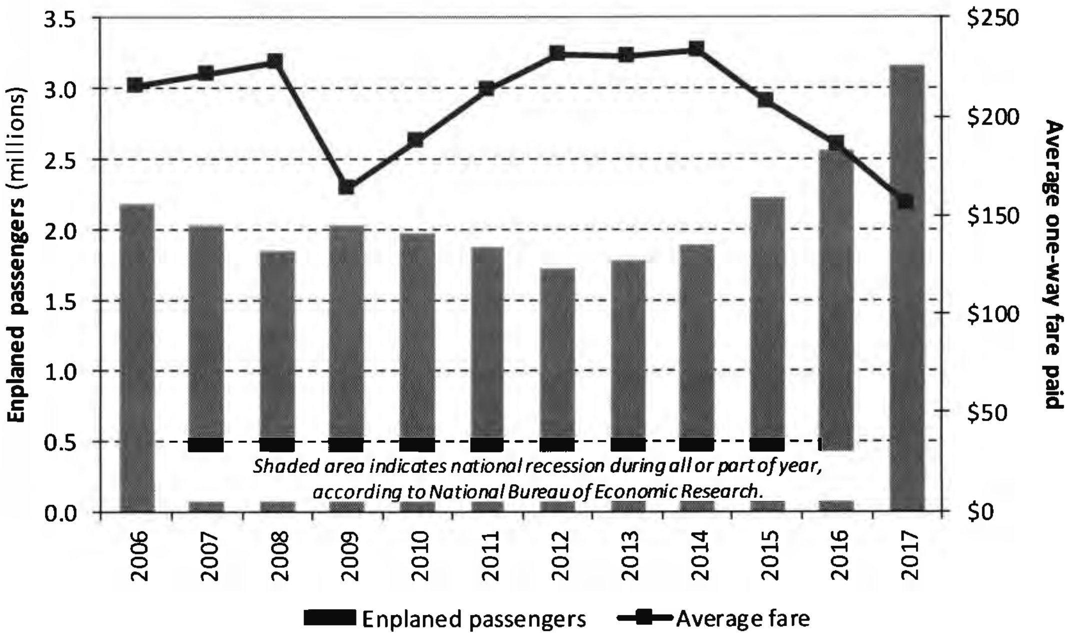
Airport legend: EWR=Newark, JFK=New York-Kennedy, LGA=New York-LaGuardia, MCO=Orlando Int'l, SFB=Orlando-Sanford, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, LAS=Las Vegas, FLL=Fort Lauderdale, MIA=Miami, PBI=West Palm Beach, BUR=Burbank, LAX=Los Angeles, LGB=Long Beach, ONT=Ontario, SNA=Orange County, MDW=Chicago-Midway, ORD=Chicago-O'Hare, PIE=St. Petersburg-Clearwater, TPA=Tampa, DEN=Denver, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth Int'l, OAK=Oakland, SFO=San Francisco, SJC=San Jose, AZA=Phoenix-Mesa Gateway, PHX=Phoenix-Sky Harbor, ATL=Atlanta, BOS=Boston, RSW=Fort Myers, HOU=Houston-Hobby, IAH=Houston-Bush, PHL=Philadelphia, MSP=Minneapolis-St. Paul, PGD=Punta Gorda, CLT=Charlotte.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed September 2018.

DOMESTIC ORIGINATING PASSENGERS AND AVERAGE FARE PAID

Figure 4 shows domestic originating passengers and average domestic airfares at the Airport from 2006 to 2017. In general, fare increases dampen passenger traffic while fare decreases tend to stimulate traffic. Between 2009 and 2012, after the 2008-2009 economic recession, average airfares increased while originating passengers decreased. By contrast, from 2014 to 2017, average fares decreased 33.3% and originating passengers increased 66.5%. According to the U.S. DOT, in the second quarter of 2018, the Airport ranked 82nd in terms of average airfares among the 100 largest U.S. airports.

Figure 4
Domestic Originating Enplaned Passengers and Average Fare Paid
Cincinnati/Northern Kentucky International Airport
(calendar years)



Note: Average one-way fares are net of all taxes, fees, and PFCs, and exclude ancillary fees charged by the airlines.

Source: U.S. Department of Transportation, Schedule T100, online database, accessed September 2018.

The average airfares shown in Figure 4, as reported by the airlines to the United States Department of Transportation (U.S. DOT), exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown increasingly understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline and market.

AIR CARGO

The Airport was ranked the seventh largest U.S. airport in terms of all-cargo landed weight and the ninth largest in terms of cargo tonnage in 2017. Of the ten largest cargo airports in 2017, the Airport had the largest increase in air cargo landed weight over the past 10 years. Over the same period, the Airport also had the largest increase in its cargo landed weight ranking, increasing from 102nd to 7th.

Table 10
Ranking of U.S. Airports by Total Air Cargo Landed Weight
(calendar years)

	Airport		U.S. Rank			Landed Weight (in millions of pounds)			Percent increase		Average annual increase (decrease)
Rank	code	City (Airport)	2007	2012	2017	2007	2012	2017	2007-2017	2012-2017	2007-2017
1	MEM	Memphis	2	1	1	19,544	20,984	23,950	22.5%	14.1%	2.1%
2	ANC	Anchorage	1	2	2	21,124	16,523	17,337	(17.9)	4.9	(2.0)
3	SDF	Louisville	3	3	3	10,431	11,096	13,404	28.5	20.8	2.5
4	ORD	Chicago O'Hare	8	6	4	4,401	4,555	10,374	135.7	127.7	9.0
5	MIA	Miami	4	4	5	7,430	7,148	7,964	7.2	11.4	0.7
6	LAX	Los Angeles	5	7	6	6,861	4,205	7,198	4.9	71.2	0.5
7	**CVG**	**Cincinnati/Northern Kentucky**	**102**	**9**	**7**	**194**	**3,188**	**5,700**	**2836.2%**	**78.8%**	**40.2%**
8	IND	Indianapolis	6	5	8	5,305	4,940	5,139	(3.1)	4.0	(0.3)
9	DFW	Dallas-Fort Worth	11	10	9	3,507	3,088	4,155	18.5	34.6	1.7
10	ONT	Ontario	12	13	10	2,789	2,362	3,523	26.3	49.1	2.4

Note: Cargo data obtained from ACAIS may differ from cargo data reported by the airlines to the airports.

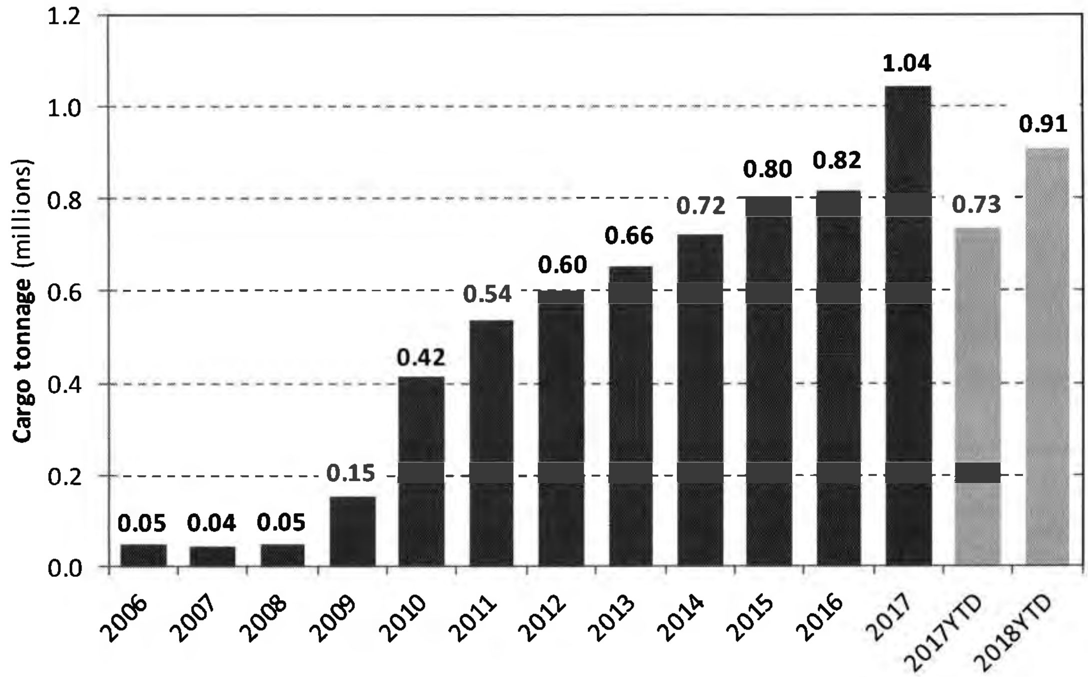
Source: Air Carrier Activity Information System (ACAIS), faa.gov, accessed October 2018.

DHL operates one of its three global cargo "Super-Hubs" at the Airport and, for the first 9 months of 2018, DHL cargo accounted for 77.7% of cargo tonnage at the Airport. In 2009, DHL returned its hub operation to the Airport following a 4-year period based in Wilmington, Ohio. Since its return, DHL has invested over $500 million in its facilities at the Airport.

Since Amazon's 2017 announcement that it will build its primary Amazon Air cargo hub at the Airport, work has been underway planning the development and going through the necessary regulatory and permitting review processes. Amazon is anticipated to start construction of the initial portions of its facilities in the south airfield area of the Airport in 2019 with the first phase planned to open in 2020-2021 with full build out anticipated in 2025-2027 dependent on economic and operational requirements. The work in the south airfield area is planned to ultimately include construction of 225 acres of aircraft parking ramp that would provide for parking of up to 77 cargo aircraft, vehicle parking lots and a sortation building, as well as local roadway improvements, for a total estimated cost of $1.5 billion. For the 9 months ended September 2018, Amazon Air accounted for 19.8% of cargo tonnage at the Airport.

Figure 5 depicts the substantial increases in air cargo tonnage at the Airport since DHL's return (in 2009) and Amazon beginning service in 2017. Year-to-date data through September 2018 show a 23.9% increase in air cargo tonnage, relative to the same period of 2017.

Figure 5
Air Cargo Tonnage
Cincinnati/Northern Kentucky International Airport
(calendar years)



Note: YTD= 9 months year-to-date, January through September.

Source: Kenton County Airport Board.

Table 11 shows the historical all-cargo landed weight and total cargo in millions of pounds. In 2017, landed weight increased 33.3% and total cargo increased 27.5%, year over year. Year-to-date data through September 2018 show a 29.3% increase in landed weight and a 23.9% increase in total cargo.

Table 11
Historical All-Cargo Landed Weight and Total Cargo
Cincinnati/Northern Kentucky International Airport
(calendar years)

	Landed weight (in millions of pounds)		Total cargo (in millions of pounds)	
Fiscal Year	Total	Percent change	Total	Percent change
2007	194		88	
2012	3,194		1,200	
2013	3,424	7.2%	1,311	9.3%
2014	3,643	6.4	1,445	10.2
2015	4,028	10.6	1,608	11.3
2016	4,282	6.3	1,637	1.8
2017	5,707	33.3	2,087	27.5
YTD (Jan-Sep)				
2017	3,959		1,468	
2018	5,119	29.3%	1,818	23.9%

Source: Kenton County Airport Board.

Cargo landed weight accounted for 55.2% of total aircraft landed weight at the Airport in 2017. For the 9 months ended September 2018, cargo landed weight accounted for 56.8% of total aircraft landed weight at CVG. DHL, Delta, and Amazon Air accounted for the largest shares of landed weight for 2018 year-to-date, at 40.2%, 18.9%, and 14.1%, respectively.

Figure 6 shows the destinations served by regular nonstop all-cargo flights. Flights that are flown for at least 6 months of the year are included. Of the 53 destinations, 42 are domestic and 11 are international. Thirty-eight destinations were served during all 12 months of calendar year 2017

Figure 6
Destinations Served by Nonstop All-Cargo Flights
Cincinnati/Northern Kentucky International Airport
(calendar year 2017)

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

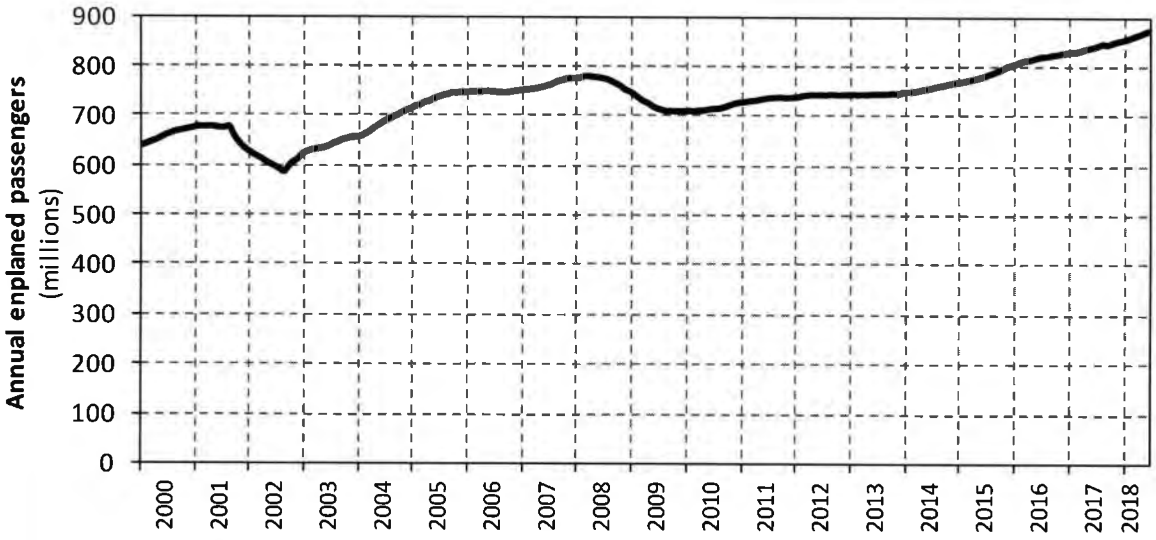
In addition to the demographics and economy of the MSA, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 7, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel.

Figure 7
Historical Enplaned Passengers on U.S. Airlines



Notes: Data shown are for 12-month moving averages of enplaned passengers on scheduled and non-scheduled flights to domestic and international destinations.
Shaded areas indicate months of economic recession.

Sources: U.S. DOT, Bureau of Transportation Statistics, T100 Market and segment, www.rita.dot.gov, accessed October 2018; National Bureau of Economic Research, US Business Cycle Expansions and Contractions, www.nber.org.

The globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and political relationships all influence passenger traffic at U.S. airports.

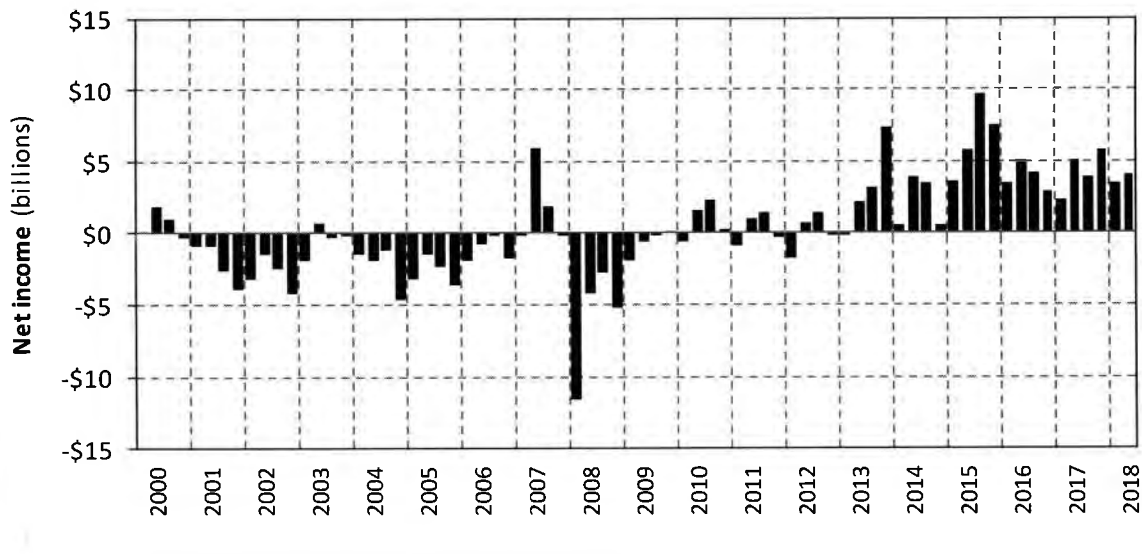
Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018, the U.S. Supreme Court upheld the administration's most recent travel restrictions. While it remains to be seen how the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection could prevent or discourage some travel.

Sustaining current passenger traffic nationally and at the Airport, and achieving forecast increases at the Airport, will depend partly on global economic growth, stable and secure international conditions, and government policies that do not unreasonably restrict or deter travel.

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the investments necessary to provide service. Figure 8 shows historical net income for U.S. airlines.

Figure 8
Net Income for U.S. Airlines



Notes: Includes scheduled service on U.S. carriers only.
Shaded areas indicate quarters of economic recession.
Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for less than had been originally reported.

Source: U.S. DOT, Bureau of Transportation Statistics, Net Income, F41 Schedule P12, www.transtats.gov, accessed October 2018.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced financial losses. The major U.S. passenger airlines collectively recorded net losses of approximately $46 billion, in 2001 through 2006. To mitigate those losses, the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for Chapter 11 bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry was profitable, recording net income of approximately $7 billion, but, in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the U.S. passenger airline industry recorded net losses of approximately $26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity by approximately 10%, as measured by available seat-miles.

From 2010 to 2013, the U.S. passenger airline industry recorded net income of approximately $18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of $9 billion, assisted by reduced fuel prices. In 2015, the industry achieved record net income of $26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016 and through mid-2018. Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices.

Consolidation of the U.S. airline industry has resulted in the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation has contributed to industry profitability, a trend that is expected by airline industry analysts to continue over the near term. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide. However, the Airport is now primarily an originating airport, so would be less directly affected by any such liquidations.

Airline Service and Routes

The Airport serves as a gateway to the Cincinnati MSA. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airfares and service provided at the Airport and at other competing airports. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport. In 2017, approximately 93% of airline passengers at the Airport were originating passengers, while the remaining 7% connected between flights.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends primarily on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry consolidated, airline service has been reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2011), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). Following Delta's reduction of connecting service, the Airport now serves primarily originating passengers and is no longer dependent on connecting passengers.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend in part on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S.-flag airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain airfare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 17.7 cents per passenger-mile by 2015. Between 2015 and 2017, domestic yields decreased to 16.6 cents per passenger-mile, reflecting lower aviation fuel prices and increased airline competition.

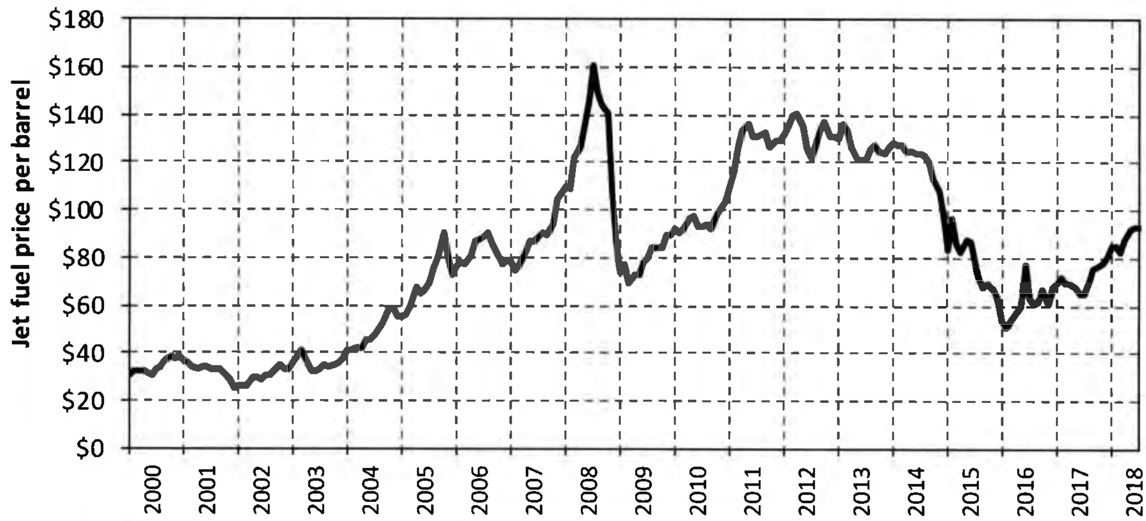
Beginning in 2006, charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than the yield figures indicate.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 9 shows the historical fluctuation in aviation fuel prices since 2000. Beginning in 2003, aviation fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices decreased sharply in the second half of 2008 as demand for oil declined worldwide, but then increased beginning in early 2009 as demand increased.

Between 2011 and 2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production, made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times those at the end of 2003.

Figure 9
Historical Aviation Fuel Prices



Notes: Data shown are monthly averages and were converted from gallons to barrels. Shaded areas indicate months of economic recession.

Source: U.S. DOT, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption, F41 Schedule P12A, www.transtats.gov, accessed October 2018.

Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with the lifting of trade sanctions on Iran and a continued surplus in the worldwide supply resulted in reductions in fuel prices through early 2016. Fuel prices have since increased, but the average price of aviation fuel at mid-2018 was still approximately 75% of the price at mid-2014. Lower fuel prices are having a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain stable. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract, although some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and resulting downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 terrorist attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed federal air marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced "pre-check" service to expedite the screening of passengers who have submitted to background checks.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided there are no major events and precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation, without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays nationwide have decreased because of reduced numbers of aircraft operations (down approximately 17% between 2007 and 2017) but, as airline travel increases in the future, flight delays and restrictions can be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at the Airport will depend on the capacity of the Airport itself. At the Airport, it is expected that existing and planned terminal and airfield facilities will have the capacity to accommodate growth in airline traffic well beyond the Forecast Period covered in this Report. With four runways, there is little need for substantial airfield investment other than renewal and replacement during the Forecast Period. The Airport's Main Terminal (formerly known as Terminal 3) accommodates all airlines currently serving the Airport on two parallel concourses. Ten of the Airport's 50 gates can accommodate international flight operations.

AIR TRAFFIC FORECASTS

Airport management developed forecasts of airline traffic at the Airport on the basis of the overall economic outlook for the U.S. and the Airport service region, trends in historical airline traffic at the Airport and nationwide, and key factors likely to affect future airline traffic, all as discussed previously. LeighFisher reviewed these forecasts and the assumptions underlying them. We believe the assumptions provide a reasonable basis for the forecasts, and we adopted the air traffic forecasts for the purpose of preparing the financial projections in this Report.

In developing the forecasts, it was assumed that airline traffic at the Airport will increase as a function of the growth in the population and economy of the MSA. It was assumed that airline service at the Airport will not be constrained by the availability or price of aviation fuel, limitations on the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that constrain Airport operations.

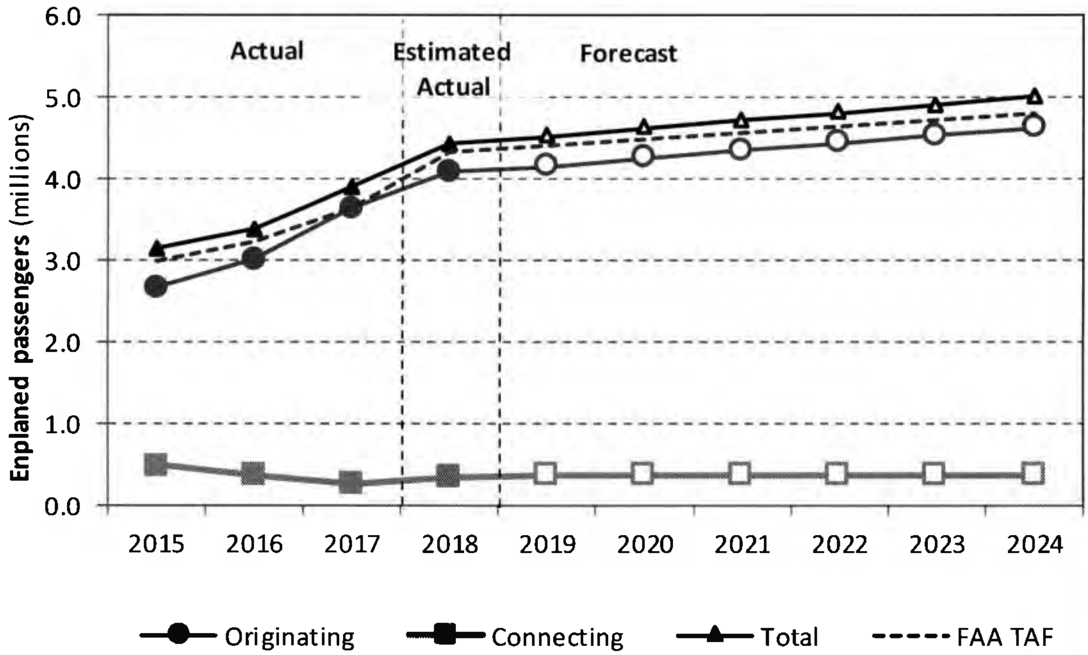
Specific assumptions underlying the air traffic forecasts include:

- Future growth in the U.S. and local economy will support underlying demand for air travel to and from the Cincinnati region.
- Continued improvement in air service offerings at the Airport will allow for continued opportunity to recapture leakage from surrounding airports, particularly DAY.
- Air service offerings at the Airport during the Forecast Period will continue to improve and support originating traffic growth, primarily driven by LCCs which increase competition among airlines and help ensure competitive airfares.
- Delta will maintain its current service levels at the Airport. The number of connecting passengers at the Airport will remain relatively unchanged through the Forecast Period.
- Legacy airlines will maintain their current service levels and continue to orient their services around their primary hubs and key business markets.
- DHL will continue to invest in its cargo hub at the Airport, increase its operations, and handle increasing volumes of cargo tonnage during the Forecast Period.
- Amazon will begin construction of a cargo hub at the Airport in 2019, the first phase of which will open in late 2021, allowing Amazon Air to begin operating from its own facility and allowing in turn for accommodation of additional volumes of cargo tonnage by both DHL and Amazon during the Forecast Period.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- No major disruption of airline service or airline travel behavior as a result of strikes, international hostilities, or terrorist acts or threats.

Airport management has estimated that total enplaned passengers will increase 13.3% in 2018. Average annual growth of 2.0% per year thereafter is forecast through 2024, as shown on Figure 10 and in Table 12. This growth is driven mostly by an increase in originating enplaned passengers (2.1% growth per year, on average, between 2018 and 2024). The number of connecting passengers is forecast to increase 0.8% per year, on average, over the same period. Originating passengers consist of two types, residents and visitors. No material shift in the shares accounted for by residents and visitors is forecast through 2024.

Figure 10
Enplaned Passenger Forecast
Cincinnati/Northern Kentucky International Airport
(calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Notes: FAA TAF in Federal FY ending September 30.
FAA enplaned numbers include revenue passengers only, while Airport enplaned numbers include both revenue and non-revenue passengers.

Sources: Kenton County Airport Board; FAA TAF, issued January 2018.

The number of enplaned passengers has increased 14.8%, year-over-year, in the first 9 months of 2018 (originating up 15.7% and connecting up 3.8%). Thus, even if airlines temper their growth expectations at the Airport in late 2018, or if passenger load factors dip, the passenger projection should still be achievable.

Table 12
Enplaned Passenger Forecast
Cincinnati/Northern Kentucky International Airport
(calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

	Originating					Share of total: Originating			Share of total
	Resident	Visitor	Total	Connecting	Total	Resident	Visitor	Total	Connecting
2010	1,416,453	918,719	2,335,172	1,652,766	3,987,938	35.5%	23.0%	58.6%	41.4%
2011	1,400,584	857,350	2,257,934	1,267,552	3,525,486	39.7	24.3	64.0	36.0
2012	1,307,774	804,548	2,112,322	921,102	3,033,424	43.1	26.5	69.6	30.4
2013	1,357,304	814,067	2,171,371	703,417	2,874,788	47.2	28.3	75.5	24.5
2014	1,425,064	874,425	2,299,489	665,168	2,964,657	48.1	29.5	77.6	22.4
2015	1,659,177	1,010,411	2,669,588	490,660	3,160,248	52.5	32.0	84.5	15.5
2016	1,811,217	1,196,315	3,007,532	376,406	3,383,938	53.5	35.4	88.9	11.1
2017A	2,304,726	1,347,544	3,652,270	273,888	3,926,158	58.7	34.3	93.0	7.0
2018EA	2,539,535	1,555,000	4,094,535	354,614	4,449,149	57.1	35.0	92.0	8.0
2019F	2,580,911	1,582,000	4,162,911	360,882	4,523,793	57.1	35.0	92.0	8.0
2020	2,641,100	1,618,000	4,259,100	368,290	4,627,390	57.1	35.0	92.0	8.0
2021	2,704,440	1,658,000	4,362,440	363,460	4,725,900	57.2	35.1	92.3	7.7
2022	2,762,540	1,693,000	4,455,540	361,230	4,816,770	57.4	35.1	92.5	7.5
2023	2,815,560	1,725,000	4,540,560	365,730	4,906,290	57.4	35.2	92.5	7.5
2024	2,876,340	1,763,000	4,639,340	371,150	5,010,490	57.4	35.2	92.6	7.4

	Average annual percent increase (decrease)				
2010-2015	3.2%	1.9%	2.7%	(21.6%)	(4.5%)
2015-2018	15.2	15.5	15.3	(10.3)	12.1
2018-2024	2.1	2.1	2.1	0.8	2.0

Note: A=Actual; EA=Estimated Actual; F=Forecast.

Sources: Kenton County Airport Board; LeighFisher.

Table 13 shows historical and forecast aircraft landings and landed weight. Total landings are forecast to grow 1.6% per year, on average, from 2018 to 2024, and total landed weight is forecast to grow 3.3% per year during the same time. This growth is anticipated to be driven more by all-cargo airlines than passenger airlines, due to the substantial investment by DHL and Amazon in their respective facilities at the Airport.

Table 13

Historical and Forecast Aircraft Landings and Landed Weight

Cincinnati/Northern Kentucky International Airport

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

	Enplaned passengers		Aircraft landings			Total landed weight (per 1000 pounds)		
	Total	Per landing	Passenger	All-cargo *(a)*	Total	Passenger	All-cargo *(a)*	Total
2015	3,160,248	66.3	47,650	14,220	61,870	3,682,060	4,059,566	7,741,626
2016	3,383,938	68.9	49,086	15,063	64,149	3,979,994	4,314,754	8,294,748
2017A	3,926,158	76.3	51,431	19,060	70,491	4,606,347	5,734,983	10,341,330
2018EA	4,449,149	82.2	54,096	21,757	75,853	5,076,116	7,131,967	12,208,083
2019F	4,523,793	83.1	54,407	22,454	76,861	5,137,742	7,365,656	12,503,398
2020	4,627,390	84.9	54,480	23,344	77,824	5,191,452	7,920,147	13,111,599
2021	4,725,900	86.8	54,476	24,202	78,678	5,323,548	8,484,439	13,807,987
2022	4,816,770	88.3	54,531	25,060	79,591	5,436,023	8,736,073	14,172,096
2023	4,906,290	88.5	55,430	25,918	81,348	5,539,694	8,966,022	14,505,716
2024	5,010,490	88.7	56,481	26,776	83,257	5,659,949	9,188,483	14,848,432
	Average annual percent increase (decrease)							
2015-2018	12.1%		4.3%	15.2%	7.0%	11.3%	20.7%	16.4%
2018-2024	2.0		0.7	3.5	1.6	1.8	4.3	3.3

Note: A=Actual; EA=Estimated Actual; F=Forecast.

(a) Includes landings and related landed weight for other non-passenger non-cargo activity.

Sources: Kenton County Airport Board; LeighFisher.

Stress Test Forecast of Passengers

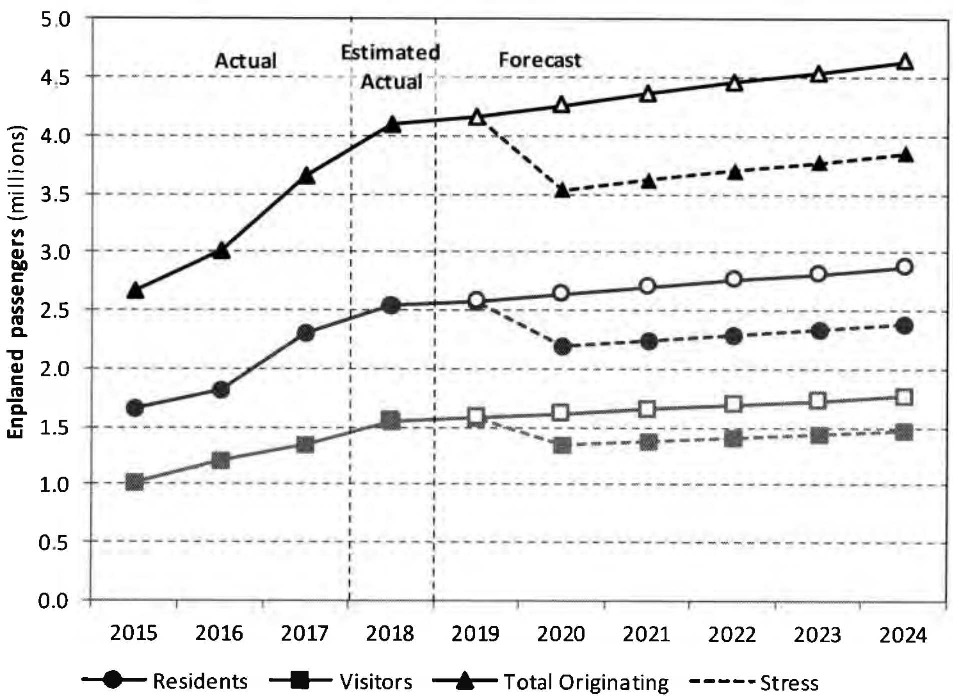
A stress test forecast of passengers was developed to provide the basis for conducting a test of the Airport's financial results to hypothetical reductions in passenger numbers, such as could occur under conditions of weak economic growth or recession, restricted seat capacity, high airfares, and reduced connecting airline service that could result from changes in airline network strategies.

For the stress test, total originating, resident, and visitor passengers were forecast to decline 15% in 2020. Such a reduction is similar to that experienced at the Airport during the 2008-09 economic recession. After the 15% decline, passenger numbers were forecast to increase at the same rates as the base case forecast.

Figure 11 shows that the number of total originating passengers is forecast to be 3.85 million in 2024 for the stress test, compared with 4.64 million for the base case forecast. Visiting passengers are forecast to be 1.47 million in 2024 for the stress test compared to 1.76 million for the base forecast.

Figure 11
Base Case and Stress Test Forecasts of Originating Passengers
Cincinnati/Northern Kentucky International Airport
(calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Sources: Kenton County Airport Board; LeighFisher.

FINANCIAL ANALYSIS

SUMMARY OF LEGAL FRAMEWORK

The Board established certain new funds and accounts that are incorporated into the 2016 Airport Revenue General Bond Resolution (the General Bond Resolution) that was adopted with the issuance of the Series 2016 Bonds (prior to the Series 2019 Revenue Bonds, which are the subject of this Report). The Series 2016 Bonds were issued to refund the Series 2003B Bonds (AMT) and is the only series of bonds currently outstanding. The 2016 General Bond Resolution governs the Series 2016 Bonds, the proposed Series 2019 Revenue Bonds, and any future issuances of Additional Bonds.

On January 1, 2016, a new airport use agreement (the AUA) became effective between the Board and certain airlines (the Signatory Airlines). This AUA expires on December 31, 2020. The AUA replaces the prior airport use agreement that was originally entered into in 1972 and expired on December 31, 2015.

General Bond Resolution

Under the General Bond Resolution, before any Bonds are issued the Board is to adopt a Series Resolution authorizing the issuance of such Bonds, fixing the amount and the details thereof, and describing in brief and general terms the purposes for which the bonds are to be issued. Pursuant to Section 6.15 of the General Bond Resolution a Series Resolution may specify Other Available Revenues that may be available to secure a Series of Bonds. Other Available Revenues means, for any period of time, all Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenues that the Board irrevocably commits to pay principal and interest requirements as provided in Section 6.15, in any Series Resolution, or by any other action adopted by the Board.

The financial forecasts referenced herein incorporate the terms of the AUA as well as the new General Bond Resolution and Series Resolution. Additionally, the historical results included in the accompanying exhibits have been reclassified to conform with the presentation of revenues and expenses under the AUA, the General Bond Resolution, the Series 2016 Resolution and the Series 2019 Resolution (the Series Resolutions).

Series Resolutions

The definition of Revenues in the Series Resolutions does not include, among other things, PFCs. In order for PFCs to be deemed Available Revenues for purposes of securing a series of Bonds, the Board must first designate PFC Revenues.

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

As permitted by the General Bond Resolution, in the Series 2016 Resolution the Board irrevocably committed for the Fiscal Years ending December 31, 2016 through 2020 to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay the Principal and Interest Requirement on the Series 2016 Bonds. In the Series 2019 Resolution, the Board has not irrevocably committed to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019

Revenue Bonds. However, the Board currently plans to take action in each Fiscal Year to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Bonds (and on the Series 2016 Bonds after December 31, 2020) but is under no obligation to do so.

The AUA

The AUA became effective on January 1, 2016 and expires on December 31, 2020. This agreement replaced a prior agreement that was entered into by the Board in 1972 and which expired on December 31, 2015. Allegiant, American, Delta, DHL, Federal Express, Frontier, Southwest, and United are signatories to the AUA.

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

The AUA employs a hybrid rate setting methodology with an airfield residual and a terminal commercial compensatory rate setting methodology. The AUA also establishes Cost Centers to which the Board's costs are assigned and allocated. Several airline Cost Centers are established, which include: Airfield, Terminal, and Loading Bridge. In addition, a Board Cost Center is established, which is comprised of several Sub-Cost Centers: Commercial Property, Parking and Ground Transportation, and Rental Car.

Under the AUA, the Landing Fee and Terminal Rental rates are calculated based on the costs allocated to the applicable airline Cost Centers (the Cost Center Requirement) less a per square foot Concession Revenue credit. The following costs may be included in the Cost Center Requirement (subject to certain limitations):

(1) O&M Expenses,
(2) Expensed Capital,
(3) Amortization charges, to recover the cost of Board-funded cash investments,
(4) Debt Service,
(5) Debt Service Coverage,
(6) O&M Reserve Account deposit requirement, and
(7) Repair and Replacement Fund deposit requirement.

Net Remaining Revenue Adjustment

Under the AUA, Net Remaining Revenues (NRRs) as defined in the AUA are applied on a percentage basis to adjust terminal rentals and the landing fee rate. As the Board earns more NRRs in any fiscal year, the percentage of NRRs applied to reduce airline rates and charges increases. The NRRs adjustment is a mechanism to allow Signatory Airlines to have a stake in the Airport's financial success. The percentage of NRRs to be applied to adjust Terminal Rentals and Landing Fees, is set forth in Table 14.

Table 14
Net Remaining Revenues (NRRs)
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport

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

Sources: Kenton County Airport Board and Airport Use Agreement.

The Landing Fees and Terminal Rentals are established annually during the budget process and therefore are based on projected airline activity, revenues, and cost. Under the AUA, the Board may make adjustments to Landing Fees and Terminal Rentals once during the Fiscal Year to account for changes in activity levels and budget changes which result in a required adjustment of ten percent (10%) or more to the Landing Fees and Terminal Rentals. After the close of each Fiscal Year, the Landing Fee rate, Terminal Rentals and the NRR adjustment to Terminal Rentals are recalculated using audited financial data. The Airline Revenues as recorded are net of the applicable NRR adjustments.

Extraordinary Coverage Protection

Under Section 5.9 of the AUA, the Board may charge the Signatory Airlines extraordinary coverage protection payments (ECP) in any Fiscal Year in which the amount of Revenues less O&M Expenses is or is forecasted to be less than one hundred twenty-five percent (125%) of the Principal and Interest Requirements on all Outstanding Bonds. Any amounts collected for such ECP from the Signatories shall be allocated to the Airfield Cost Center Requirement.

Terminal Lease Agreements

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

Delta's Terminal 3 Facilities Related Agreements

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

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

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

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

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

Concourse A Agreements

Signatories located in Concourse A non-exclusively lease gate areas and operations areas located in Concourse A as well as ticket counters and operations areas located in the Main Terminal (formerly known as Terminal 3). Allegiant, American, Frontier, Southwest, and United are Signatories to the AUA and the Concourse A Agreements.

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

Concourse C Agreement

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

As part of the Concourse C Amendment, the term of the Concourse C Agreement was changed to expire on December 31, 2020 and the Board was granted the right to demolish Concourse C at any time. Demolition of Concourse C and construction on this site of a new centralized deicing facility with the capability to accommodate remote aircraft parking was completed in 2017.

Future AUA and Terminal Lease Agreement Assumptions for Forecast

The expiration date of the AUA is December 31, 2020. Upon the expiration of the AUA, the Board may enter into extensions of such agreements with the airlines, enter into new agreements with the airlines, or impose rates and charges upon the airlines. The Board has covenanted in the Resolution (which extends beyond the expiration of the AUA) to establish rentals, rates and other charges for the use and operation of the Airport such that Revenues (including rentals, fees and charges imposed on the airlines), together with certain other moneys deposited in Accounts and Funds pursuant to the Resolution, are sufficient to satisfy the coverage requirements contained in the Resolution.

The forecast assumes that the provisions of the AUA will continue in a substantially similar manner through 2024, with certain exceptions related primarily to the Board assuming the operation and maintenance of certain facilities currently operated by Delta that the Board will begin operating in 2021 (see section O&M Expenses, Figure 12, and accompanying text).

CAPITAL IMPROVEMENT PROGRAM AND PLANNED FUNDING

The Board has a capital improvement program (CIP) that defines the expected project costs and timelines for needed capital improvements to the Airport through 2024. The Board's CIP is estimated to cost $476.9 million.

The Board's CIP and planned funding are described in the Official Statement accompanying this Report. The planned funding for the Board's CIP as described in the Official Statement does not require the issuance of additional Bonds.

The CIP includes the following project groupings (see Exhibits 2a and 2b):

- **2019 Project ($205 million):** As previously defined in this Report.

- **Airfield Projects ($59.4 million):** Key airfield capital projects include airfield pavement renewals and rehabilitation, including the rehabilitation of Runway 9/27 and associated taxiways, common use aircraft apron replacement, the extension of Taxilane N to improve south airfield circulation, and rehabilitation and realignment of the Airport's East Service Road.

- **Terminal & Airline Equipment Projects ($64.7 million):** The Board, as part of its Master Plan Update (MPU Study), is in the process of selecting a preferred future passenger terminal facility plan. The CIP includes reserves for renewal and rehabilitation of key areas and shared systems in the main terminal and Concourse B, including the baggage system and train connecting the Main Terminal to Concourses A and B. The Board is planning near-term investment in the baggage system to provide greater operational redundancy and capacity due to an increasingly diversified carrier base. Additionally, to respond to future demand growth, the Board has identified required capital investment in loading bridges, holdroom areas, and common use passenger processing equipment.

- **Parking and Ground Transportation Projects ($15.3 million):** A key component of the parking and ground transportation capital program is the implementation of an intelligent parking guidance system in the terminal parking garage in order to increase the effective garage capacity and enhance customer service. It also includes the installation of energy efficient lighting fixtures, controls, metering and associated equipment in the terminal parking garage to replace the existing lighting fixtures and associated equipment. Other parking projects include completing a five-year phased upgrade of the parking revenue control system, replacement of employee and passenger parking shuttle busses, conveyance replacements in the garage, and rehabilitation of the long term parking lots.

- **Facilities Infrastructure ($9.8 million):** Condition assessments have identified a number of key roof replacement projects to be undertaken in the next five years, including the replacement of the roof of the CVG Centre (an office building that houses the Board's administrative office as well as other tenants) roof and the parking garage roof. The Board has also created capital reserves for ongoing renewal and replacement of conveyances in the passenger terminal complex.

- **Other Capital Projects ($122.9 million):** The Board and certain third parties plan to make investments in the following broad areas over the next five years: utilities ($10.5 million), commercial development ($39.3 million), compliance and regulatory projects ($6.0 million), information technology ($26.3 million), vehicles and equipment ($18.7 million), roadways ($15.9 million), and other miscellaneous projects ($6.2 million). Utilities investment focuses primarily on renewal and replacement of existing infrastructure, as well as ensuring adequate redundancy and backup power. The cost of commercial development projects are primarily related to environmental mitigation projects resulting from the establishment of Amazon's hub. Compliance and regulatory projects relate to completing the expansion of the spent aircraft deicing fluid system. The Board is also investing in information technology, including enterprise asset management systems and other critical systems, such as the closed circuit television system (CCTV) and other security systems, and utility monitoring. The vehicle and equipment replacement program was developed based on the age and estimated useful life of the fleet of equipment and vehicles and is updated annually to reprioritize the schedule. Roadways expenditures include the rehabilitation of existing roadways, as well as improvements to roadways serving the south airfield area of the Airport.

The Board submitted its most recent Airport Master Plan Update to the FAA in June 2013, which provided a blueprint for the growth of the Airport through the year 2035 (2035 Master Plan). The 2035 Master Plan identified several terminal area alternatives for purposes of meeting future alternative demand scenarios. Additionally, it identified the Series 2019 Project as a key project to address terminal curbside congestion and to enhance customer service.

In 2017, the Airport commenced work on an MPU Study to inform future capital investment decisions given the continued operational changes at the Airport since the completion of the 2035 Master Plan. These operational changes include the continued growth in origin passengers, growth of air cargo operations, and increased demand for aeronautical and non-aeronautical land development. The goal of the MPU Study is to provide a plan that will serve as a guide for future development so that it efficiently serves aviation needs, while preserving the Airport's flexibility to respond to changing aviation conditions. A major emphasis of the MPU Study has been on the age, condition, availability and suitability of existing passenger terminal facilities to meet future need. The MPU Study will select a preferred terminal passenger facility plan to help guide future terminal investment decisions. The selection criteria for determining the preferred terminal passenger facility include providing a high level of customer service, maximizing the reuse of existing facilities, and allowing for flexible incremental expansion based on demand. It is anticipated that the MPU Study will be complete and approved by the FAA in the first half of 2019, with the subsequent submission of the draft Airport Layout Plan to the FAA for review and approval. The future CIP is subject to change as the Board continues to refine capital needs and evaluate ongoing plans, including the MPU Study. The updates to the CIP resulting from the MPU Study may add projects to the CIP, requiring additional funding sources.

PASSENGER FACILITY CHARGES

Under federal regulations, airports may apply to the Federal Aviation Administration (the FAA) for the authority to impose and use a PFC to pay the costs of PFC eligible projects. For a project to be PFC eligible the project must preserve or enhance airport capacity, security or safety; mitigate the effects of aircraft noise; or enhance airline competition. Current PFC legislation allows for the collection of a PFC at certain levels between $1.00 and $4.50.

PFC revenues are collected by the ticketing airline from each eligible enplaned passenger. Of each PFC collected, airlines are allowed to retain $0.11 to cover their administrative costs and must remit the remaining amount to the airport sponsor. Airlines are required to remit net PFC collections to the Board on a monthly basis.

PFC Approvals

The Board has received FAA approval to impose and use PFCs at a collection level of $4.50 per eligible enplaned passenger at the Airport. The application of PFCs is restricted to specific purposes and, therefore, PFCs are not considered Revenues under the General Bond Resolution; however, PFCs that are irrevocably committed may be considered Designated PFC Revenues and included as Other Available Revenues.

The Board has had FAA approval to impose a PFC and use PFC revenues at the Airport nearly continuously since June 1, 1994. The PFC level at the Airport increased from $3.00 to $4.50 per eligible enplaned passenger in 2003 following FAA approval of an application that included projects eligible for a $4.50 PFC rate, then decreased to $3.00 in 2009, and then again increased to $4.50 in 2013.

Since the beginning of the Board's PFC program in 1994, the Board has submitted and received FAA approval for 14 PFC applications, as amended, authorizing the Board to collect and use $569.9 million of PFC revenue. Through September 2018, PFCs received by the Board, including investment earnings, totaled $559 million, of which approximately $480.2 million have been expended on approved project costs. Included in the approved PFC applications is the use of PFCs to pay the debt service requirements on the 2016 Revenue Bonds.

The Board's 15th PFC application was submitted to the FAA for approval in January 2019, with such approval being anticipated by June 2019. This application requests approval to impose and use $85.1 million of PFCs on additional projects, including the PFC eligible portions of the debt service on the Series 2019 Revenue Bonds, and will extend the Board's collection authority to December 1, 2023 (based upon approval to collect PFCs at $4.50 per qualifying enplaned passenger). At this time, the Board plans to use PFCs to fund a portion of the debt service on the Series 2019 Revenue Bonds, but has not elected to make an irrevocable commitment to do so. For the purposes of this Report, it is assumed that the Board will continue to submit new applications to the FAA as required in order to continue to collect a PFC of $4.50 per qualifying enplaned passenger throughout the Forecast Period. However, if PFC collections were to cease in the future, the Board would have already collected the approved amounts for all existing PFC-approved projects. Consequently, the Board should have sufficient amounts of, and the Board may use, PFCs on deposit in the PFC Project Fund to pay PFC-eligible debt service for the Series 2016 Bonds based on existing approvals. Additionally, once the Board's 15th PFC application is approved, the Board with have authorization to collect sufficient funds to pay PFC-eligible debt service for the Series 2019 Bonds.

As permitted by the General Bond Resolution, in the Series 2016 Resolution the Board irrevocably committed for the Fiscal Years ending December 31, 2016 through 2020 to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay the Principal and Interest Requirement on the Series 2016 Bonds. In the Series 2019 Resolution, the Board has not irrevocably committed to transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Revenue Bonds. However, the Board currently plans to take action in each Fiscal Year to irrevocably commit and transfer amounts on deposit in the PFC Project Fund to the Designated PFC Revenue Account to pay a portion of the Principal and Interest Requirement on the Series 2019 Bonds (and on the Series 2016 Bonds after December 31, 2020) but is under no obligation to do so.

Table 15
PFC Authority and Revenues
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(as of September 30, 2018; dollars in millions)

PFC Applications	Approval Amount	Revenues Applied	Remaining Authority
Closed PFCs *(a)*	$ 294.8	$ 294.8	$ -
Open PFCs			
PFC 8	$ 210.7	$ 210.7	$ -
PFC 14	64.5	53.5	10.9
Subtotal Open PFCs	$ 275.1	$ 264.2	$ 10.9
PFC 15 Future *(b)*	85.1	-	85.1
Total All PFC Applications	$ 655.0	$ 559.0	$ 96.1

(a) Closed PFCs are PFC applications that have been physically and financially completed and therefore closed and are no longer active.
(b) The Board anticipates submitting the PFC 15 application in 2019 as described in the text.

Sources: Federal Aviation Administration and the Kenton County Airport Board.

PFC Revenue Forecast Assumptions

PFC Revenues are a direct function of the authorized PFC level (currently $4.50 at the Airport), the administrative fee retained by the airlines ($0.11), and the number of eligible enplaned passengers. For the purposes of this Report it is assumed that the Board will continue to apply for new applications and amend existing applications with the FAA such that the PFC collection level will remain at $4.50 throughout the Forecast Period.

Under PFC regulations, certain passengers are specifically excluded from the requirement to pay a PFC on all or a portion of their flight itinerary. This includes: fliers traveling on a third boarding and beyond in a one-way trip; zero-fare passengers such as those on frequent flier award tickets; or airline crew traveling between stations, among others. The Board has historically experienced a collection rate of 91% in 2016 and 93% in 2017. For 2018 and the Forecast Period a rate of 88.5% is assumed. As shown in Exhibit 4, the Board's PFC Revenues (excluding associated PFC-restricted interest income) are forecast to increase from $17.3 million in 2018 to $19.5 million in 2024.

DEBT SERVICE REQUIREMENTS

Exhibit 4 also presents the estimated annual Designated PFC Revenues which the Board has irrevocably committed to the payment of debt service and to provide debt service coverage for the existing Series 2016 Bonds and the proposed Series 2019 Revenue Bonds. The estimated annual debt service for the Series 2019 Revenue Bonds was provided by Frasca & Associates, LLC, based on the assumptions provided in Table 16.

Table 16
Assumptions for Series 2019 Revenue Bonds
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport

	Series 2019 Revenue Bonds
Principal amount:	$34,995,000
Final maturity:	January 1, 2049
True interest cost:	4.35%

Source: Frasca & Associates, LLC., January 8, 2018

Other Available Revenues includes Designated PFC Revenues as committed by the Board, among other items. The debt service for the Series 2016 Bonds are assumed to be fully paid by Designated PFC Revenues, and the Series 2019 Revenue Bonds are assumed to be 89% paid by Designated PFC Revenues through the Forecast Period. No debt service for these Bonds are allocated to airline or Board cost centers in any rate-setting calculations described later in this Report.

O&M EXPENSES

In the General Bond Resolution, "Operations and Maintenance Expenses" or "O&M Expenses" mean the Board's expenses for the operation, maintenance and repair of the Airport. Included within the definition of O&M Expenses under the General Bond Resolution are Expensed Capital Outlays. Under the AUA, Expensed Capital Outlays are defined as expenditures of $50,000 or less that are capital in nature and are allocated to the cost centers. Under the General Bond Resolution, certain items that would be considered O&M Expenses under generally accepted accounting (e.g., amortization and depreciation, additional pension and post-employment benefits recorded pursuant to governmental accounting standards as discussed in the Official Statement, and operating expenses paid from funding sources other than Revenues) are specifically excluded from the definition of O&M expenses.

Historical Trends

As shown in Exhibit 5, O&M Expenses inclusive of Expensed Capital Outlays increased from $70.6 million in 2016 to a projected $87.9 million in 2018, representing an overall increase of 24.5%. The $17.3 million in additional expense is the result a 38% increase in Contracted Services and 19% increase in salaries, wages, and benefits.

Salaries, wages and benefits increased $7.1 million over the period from 2016 to 2018 prior to the recording of the $5.1 million in additional pension expense in 2015 pursuant to GASB Statement Number 68 (as discussed in the Official Statement). This increase primarily resulted from increases in wage rates, as well as increases in the number of full time equivalent positions over the period. Another contributing factor is the implementation in 2017 of a company-wide performance incentive program which is awarded based upon achieving certain company-wide performance metrics.

Contracted services are projected to increase by $6.7 million over the period from 2016 to 2018. Contracted service began to trend up in 2017 with increases in major maintenance work, infrastructure condition assessments performed in support of the ongoing Master Plan Update Study, and development of a formal asset management program and technology initiatives.

Forecast

The O&M Expense budget for 2019 totals $96.1 million including Expensed Capital Outlays. This represents a 9.3% increase from 2018 projected. For the Forecast Period from 2019 through 2024, the total O&M Expenses grow at a compounded annual rate of 5.8% from the 2019 budget baseline. The growth rates for separate line items are shown in Table 17.

Table 17
O&M Expenses Forecast Assumptions
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(for years 2019 through 2024)

Line Item	Compound Annual Growth Rate
Salaries & Benefits	4.6%
Employee Insurance	5.0
Pension	9.9
Salaries Other	3.0
Outside Contractors	9.1
Equipment & Facilities	2.5
Supplies & Materials	3.2
Utilities	4.8
Other	2.5
Expensed Capital	2.5

Source: Kenton County Airport Board.

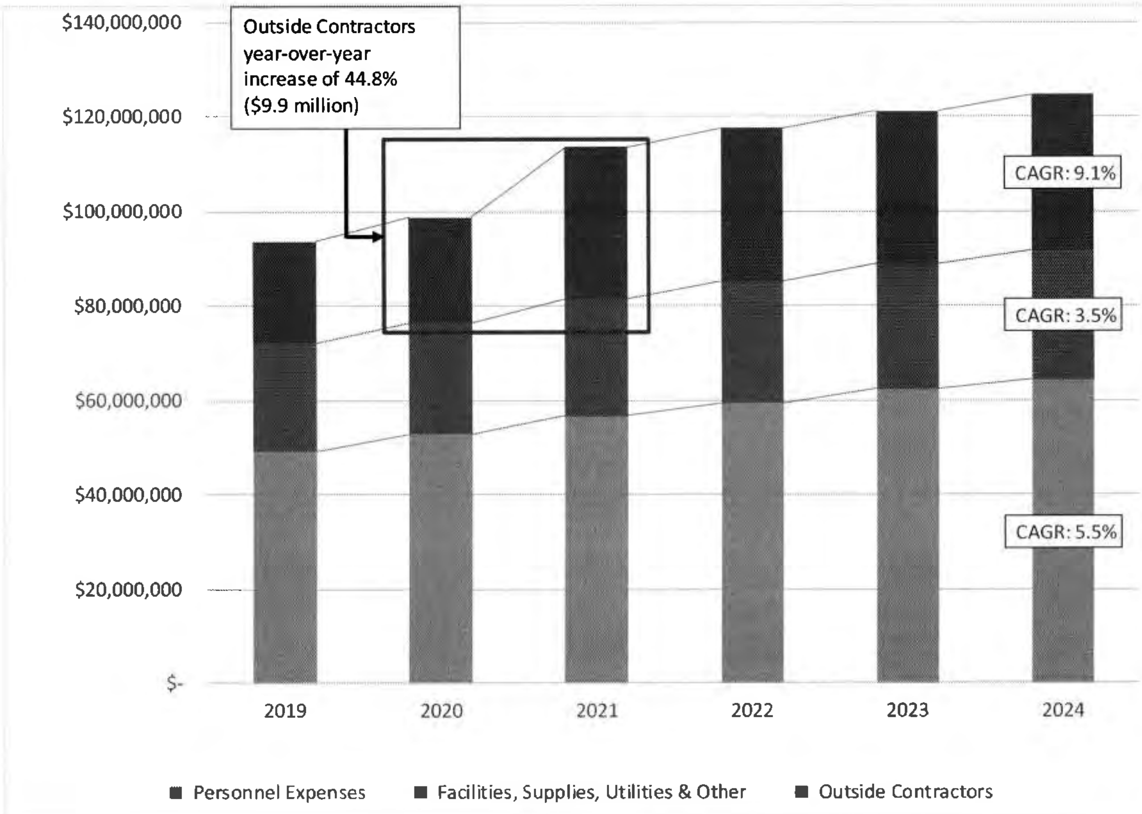
The primary drivers for each of the line items are as follows:

- *Salaries & Benefits*. Based upon management's guidance on anticipated future wage and salary increases, as well as increases to full-time equivalent employees associated with increased activity in the south airfield area of the Airport primarily related to cargo and the return of Delta facilities to the Board.
- *Employee Insurance*. Based upon projections of future health care costs.
- *Pension*. Based upon Board projections (see Official Statement for additional discussion of pension funding requirements and associated accounting).
- *Salaries Other*. Based upon management's guidance on anticipated future wage and salary increases.
- *Outside Contractors*. Based upon the forecast Consumer Price Index for All Urban Customers (CPI-U) from the Congressional Budget Office, in conjunction with additional incremental O&M expenses as described below.
- *Equipment & Facilities*. Based upon the forecast CPI-U.
- *Supplies & Materials*. Based upon the forecast CPI-U in conjunction with additional incremental O&M expenses necessary to complete anticipated project work, as well as additional requirements due to increased cargo aircraft activity.
- *Utilities*. Reflects an aggregate of forecasts for (1) electric, (2) gas, and (3) water and sewer costs. Electric and gas forecasts are based upon the Energy Information Administration's projections and the water and sewer forecast is based upon historical and projected rate increases.
- *Other*. Based upon the forecast CPI-U.
- *Expensed Capital Outlays*. Based upon the forecast CPI-U.

The CPI-U, which drives several of the line items in the O&M Expenses, is forecast by the Congressional Budget Office to increase 2.5% in 2020, 2021, and 2022, and is anticipated to increase 2.4% each year throughout the remainder of the Forecast Period.

O&M Expenses for outside contractors are forecast to increase 44.8% in 2021 (from $22.2 million in 2020 to $32.1 million in 2021, or $9.9 million) (see Figure 12). This increase is primarily attributed to multiple airport systems changing from Delta's control and maintenance responsibility to the Board. The $9.9 million increase is comprised of: Baggage system maintenance ($2.7 million), AGTS maintenance ($2.4 million), Concourse B Loading Bridges maintenance ($2.2 million), Ramp Tower operation ($1.1 million), and housekeeping, Pre-Conditioned Air, and Delta Cargo building expenses ($0.8 million). Additionally, Outside Contractors expenses increase in 2021 due to the 2019 Project ($0.5 million). The total 2021 increase to Outside Contractors expense is the primary factor causing the compound average growth rate to exceed CPI-U of 2.5% over the forecast period, as the year-over-year budgeted increase for all other years in in the forecast period is no higher than 3.5% in any single year.

Figure 12
O&M Expenses Forecast
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(for years 2019 through 2024)



Source: Kenton County Airport Board.

REVENUES

In the General Bond Resolution, "Revenues" generally include all income, receipts, earnings and revenues received by or accrued to the Board from the operation and use of and for the services furnished or to be furnished at the Airport. Revenues will be calculated based on GAAP, except that such calculation will include and exclude those items specifically included or excluded in the definition of Revenues, and also in certain situations where the timing of receipt is more than one year in the future. Revenues do not include any PFCs, Customer Facility Charges (CFCs) or Grant Funds, provided however that Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenue may be deemed Other Available Revenues for one or more Series of Bonds under any Series Resolution or other resolution duly adopted by the Board.

Historical Trends

As shown in Exhibit 6, total operating revenues are projected to increase from $84.8 million in 2016 to $105.3 million in 2018, representing an average rate of change of 11.4% per year.

Forecast

The budget for 2019 reflects an 8.0% increase in operating revenues compared to the budget for 2018. It represents a 7.2% change from the estimated results for 2018.

The forecast of operating revenues during the Forecast Period (2019 through 2024) reflects a compound growth rate of 4.7%, increasing from the baseline of $113 million in 2019 to $142 million in 2024. Based on direction from the Board, upon expiration of the AUA and related Terminal Agreements at the end of 2020, the forecast assumes that the methodology for calculating Landing Fees and Terminal Rentals as established under the AUA will continue in a substantially similar manner through 2024 with slight adjustments. These adjustments relate primarily to the Board assuming the operation and maintenance of certain facilities and equipment currently operated and maintained by Delta and the expiration of the Terminal Lease Agreements.

Additional details pertaining to historical, budget, and forecast Airport Revenue trends and assumptions are described below by category or classification.

Table 18
Revenue Forecast
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(for years 2019 through 2024)

	2018 Projected		2019 Forecast		2024 Forecast		'19-'24
	Revenues	% Ttl	Revenues	% Ttl	Revenues	% Ttl	CAGR
Operating Revenues							
Airline Revenues (a)							
Landing Fees	$ 21,134,403	20.1%	$ 23,727,691	21.0%	$ 33,548,570	23.7%	7.2%
Terminal and Ramp Rentals and Use Charges	15,920,088	15.1	19,394,233	17.2	25,070,598	17.7	5.3
Miscellaneous Airline Revenues	173,430	0.2	173,430	0.2	-	0.0	n/a
Subtotal Airline Revenues	$ 37,227,921	35.4%	$ 43,295,354	38.4%	$ 58,619,167	41.4%	6.2%
Non-airline Revenues							
Parking	$ 43,456,196	41.3%	$ 43,264,348	38.3%	$ 50,043,973	35.3%	3.0%
Rental Cars	8,177,821	7.8	8,315,265	7.4	9,315,875	6.6	2.3
Terminal Concessions	5,809,737	5.5	6,182,596	5.5	7,715,062	5.4	4.5
Commercial Development	5,302,347	5.0	6,207,440	5.5	9,207,820	6.5	8.2
Reimbursed O&M Expenses	2,753,598	2.6	2,838,516	2.5	3,279,399	2.3	2.9
Other Non-airline Revenues	2,533,242	2.4	2,726,010	2.4	3,535,519	2.5	5.3
Subtotal Non-airline Revenues	$ 68,032,940	64.6%	$ 69,534,173	61.6%	$ 83,097,647	58.6%	3.6%
Total Operating Revenues	$ 105,260,861	100.0%	$ 112,829,528	100.0%	$ 141,716,814	100.0%	4.7%

(a) Airline Revenues as recorded are net of the applicable NRR adjustments.

Source: Kenton County Airport Board.

Airline Revenues

Airline revenues are those revenues paid by the airlines to the Board and are driven by the provisions agreed to in the AUA. The key categories of Airline Revenues are Landing fees and Terminal Rentals (which include terminal apron rentals). Airline revenues are forecast to increase from $43.3 million in 2019 to $58.6 million in 2024, a compound growth rate of 6.2%.

Airline revenues increase in 2021 at a higher rate than other forecast years primarily due to the expiration of the AUA and the related Terminal Lease Agreements. Contributing to a lesser extent are increased costs related to increased activity in the Airport's south airfield area primarily related to cargo. Multiple cost centers are impacted by the Board assuming the operation and maintenance of certain facilities and equipment currently operated and maintained by Delta. The Airfield Cost Center is primarily impacted by the increase in cargo activity (see section O&M Expenses, Figure 12, and accompanying text).

Landing Fees

Landing fees at the Airport are calculated under the AUA using a cost center residual methodology and are based on the Airfield Cost Center Requirement. The landing fee rate is calculated by determining the Airfield Cost Center Requirement reduced by any revenues received for use of the Terminal Ramp Area and other ramp areas of the Airport and further reduced by the NRR allocated to reduce the Airfield Cost Center Requirement. This net requirement is then divided by total landed weight, adjusted to account for the landed weight of non-signatory airlines. Non-signatory airlines are charged at a premium of 15%.

Landing fees are forecast to increase from $23.7 million in 2019 to $33.5 million in 2024, a compound growth rate of 7.2%. This increase primarily relates to an increase in the Airfield Cost Center Requirement due to the increase in operating expenses. Also contributing is a reduction in the NRR credit applied to reduce the landing fee rate related primarily to the increase in overall operating expenses.

Table 13 shows historical and forecast aircraft landings and landed weight. Table 11 shows the historical all-cargo landed weight and total cargo in millions of pounds. A key part of the growth in landings and landed weight has been driven by all-cargo operators. In 2017, landed weight increased 33.3% and total cargo increased 27.5%, year over year. Year-to-date data through September 2018 shows a 29.3% increase in landed weight and a 23.9% increase in total cargo. Total landed weight increased 10.1% per year, on average, between 2013 and 2017, increasing from 7.0 million tons in 2013 to 10.3 million tons in 2017. Approximately two-thirds of that increase is attributable to all-cargo airlines.

Cargo landed weight accounted for 55% of total aircraft landed weight at the Airport in 2017, up from 49% in 2013. For the 9 months ended September 2018, cargo landed weight accounted for 57.0% of total aircraft landed weight at CVG. DHL, Delta, and Amazon Air accounted for the largest shares of landed weight for 2018 year-to-date, at 40.2%, 18.9%, and 14.1%, respectively. By 2024, cargo related landed weight is projected to increase to 61.9% of total aircraft landed weight, with this increase serving to reduce the percentage of airfield costs being paid for by the passenger carriers.

Terminal and Ramp Rental and Use Charges

Each passenger airline that is a Signatory under the AUA leases airport facilities under separate Terminal Lease Agreements. The Board currently utilizes separate terminal agreements (as opposed to a consolidated use and lease agreement) to accommodate terminal leases. The AUA establishes the methodology for calculating the various terminal-related rates and charges to be paid under the Terminal Lease Agreements. The rentals, fees and charges paid for the use of the terminal and related ramp, under these agreements constitute Terminal Rentals as defined in the AUA.

Under the AUA, terminal rental rates utilized in calculating terminal rental fees and charges are calculated using a commercial compensatory methodology. The terminal rental rate is calculated by first determining a gross terminal rental rate which is calculated by dividing the Terminal Cost Center Requirement by the leasable square footage in the terminal building to arrive at a rate per square foot. This rate is then reduced by a concessions credit calculated by dividing Concession Revenues by leasable square footage. There is also currently a separate Loading Bridge Cost Center and the charges for the use of Loading Bridges are calculated in a manner to fully recover the Loading Bridge Cost Center Requirement.

The rental rate for the Terminal Ramp Area is determined by multiplying the Airfield Cost Center Requirement by 20%, which results in the Terminal Ramp Area Requirement. This requirement is divided by the total available lineal footage for all Terminal Ramp Area to arrive at a rate per lineal foot.

Under the AUA, a share of the NRR is applied by formula to reduce Terminal Rentals (see section The AUA, Table 14, and accompanying text).

Certain terminal gates are utilized on a common-use basis and passenger airlines are issued a permit under which they have the right to use specified gates and ticket counters on a per turn basis for a certain period of time. These operations are billed utilizing a per turn fee that is calculated based on a proration of the terminal rental, fees and charges as calculated under the AUA related to the facilities and equipment being used.

Terminal and Ramp Rental and Use Charges are forecast to increase from $19.4 million in 2019 to $25.1 million in 2024, a compound growth rate of 5.3%. There are three primary drivers of increased Terminal and Ramp Rentals & Use Charges:

- Increased airline cost center requirements related to terminal space, aircraft apron, and loading bridges,
- Reduced NRR shared with the airlines, due to projected overall increase in operating expenses over the forecast period, and
- Increased usage of common use (per turn) gates relative to the increase in forecasted passenger airline flight activity.

Concourse B has 28 gates, all of which are leased by Delta under the Terminal Lease Agreement. Upon expiration of the AUA and the Terminal Lease Agreements, the forecast assumes the leasing of 16 gates in Concourse B based on the projected passenger airline activity levels. Concourse A has a total of 15 gates leased and 4 gates frequently used for per turn operations, which is also assumed in all years of the forecast.

Ground Transportation

Ground transportation includes public parking, employee parking, car rentals, and other ground transportation such as per trip fees generated from taxis, transportation network companies (TNCs), and other ground transportation providers. Table 19 summarizes historical ground transportation transactions recorded at the Airport. Note this data does not include pick-ups and drop-offs from personal vehicles. Parking is the largest generator of ground transportation transactions for the Airport, accounting for 59% of total transactions year to date in 2018. Rental car transactions accounted for 22% of ground transportation transactions in 2018, and TNCs and taxis accounted for 14% and 4%, respectively.

Recent quantitative and qualitative evidence from across the country indicates that the entrance of Transportation Network Companies (TNCs) has adversely affected four airport industry segments: taxis, shared-ride van operators, rental car companies, and parking operators. National trends also show that TNCs accounted for an increasing share of business traveler ground transportation transactions.

Table 19
Ground Transportation Transactions and Market Share
Kenton County Airport Board
Cincinnati / Northern Kentucky International Airport
(numbers in thousands)

	2016	2017	% Change	2017 YTD	2018 YTD	% Change
Originating Passengers	3,008	3,652	21%	2,697	3,152	17%
Resident Passengers *(a)*	1,811	2,305	27%	1,721	1,975	15%
Visitor Passengers *(a)*	1,196	1,348	13%	977	1,177	21%
Transactions						
Airport Parking						
Garage	622	705	13%	526	605	15%
Long-term	280	349	25%	259	293	13%
Valet	22	23	4%	17	20	19%
Subtotal	924	1,078	17%	803	918	14%
Other GT						
Rental Cars	376	428	14%	314	347	11%
Taxicabs	93	77	-17%	59	56	-5%
TNCs	100	204	103%	143	216	51%
Van Shuttles	51	33	-35%	29	14	-52%
Subtotal	620	741	19%	545	633	16%
Total GT Transactions	1,544	1,819	18%	1,347	1,551	15%
Share of Total Transactions						
Airport Parking	60%	59%		60%	59%	
Rental Cars	24%	24%		23%	22%	
Taxicabs	6%	4%		4%	4%	
TNCs	6%	11%		11%	14%	
Van Shuttles	3%	2%		2%	1%	
Total GT Transactions	100%	100%		100%	100%	

(a) 2018 Q3 Resident & Visitor passenger counts are estimated.

Note: YTD= 9 months year-to-date, January through September.

Source: Kenton County Airport Board.

Public Parking

Public parking at the Airport is accommodated in two types of facilities: terminal garage, and economy surface lots. Garage parking is provided immediately adjacent to the Main Terminal in a concrete parking deck with a total of 6,200 parking spaces. The Airport has two remote surface parking lots to serve passengers with shuttle transportation from the parking lots to the terminal. The larger lot has 6,100 spaces; the smaller lot has 1,400 spaces, opened in 2018, and currently serves as an overflow lot to meet peak period demand.

These parking facilities are offered to customers in 4 segmented offerings (prices shown are as of December 31, 2018) (See Table 11):

- Curbside valet ($25 per day, in terminal garage)
- Premium Reserved ($20 per day, in terminal garage)
- Terminal Garage ($16 per day, in terminal garage)
- CVG ValuPark ($9 per day, in surface lots)

Parking operations generated $31.7 million in 2016, projected to increase to $43.5 million in 2018. Parking revenue is a function of parking rates and passenger traffic, specifically passengers originating their travel at the Airport. The Board has a management agreement with Standard Parking under which all parking revenues are paid to the Board and the Board pays Standard a monthly fee to provide operation, management, and maintenance of on-Airport parking facilities.

Parking customers are divided into two distinct groups determined by their duration of stay: hourly customers and daily customers. Hourly customers stay for less time than required to reach the daily maximums per parking structure and primarily park in the terminal garages. Hourly customers constitute an estimated 23% of the parking transactions, but only 2% of the overall public parking revenues. Daily customers stay for more time than needed to reach the daily maximum per parking structure. Daily garage customers are 43% of total parking transactions but produce 53-54% of the overall public parking revenues. Table 20 summarizes the daily rates, total capacity, and revenues for the parking facilities.

Table 20

Public Parking Rates, Capacity, and Revenues

Kenton County Airport Board

Cincinnati / Northern Kentucky International Airport

	Rate	% Transactions (estimated)	Actual 2017	Projected 2018	Budget 2019
Garage *(a)*					
Short-term	$3 per hour /	23.0%	$ 780,393	$ 915,598	$ 915,598
Long-term	$16 per day	43.0%	19,923,006	23,374,706	23,374,706
ValuPark	$9 per day	31.8%	13,582,354	16,143,846	16,111,850
Valet	$25 per day	2.2%	1,595,978	1,921,678	1,921,678
Subtotal Public Parking		**100.0%**	**$ 35,881,731**	**$ 42,355,828**	**$ 42,323,832**

(a) Garage Parking is not divided into long- and short-term sections; customers are charged $3 per hour up to a daily maximum of $16. For this analysis, customers have been separated based on length of stay using October 2018 data with short-term staying less than 4 hours and long-term staying 4 hours or greater. Reserved garage parking is also available at an additional charge of $4 per day.

(b) Excludes Off-Airport and Employee Parking. The Board ended its paid parking program for certain permitted employees in July 2018.

Source: Kenton County Airport Board.

2018 public parking revenues are projected to increase from prior levels, from $30.5 million in 2016 to $42.4 million in 2018, a compound annual growth rate of 17.8%. Originating enplaned passengers increased an average of 16.7% over this period, meaning that a larger percentage of originating enplaned passengers utilized the parking facilities, and/or those passengers utilizing the parking facilities parked on average for longer durations, and/or those passengers parked in less cost-effective locations.

While 2019 Public Parking Revenues are budgeted to decrease slightly from 2018 Projections, 2018 year-to-date results through October have shown actual revenues outpacing budgeted figures by a cumulative $3.8M. Future parking revenues are forecast to increase in accordance with originating-passenger traffic and two forecasted sets of $1.00 per day increases in price for ValuPark and daily garage parking, in 2021 and 2024, respectively. These changes result in a forecast increase from a 2019 budget of $42.3 million to $49.1 million in 2024, an average annual increase of 3.0%. Total Parking revenues are forecast to comprise approximately 59-64% of non-airline revenues throughout the Forecast Period.

Off-Airport and Employee Parking

Off-Airport parking revenues totaled $0.9 million in 2017. Off-Airport parking revenues are budgeted at $0.9 million in 2018, and are forecast to remain at that level through the forecast period. Employee parking revenues totaled $0.4 million in 2017, and are budgeted at $0.1 million for 2018. As of July 2018, the Board ended its employee parking program which provided paid parking for certain permitted employees in designated employee parking locations at the Airport.

Rental Car

There are currently ten on-airport rental car operators (Hertz, Budget, Avis, Payless, Zipcar, Dollar, Thrifty, Alamo, National, and Enterprise) at the Airport, which are owned by a total of three companies. There are no off-airport rental car operators at the Airport. The Board has been operating under one-year license agreements with each of these operators, which are renewable on a year-to-year basis. Under the license agreements, the rental car operator pays a fee equal to 10% of gross revenues. Additionally, the Board has a total of five ground and building leases, with the three companies that own the rental car operators, for the rental car service centers, at which customer service and maintenance functions occur for the various airport rental car operators, except Enterprise. All of these agreements have a term that ends on October 31, 2021 and have a one-year option period. Ean Holdings, the owner of the Alamo/National and Enterprise concession at the Airport, also has a ground lease that runs through 2025 for a separate car storage lot. The Enterprise brand operates from an off-airport rental car service facility leased from a third party.

In September 2018, the Board issued a request for proposal (RFP) for qualified companies to conduct automobile rental business from the consolidated rental car facility (CONRAC) being constructed as part of the Consolidated Ground Transportation Facility. In order to conduct its automobile rental business from the CONRAC, pursuant to the RFP, the companies were required to enter into a Rental Car Concession Agreement (RAC Concession Agreement) and a Consolidated Rental Car Facility Agreement (CONRAC Facility Agreement). In November 2018, the Board approved entering in the RAC Concession Agreement and CONRAC Facility Agreement with the following four companies: 1) EAN Holdings, LLC operating the Enterprise Rent-A-Car, Alamo Rent a Car and National Car Rental brands; 2) Avis/Budget Car Rental LLC operating the Avis, Budget Rent a Car, Payless Car Rental and Zipcar brands: 3) The Hertz Company operating the Hertz, Thrifty Car Rental and Dollar Rent A Car brands; and 4) Tom Wood Rental Kentucky, Inc. operating as Sixt Rent A Car.

Under the RAC Concession Agreement, each RAC will pay the greater of 10% of gross revenues or a minimum annual guarantee. They are also granted the rights to exclusively lease and use common space and equipment in the CONRAC. Under the agreement, the RACs are required to enter into the CONRAC Facility Agreement and commence operations in the CONRAC upon commencement of the term of the RAC Concession Agreement. Additionally, under the CONRAC Facility Agreement, each RAC is obligated to pay a pro-rata share of ground rent pertaining to the footprint of the CONRAC. Upon moving its operations to the CONRAC, the rental car operators will no longer be allowed to rent cars from its rental car service centers. Until the term of the RAC Concession Agreement commences, the rental car companies will continue to operate under the terms of the existing license agreements.

Revenue from rental cars is projected to grow from $7.0 million in 2016 to $8.2 million in 2018. This amount includes concessions fees from rental car companies; leases for counter space in the terminal building are included in Other Revenues as non-airline terminal rentals. The Board collects a percentage of revenues from the rental car companies operating at the Airport. CFCs are not included in rental car revenue and are excluded from the definition of Revenues in the General Bond Resolution.

Rental car revenue is forecast to increase to $9.3 million in 2024, a compound annual increase of 2.3% between 2019 and 2024. Rental Car Revenues are derived by determining (1) visiting O&D passenger growth, multiplying this total by (2) propensity to rent (likelihood of an individual visiting O&D passenger to rent a car) to determine total transactions, and multiplying total transactions by (3) estimated days per rental to determine transaction-days. We have assumed a 1.0% annual increase to prices, which combined with growth in transaction days, account for the total growth in rental car revenues. Rental car revenue is forecast to comprise approximately 11-12% of non-airline revenue during the Forecast Period.

Other Ground Transportation

Other ground transportation services include commercial vehicles, most notably taxicabs, limos, and hotel/motel shuttles, as well as the recent (2015) introduction of transportation network companies (TNCs) such as Uber and Lyft into the Airport market (collectively defined as the Other Ground Transportation Market). TNCs, like taxicabs, are charged a fee for operating at the Airport, currently set at $3.00 per pickup (as of the date of this Report).

While there is still limited historical data to draw upon, preliminary indications are that, in addition to capturing portions of existing ground transportation and car rental markets, TNCs are also, due to their convenience, expanding the size of the ground transportation market by accommodating passengers who may have otherwise relied upon nonrevenue modes of transportation to and from the Airport (e.g. family, friends).

As TNC market share has increased, the market shares of other ground transportation services, most notably taxicabs, van services, and prearranged pickup services, have decreased. For example, taxicabs accounted for 10% of Other Ground Transportation transactions in 2017 (down from 15% in 2016), while during this same time period TNCs moved to 27% (up from 16% in 2016).

Other Non-Airline Revenues

Terminal Concessions

Terminal concessions revenues consist of various concession fees paid by companies operating concessions within the terminal building, of which they pay a percentage to the Board. The Board has agreements to lease space to concessionaires who provide food, beverages, specialty retail, news, gifts and other products and services to users of the Airport. The length of these contracts varies with some terms being month-to-month and with the latest expiration date being October 21, 2022. Under these agreements concessionaires are generally obligated to pay the higher of a percentage of gross revenues or a minimum annual guarantee. These revenues are forecast to comprise approximately 9% of non-airline revenues over the Forecast Period, resulting in approximately $7.7 million of revenue in 2024.

Commercial Development

The Board actively pursues opportunities to utilize its property for functions which generate additional revenue and are compatible with airport operations. The Board expects revenue from this commercial development to comprise approximately 8-11% of non-airline revenues over the Forecast Period, resulting in approximately $9.2 million of revenue in 2024.

In the Board's financial forecasts, it is assumed that an existing hangar facility will be re-leased beginning in 2023, providing rental revenue of $528,000 per year in the forecast period. In addition, a new cargo and logistics lease is anticipated in 2020 ($0.1 million per year), a new Amazon lease is anticipated to begin in 2022 ($2.0 million per year), and a new Lynx/Feam Hangar lease is anticipated to begin in 2020 ($0.1 million per year).

Cargo related revenues are projected to increase from the Amazon Agreement (as described below). Amazon uses Amazon Air aircraft to move packages between their warehouses and sorting facilities. As of November 2018, Amazon Air has 40 Boeing 767 aircraft in their fleet and is reportedly seeking additional aircraft. The airline accounted for nearly half of the increase in landed weight experienced at the Airport in the first 9 months of 2018. Increases in cargo landed weight have benefited passenger airlines due to the cost recovery nature of the landing fee calculation. For example, given a relatively fixed cost of operating and maintaining an airfield, increases in landed weight for cargo carriers distribute costs to cargo carriers, which in turn reduces costs on passenger airlines, all other things equal. Additionally, ground rent under the cargo ground leases as described below help to diversify airport revenue streams.

<u>DHL Agreement.</u> The Board has a ground lease with DHL for a 182-acre site, with the option for an additional 50 acres adjoining the south end of its existing leasehold interest. The agreement expires in December 2045, with two additional five-year extension options. DHL constructed the improvements on the site and has invested more than $500 million in the facility, from which DHL operates its largest North American hub.

<u>Amazon Agreement.</u> In January 2017, the Board entered into a term sheet with Amazon Fulfillment Services, Inc., which provided the framework for entering into agreements pertaining to the development by Amazon of a proposed air cargo operation at the Airport. This term sheet pertains to the option to lease approximately 440 acres in the south airfield area of the Airport and approximately 479 acres of land in the north airfield area of the Airport. Since that time, work has been underway for the planning of Amazon's cargo hub development and development of the related

agreements, which, under the term sheet, will include an overall Development Framework Agreement that pertains to rights to develop both the south airfield and north airfield sites and ground leases to be entered into as the sites are developed. The initial term of each ground lease will be 50 years. At Amazon's option, when entering into a new ground lease, it will extend the term of prior ground leases so that all ground leases expire at the same time. Amazon is permitted to assign ground leases to affiliates. Amazon.com, Inc. is to provide a $70,000,000 guaranty to secure payment obligations under all ground leases. The initial development is planned to occur on the south airfield site. The Board anticipates contributing $5,000,000 to fund infrastructure costs to be specified in the Development Framework Agreement. The Development Framework Agreement and the ground lease for the south airfield site will be finalized prior to the start of the construction on the south airfield site. The parties are not bound until definitive documents are agreed upon between the parties.

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

Other Revenues. Other revenues include reimbursed O&M, aircraft servicing and catering, ground transportation (limo, shuttle, and transportation network company access fees), non-airline terminal rentals, and other miscellaneous revenues. These categories are forecast to comprise approximately 8% of non-airline revenues over the Forecast Period, resulting in approximately $6.8 million of revenue in 2024.

RATE COVENANT COMPLIANCE

In Section 8.03(b), Rate Covenant, of the General Bond Resolution, the Board covenants to meet a requirement defined for the purposes of this Report as a "Coverage Requirement." That section states:

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

Exhibit 7 presents the forecasts of debt service coverage, taking into consideration debt service on the existing Series 2016 Bonds and the proposed Series 2019 Revenue Bonds. The 125% Coverage Requirement of the Rate Covenant of the General Bond Resolution is met in all years of the forecast.

STRESS TEST

Exhibit 8 presents the stress test forecasts of debt service coverage, taking into consideration debt service on the existing Series 2016 Bonds and the proposed Series 2019 Revenue Bonds. The stress test forecasts are as presented earlier. (See the chapter "Air Traffic Forecasts" and caption "Stress Test Forecast of Passengers."). For the stress test, total originating, resident, and visitor passengers were forecast to decline 15% in 2020. Such a reduction is similar to that experienced at the Airport during the 2008-09 economic recession. After the 15% decline, passenger numbers were forecast to increase at the same rates as the base case forecast.

Under the stress test scenario, the calculation of debt service coverage indicates the 125% Coverage Requirement of the Rate Covenant of the General Bond Resolution is met in all years of the forecast.

Exhibit 1
Air Traffic Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Historical		Projected	Forecast					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Enplaned Passengers									
By Itinerary Type									
O&D Enplaned Passengers (1)									
Resident	1,811,217	2,304,726	2,539,535	2,580,911	2,641,100	2,704,440	2,762,540	2,815,560	2,876,340
Visitor	1,196,315	1,347,544	1,555,000	1,582,000	1,618,000	1,658,000	1,693,000	1,725,000	1,763,000
Subtotal O&D Enplaned Passengers	3,007,532	3,652,270	4,094,535	4,162,911	4,259,100	4,362,440	4,455,540	4,540,560	4,639,340
Change yr-over-yr		*21.4%*	*12.1%*	*1.7%*	*2.3%*	*2.4%*	*2.1%*	*1.9%*	*2.2%*
Connecting Enplaned Passengers	376,406	273,888	354,614	360,882	368,290	363,460	361,230	365,730	371,150
Change yr-over-yr		*-27.2%*	*29.5%*	*1.8%*	*2.1%*	*-1.3%*	*-0.6%*	*1.2%*	*1.5%*
Total Enplaned Passengers	3,383,938	3,926,158	4,449,149	4,523,793	4,627,390	4,725,900	4,816,770	4,906,290	5,010,490
Change yr-over-yr		*16.0%*	*13.3%*	*1.7%*	*2.3%*	*2.1%*	*1.9%*	*1.9%*	*2.1%*
Landed Weight (1,000 lbs)									
By Airline Type									
Passenger	3,979,995	4,606,347	5,076,116	5,137,742	5,191,452	5,323,548	5,436,023	5,539,694	5,659,949
Cargo	4,282,174	5,706,763	7,106,742	7,340,431	7,894,915	8,459,207	8,710,841	8,940,790	9,163,251
Other	32,580	28,220	25,225	25,225	25,232	25,232	25,232	25,232	25,232
Total Landed Weight (1,000 lbs)	8,294,749	10,341,330	12,208,083	12,503,398	13,111,599	13,807,987	14,172,096	14,505,716	14,848,432
Change yr-over-yr		*24.7%*	*18.1%*	*2.4%*	*4.9%*	*5.3%*	*2.6%*	*2.4%*	*2.4%*

Source: Kenton County Airport Board and LeighFisher.
1.) U.S. Department of Transportation, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1, accessed November 2018.

Exhibit 2a
Estimated Costs and Cash Flow
Capital Improvement Program
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

	Total Costs	Prior	Subtotal 2019-24	2019	2020	2021	2022	2023	2024
Consolidated Ground Transportation Facility									
Main Terminal Roadway Improvement Project	$ 35,263,466	$ 19,250,463	$ 16,013,004	$ 16,013,004	$ -	$ -	$ -	$ -	$ -
Consolidated Rental Car Facility & Ground Transportation Center	169,698,238	9,013,493	160,684,745	31,739,730	110,565,424	18,379,591	-	-	-
Subtotal Consolidated Ground Transportation Facility	$ 204,961,704	$ 28,263,956	$ 176,697,749	$ 47,752,734	$ 110,565,424	$ 18,379,591	$ -	$ -	$ -
Airfield									
Runway and Taxiway Improvements	$ 34,081,028	$ 1,081,305	$ 32,999,723	$ 11,044,223	$ 10,977,750	$ 10,977,750	$ -	$ -	$ -
Apron & Ramp Rehabilitation	16,641,268	5,437,005	11,204,263	3,254,263	1,550,000	3,400,000	3,000,000	-	-
Other	8,650,000	132,000	8,518,000	88,000	4,390,000	4,040,000	-	-	-
Subtotal Airfield	$ 59,372,296	$ 6,650,310	$ 52,721,986	$ 14,386,486	$ 16,917,750	$ 18,417,750	$ 3,000,000	$ -	$ -
Terminal									
Main Terminal Improvements	$ 25,021,404	$ 7,269,259	$ 17,752,145	$ 600,556	$ 1,065,556	$ 3,345,556	$ 555,556	$ 11,629,365	$ 555,556
Concourse B Modernization & Refurbishment	7,879,800	1,254,800	6,625,000	1,625,000	500,000	4,500,000	-	-	-
Terminal Joint Use Equipment (BHS, AGTS, CUSP, FIDS)	19,712,405	2,672,405	17,040,000	361,000	6,610,720	6,910,720	1,860,720	936,120	360,720
Passenger Loading Bridges	12,040,000	1,600,000	10,440,000	800,000	-	3,950,000	1,600,000	2,490,000	1,600,000
Subtotal Terminal	$ 64,653,609	$ 12,796,464	$ 51,857,145	$ 3,386,556	$ 8,176,276	$ 18,706,276	$ 4,016,276	$ 15,055,485	$ 2,516,276
Facilities Infrastructure									
Roof Replacements	$ 5,857,840	$ 1,488,840	$ 4,369,000	$ -	$ 3,033,000	$ 1,336,000	$ -	$ -	$ -
Other Facilities	3,925,000	-	3,925,000	850,000	1,825,000	-	1,250,000	-	-
Subtotal Facilities Infrastructure	$ 9,782,840	$ 1,488,840	$ 8,294,000	$ 850,000	$ 4,858,000	$ 1,336,000	$ 1,250,000	$ -	$ -
Parking									
Parking Lot Improvements	$ 2,396,423	$ 531,423	$ 1,865,000	$ 1,365,000	$ 500,000	$ -	$ -	$ -	$ -
PFC PayGo expenditures - CIP projects	12,918,647	2,561,647	10,357,000	2,766,668	2,398,668	1,691,664	3,500,000	-	-
Subtotal Parking	$ 15,315,070	$ 3,093,070	$ 12,222,000	$ 4,131,668	$ 2,898,668	$ 1,691,664	$ 3,500,000	$ -	$ -
Other									
Utilities	$ 10,542,000	$ 619,995	$ 9,922,005	$ 3,452,000	$ 2,436,669	$ 1,566,668	$ 1,066,668	$ 1,400,000	$ -
Commercial Development	39,256,731	4,298,874	34,957,857	33,794,251	1,163,606	-	-	-	-
Compliance/Regulatory	6,019,230	6,019,230	-	-	-	-	-	-	-
Information Technology	26,253,042	5,586,790	20,666,252	1,125,000	4,652,962	2,720,636	7,282,654	2,885,000	2,000,000
Vehicles & Equipment	18,690,922	717,922	17,973,000	1,239,000	4,869,000	4,005,000	2,060,000	3,850,000	1,950,000
Roadways	15,908,165	2,613,137	13,295,028	3,370,028	2,840,000	5,585,000	500,000	500,000	500,000
Other	6,213,039	1,330,301	4,882,738	487,000	356,798	4,038,940	-	-	-
Subtotal Other	$ 122,883,130	$ 21,186,250	$ 101,696,880	$ 43,467,279	$ 16,319,035	$ 17,916,244	$ 10,909,322	$ 8,635,000	$ 4,450,000
	-								
Total Capital Improvement Program	$ 476,968,651	$ 73,478,891	$ 403,489,760	$ 113,974,723	$ 159,735,153	$ 76,447,525	$ 22,675,598	$ 23,690,485	$ 6,966,276

Source: Kenton County Airport Board.

Exhibit 2b
Funding by Source
Capital Improvement Program
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

	Total 2019-24	Board Funds	AIP Grants	Local Grants	PFC PayGo	CFC PayGo	Series 2019 Revenue Bonds	Series 2019 CFC Bonds	3rd Party	Other
Consolidated Ground Transportation Facility										
Main Terminal Roadway Improvement Project	$ 16,013,004	$ -	$ -	$ -	$ -	$ -	$ 16,013,004	$	$ -	$ -
Consolidated Rental Car Facility & Ground Transportation Center	160,684,745	12,641,855	-	-	-	58,357,277	-	89,685,612	-	-
Subtotal Consolidated Ground Transportation Facility	$ 176,697,748	$ 12,641,855	$ -	$ -	$ -	$ 58,357,277	$ 16,013,004	$ 89,685,612	$ -	$ -
Airfield										
Runway and Taxiway Improvements	$ 32,999,723	$ -	$ 24,724,790	$ -	$ 8,274,932	$ -	$ -	$ -	$ -	$ 1
Apron & Ramp Rehabilitation	11,204,263	-	4,322,790	-	6,881,474	-	-	-	-	-
Other	8,518,000	350,000	3,125,999	-	2,442,001	-	-	-	2,600,000	-
Subtotal Airfield	$ 52,721,986	$ 350,000	$ 32,173,579	$ -	$ 17,598,406	$ -	$ -	$ -	$ 2,600,000	$ 1
Terminal										
Main Terminal Improvements	$ 17,752,145	$ 1,505,717	$ -	$ -	$ 16,246,428	$ -	$ -	$ -	$ -	$ -
Concourse B Modernization & Refurbishment	6,625,000	-	-	-	6,625,000	-	-	-	-	-
Terminal Joint Use Equipment (BHS, AGTS, CUSP, FIDS)	17,040,000	2,775,251	1,500,000	-	12,674,104	-	-	-	-	90,645
Passenger Loading Bridges	10,440,000	-	-	-	10,440,000	-	-	-	-	-
Subtotal Terminal	$ 51,857,145	$ 4,280,968	$ 1,500,000	$ -	$ 45,985,531	$ -	$ -	$ -	$ -	$ 90,645
Facilities Infrastructure										
Roof Replacements	$ 4,369,000	$ 3,967,200	$ -	$ -	$ 401,800	$ -	$ -	$ -	$ -	$ -
Other Facilities	3,925,000	2,374,990	-	-	1,550,000	-	-	-	-	10
Subtotal Facilities Infrastructure	$ 8,294,000	$ 6,342,190	$ -	$ -	$ 1,951,800	$ -	$ -	$ -	$ -	$ 10
Parking										
Parking Lot Improvements	$ 1,865,000	$ 1,465,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 400,000
PFC PayGo expenditures - CIP projects	10,357,000	10,357,000	-	-	-	-	-	-	-	-
Subtotal Parking	$ 12,222,000	$ 11,822,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 400,000
Other										
Utilities	$ 9,922,005	$ 5,083,000	$ -	$ -	$ 4,839,002	$ -	$ -	$ -	$ -	$ 3
Commercial Development	34,957,857	5,344,788	-	-	-	-	-	-	28,817,235	795,834
Compliance/Regulatory	-	-	-	-	-	-	-	-	-	-
Information Technology	20,666,252	17,480,626	-	-	2,485,626	200,000	-	-	-	500,000
Vehicles & Equipment	17,973,000	6,002,560	-	-	11,970,438	-	-	-	-	2
Roadways	13,295,028	6,959,724	-	5,738,244	-	-	-	-	597,061	-
Other	4,882,738	799,852	105,713	-	108,287	3,359,066	-	-	-	509,820
Subtotal Other	$ 101,696,880	$ 41,670,549	$ 105,713	$ 5,738,244	$ 19,403,353	$ 3,559,066	$ -	$ -	$ 29,414,296	$ 1,805,659
Total Capital Improvement Program	$ 403,489,759	$ 77,107,562	$ 33,779,292	$ 5,738,244	$ 84,939,091	$ 61,916,343	$ 16,013,004	$ 89,685,612	$ 32,014,296	$ 2,296,315

Source: Kenton County Airport Board.
1.) Excludes costs incurred prior to 2019. Totals herein reconcile with "Subtotal 2019-2024" as shown in Exhibit 2a, but do not reconcile with Exhibit 3, which includes amounts for periods prior to 2019.

Exhibit 3
Plan of Finance
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board

Bond Sources and Uses of Funds	Series 2019 Revenue Bonds	Series 2019 CFC Bonds	Total
Bond Sources of Funds			
Par Amount of Bonds	$ 34,995,000	$ 104,795,000	$ 139,790,000
Premium / (Discount)	3,387,730	-	3,387,730
Total Bond Sources of Funds	$ 38,382,730	$ 104,795,000	$ 143,177,730
Bond Uses of Funds			
Deposit to Series 2019 Construction Account	$ 35,300,000	$ -	$ 35,300,000
Deposit to Series 2019 CFC Construction Account	-	94,000,000	94,000,000
Deposit to Capitalized Interest Account	1,404,660	-	1,404,660
Deposit to Common Bond Reserve Account	1,114,828	-	1,114,828
Deposit to CFC Senior Debt Service Reserve Fund	-	7,291,621	7,291,621
Deposit to CFC Coverage Fund	-	1,822,905	1,822,905
Cost of Issuance	563,242	1,680,474	2,243,716
Total Bond Uses of Funds	$ 38,382,730	$ 104,795,000	$ 143,177,730

Project Sources and Uses of Funds	Series 2019 Revenue Bond Project	Series 2019 CFC Bond Project	Total
Project Sources of Funds			
Bond Proceeds	$ 35,300,000	$ 94,000,000	$ 129,300,000
Previously Collected CFCs and CFCs to be collected during Construction	-	62,411,704	62,411,704
Board Funds	-	13,250,000	13,250,000
Total Project Sources of Funds	$ 35,300,000	$ 169,661,704	$ 204,961,704
Total Project Uses of Funds	$ 35,300,000	$ 169,661,704	$ 204,961,704

Source: Kenton County Airport Board, Frasca & Associates, LLC.

Exhibit 4
Application and Use of Passenger Facility Charge (PFC) Revenues
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Historical		Projected	Forecast					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
PFC Eligible Enplaned Passengers									
Enplaned Passengers	3,383,938	3,926,158	4,449,149	4,523,793	4,627,390	4,725,900	4,816,770	4,906,290	5,010,490
Eligibility %	91.4%	93.0%	88.5%	88.5%	88.5%	88.5%	88.5%	88.5%	88.5%
Total PFC Eligible Enplaned Passengers	3,092,197	3,651,880	3,937,497	4,003,557	4,095,240	4,182,422	4,262,841	4,342,067	4,434,284
PFC Net Charge per Eligible Enplaned Passenger									
Gross PFC Charge	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
Less: Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
PFC Net Charge per Eligible Enplaned Passenger	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
Total PFC Revenues	$ 13,574,745	$ 16,031,752	$ 17,285,611	$ 17,575,614	$ 17,978,104	$ 18,360,830	$ 18,713,874	$ 19,061,673	$ 19,466,505
Designated PFC Revenues									
Principal and Interest Requirements									
Principal and Interest Requirements on Series 2016 Revenue Bonds (1)			$ 4,292,500	$ 4,289,250	$ 4,296,000	$ 4,292,000	$ 4,292,500	$ 4,292,000	$ 4,290,250
Principal and Interest Requirements on Series 2019 Revenue Bonds (2)			-	-	1,557,278	2,091,278	2,091,278	2,089,943	2,091,723
Subtotal Principal and Interest Requirements			$ 4,292,500	$ 4,289,250	$ 5,853,278	$ 6,383,278	$ 6,383,778	$ 6,381,943	$ 6,381,973
Coverage (0.25x)			1,073,125	1,072,313	1,463,319	1,595,819	1,595,944	1,595,486	1,595,493
Total Designated PFC Revenues			$ 5,365,625	$ 5,361,563	$ 7,316,597	$ 7,979,097	$ 7,979,722	$ 7,977,428	$ 7,977,466
PFCs Remaining for Other Capital Uses (3)			$ 12,993,111	$ 13,286,364	$ 12,124,827	$ 11,977,553	$ 12,330,096	$ 12,679,730	$ 13,084,533

Source: Kenton County Airport Board and LeighFisher.
1.) The debt service for the Series 2016 Revenue Bonds is assumed to be fully paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.
2.) The debt service for the Series 2019 Revenue Bonds is assumed to be 89% paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.
3.) Equal to Total PFC Revenues less Principal and Interest Requirements; excludes Coverage (0.25x) from calculation.

Exhibit 5
Operations and Maintenance Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Historical		Projected	Forecast					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
O&M Expenses by Line Item									
Allocable Expenses									
Salaries & Benefits	$ 25,919,310	$ 28,126,717	$ 30,150,100	$ 32,406,000	$ 34,466,688	$ 36,401,410	$ 37,838,737	$ 39,346,228	$ 40,518,876
Employee Insurance	4,886,223	5,662,208	5,956,238	6,236,144	6,547,951	6,875,349	7,219,116	7,580,072	7,959,075
Pension	5,453,429	5,975,611	6,933,932	8,159,100	9,413,994	10,861,839	11,749,026	12,708,617	13,091,921
Salaries Other	1,931,067	2,175,526	2,264,753	2,435,360	2,508,421	2,583,673	2,661,183	2,741,019	2,823,249
Outside Contractors	12,412,700	16,428,841	19,073,145	21,431,610	22,171,968	32,112,003	32,371,796	32,307,740	33,080,516
Equipment & Facilities	938,199	946,203	727,789	1,121,829	1,149,852	1,178,794	1,207,969	1,237,395	1,266,994
Supplies & Materials	3,931,406	3,481,160	4,887,219	4,965,882	5,089,930	5,277,610	5,469,465	5,667,074	5,802,575
Utilities	7,097,553	6,843,650	7,837,574	8,454,503	8,763,048	9,477,773	9,970,466	10,330,732	10,703,923
Other	6,713,952	6,742,259	7,325,040	8,353,925	8,562,606	8,778,126	8,995,385	9,214,513	9,434,924
Subtotal Allocable Expenses	$ 69,283,838	$ 76,382,175	$ 85,155,790	$ 93,564,353	$ 98,674,457	$ 113,546,577	$ 117,483,145	$ 121,133,391	$ 124,682,054
Add: Expensed Capital Outlays	1,322,730	1,215,981	2,774,703	2,557,044	2,620,919	2,836,887	2,753,388	2,820,460	2,887,926
Total O&M Expenses	$ 70,606,568	$ 77,598,156	$ 87,930,493	$ 96,121,397	$ 101,295,376	$ 116,383,464	$ 120,236,533	$ 123,953,851	$ 127,569,980
Change yr-over-yr		*9.9%*	*13.3%*	*9.3%*	*5.4%*	*14.9%*	*3.3%*	*3.1%*	*2.9%*
O&M Expenses by Cost Center									
Cost Center Expenses									
Airfield & Terminal Ramp Area			$ 30,097,848	$ 33,023,182	$ 35,139,102	$ 37,154,157	$ 38,447,676	$ 39,643,990	$ 40,805,166
Terminal Rentals and Equipment			40,325,071	44,287,525	46,641,496	57,384,975	59,382,827	61,230,546	63,023,995
Commercial Property			2,222,185	2,463,565	2,596,225	4,518,094	4,675,391	4,820,868	4,962,072
Rental Cars			69,517	124,817	131,790	137,122	141,896	146,311	150,596
Parking & GT			9,687,571	10,826,748	11,244,861	11,345,904	11,740,911	12,106,234	12,460,827
Subtotal Cost Center Expenses			$ 82,402,192	$ 90,725,837	$ 95,753,474	$ 110,540,253	$ 114,388,701	$ 117,947,948	$ 121,402,656
Rebilled Services			2,753,598	2,838,516	2,920,983	3,006,324	3,094,444	3,185,443	3,279,399
Total O&M Expenses			$ 85,155,790	$ 93,564,353	$ 98,674,457	$ 113,546,577	$ 117,483,145	$ 121,133,391	$ 124,682,054

Source: Kenton County Airport Board and LeighFisher.

Exhibit 6
Operating Revenues and Cost Per Enplaned Passenger Forecast
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

	Historical		Projected	Forecast					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Revenues									
Airline Revenues (1)									
Landing Fees	$ 17,236,288	$ 17,663,044	$ 21,134,403	$ 23,727,691	$ 25,832,255	$ 31,941,948	$ 31,755,688	$ 32,809,064	$ 33,548,570
Terminal and Ramp Rentals and Use Charges	15,068,010	15,690,356	15,920,088	19,394,233	21,097,578	24,587,575	24,183,565	25,183,215	25,070,598
Miscellaneous Airline Revenues	173,430	173,430	173,430	173,430	173,430	-	-	-	-
Subtotal Airline Revenues	$ 32,477,728	$ 33,526,830	$ 37,227,921	$ 43,295,354	$ 47,103,263	$ 56,529,523	$ 55,939,253	$ 57,992,280	$ 58,619,167
Non-airline Revenues									
Parking	$ 31,694,691	$ 37,043,833	$ 43,456,196	$ 43,264,348	$ 43,308,747	46,702,484	$ 46,740,524	$ 46,709,781	$ 50,043,973
Rental Cars	6,952,690	7,642,703	8,177,821	8,315,265	8,514,841	8,735,293	8,929,166	9,106,874	9,315,875
Terminal Concessions	4,658,627	5,080,118	5,809,737	6,182,596	6,478,622	6,779,609	7,077,763	7,381,719	7,715,062
Commercial Development	4,661,004	4,913,159	5,302,347	6,207,440	6,102,598	6,178,016	8,464,047	9,076,434	9,207,820
Reimbursed O&M Expenses	2,069,895	2,264,516	2,753,598	2,838,516	2,920,983	3,006,324	3,094,444	3,185,443	3,279,399
Other Non-airline Revenues	2,319,070	2,320,944	2,533,242	2,726,010	2,778,782	3,265,087	3,338,884	3,433,430	3,535,519
Subtotal Non-airline Revenues	$ 52,355,977	$ 59,265,273	$ 68,032,940	$ 69,534,173	$ 70,104,574	$ 74,666,813	$ 77,644,828	$ 78,893,680	$ 83,097,647
Total Operating Revenues	$ 84,833,705	$ 92,792,103	$ 105,260,861	$ 112,829,528	$ 117,207,837	$ 131,196,336	$ 133,584,081	$ 136,885,960	$ 141,716,814
Change yr-over-yr		*9.4%*	*13.4%*	*7.2%*	*3.9%*	*11.9%*	*1.8%*	*2.5%*	*3.5%*
Airline Cost per Enplaned Passenger (CPE)									
Airline Revenues			$ 37,227,921	$ 43,295,354	$ 47,103,263	$ 56,529,523	$ 55,939,253	$ 57,992,280	$ 58,619,167
Less: Cargo Landing Fees			(12,601,329)	(14,048,778)	(15,540,754)	(19,558,181)	(19,507,734)	(20,211,542)	(20,692,273)
Less: GA & Maintenance Flights			(60,458)	(64,008)	(65,054)	(70,635)	(69,048)	(69,496)	(69,823)
Less: Non-Rev ASIP Waivers excluding FIS Fees			(186,469)	(87,174)	-	-	-	-	-
Less: Expense related to AA relocation			(332,191)	(674,823)	(711,679)	-	-	-	-
Less: Cargo Apron Fees			(383,563)	(409,089)	(114,642)	(114,642)	(114,642)	(114,642)	(114,642)
Add: Rebilled terminal utilities (Delta)			60,304	62,163	64,432	66,784	69,221	71,747	74,365
Passenger Airline Revenues			$ 23,724,215	$ 28,073,647	$ 30,735,566	$ 36,852,849	$ 36,317,050	$ 37,668,347	$ 37,816,795
Enplaned Passengers			4,449,149	4,523,793	4,627,390	4,725,900	4,816,770	4,906,290	5,010,490
Airline Cost per Enplaned Passenger (CPE)	$ 6.90	$ 5.89	$ 5.33	$ 6.21	$ 6.64	$ 7.80	$ 7.54	$ 7.68	$ 7.55

Source: Kenton County Airport Board and LeighFisher.
1.) Airline revenues are shown net of credits and adjustments.

Exhibit 7
Forecast Rate Covenant Compliance
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

		Forecast					
		2019	2020	2021	2022	2023	2024
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues							
Revenues							
Operating Revenues		$ 112,829,528	$ 117,207,837	$ 131,196,336	$ 133,584,081	$ 136,885,960	$ 141,716,814
Add: Non-operating Revenues		2,720,807	2,788,773	2,858,966	2,929,725	3,001,093	3,072,880
Add: Other Available Revenues (1) (2)		5,361,563	7,316,597	7,979,097	7,979,722	7,977,428	7,977,466
Subtotal Revenues		$ 120,911,897	$ 127,313,206	$ 142,034,399	$ 144,493,528	$ 147,864,482	$ 152,767,160
Less: Operations and Maintenance Expenses		(96,121,397)	(101,295,376)	(116,383,464)	(120,236,533)	(123,953,851)	(127,569,980)
Net Revenues	[A1]	$ 24,790,501	$ 26,017,831	$ 25,650,935	$ 24,256,996	$ 23,910,631	$ 25,197,180
Add: Carryover Amount (<= 25% of Principal and Interest Requirements)	[A2]	-	-	-	-	-	-
Net Revenues plus Carryover Amount	[A=A1+A2]	$ 24,790,501	$ 26,017,831	$ 25,650,935	$ 24,256,996	$ 23,910,631	$ 25,197,180
Principal and Interest Requirements on Outstanding and Proposed Bonds							
Principal and Interest Requirements on Series 2016 Revenue Bonds		$ 4,289,250	$ 4,296,000	$ 4,292,000	$ 4,292,500	$ 4,292,000	$ 4,290,250
Principal and Interest Requirements on Series 2019 Revenue Bonds		-	1,749,750	2,349,750	2,349,750	2,348,250	2,350,250
Subtotal Principal and Interest Requirements on Outstanding and Proposed Bonds	[B]	$ 4,289,250	$ 6,045,750	$ 6,641,750	$ 6,642,250	$ 6,640,250	$ 6,640,500
Coverage (0.25x)	[C=B*25%]	1,072,313	1,511,438	1,660,438	1,660,563	1,660,063	1,660,125
Rate Covenant Coverage Requirement (1.25x)	[D=B+C]	$ 5,361,563	$ 7,557,188	$ 8,302,188	$ 8,302,813	$ 8,300,313	$ 8,300,625
Rate Covenant Compliance, 8.03(b)	[A] - [D] >= 0	$ 19,428,938	$ 18,460,643	$ 17,348,748	$ 15,954,183	$ 15,610,318	$ 16,896,555
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues	[A1]	$ 24,790,501	$ 26,017,831	$ 25,650,935	$ 24,256,996	$ 23,910,631	$ 25,197,180
Deposits to:							
Bond Fund							
Principal Account (Series 2016 Revenue Bonds)		$ 2,165,000	$ 2,280,000	$ 2,390,000	$ 2,510,000	$ 2,635,000	$ 2,765,000
Interest Account (Series 2016 Revenue Bonds)		2,124,250	2,016,000	1,902,000	1,782,500	1,657,000	1,525,250
Principal Account (Series 2019 Revenue Bonds)		-	-	600,000	630,000	660,000	695,000
Interest Account (Series 2019 Revenue Bonds)		-	1,749,750	1,749,750	1,719,750	1,688,250	1,655,250
Subtotal Bond Fund		$ 4,289,250	$ 6,045,750	$ 6,641,750	$ 6,642,250	$ 6,640,250	$ 6,640,500
Bond Reserve Fund		-	-	-	-	-	-
Subordinate Bond Fund		193,418	193,418	193,418	64,473	-	-
Subordinate Bond Reserve Fund		-	-	-	-	-	-
Operations and Maintenance Reserve Account		2,021,150	1,293,495	3,772,022	963,267	929,330	904,032
Repair and Replacement Fund		-	-	-	-	-	-
Rebate Fund		-	-	-	-	-	-
Other Required Transfers		1,072,313	1,511,438	1,660,438	1,660,563	1,660,063	1,660,125
Total Deposits	[E]	$ 7,576,130	$ 9,044,100	$ 12,267,627	$ 9,330,552	$ 9,229,642	$ 9,204,657
Rate Covenant Compliance, 8.03(a)	[A1] - [E] >= 0	$ 17,214,370	$ 16,973,731	$ 13,383,308	$ 14,926,443	$ 14,680,988	$ 15,992,522
FINANCIAL METRICS							
Airline Cost per Enplaned Passenger (CPE)		$ 6.21	$ 6.64	$ 7.80	$ 7.54	$ 7.68	$ 7.55
Debt Service Coverage	[A1 / B]	5.78	4.30	3.86	3.65	3.60	3.79

Source: Kenton County Airport Board and LeighFisher.
1.) The debt service for the Series 2016 Revenue Bonds is assumed to be fully paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.
2.) The debt service for the Series 2019 Revenue Bonds is assumed to be 89% paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.

Exhibit 8
Forecast Rate Covenant Compliance: Stress Test Scenario
Cincinnati / Northern Kentucky International Airport
Kenton County Airport Board
(for Fiscal Years ending December 31)

This scenario was based upon hypothetical assumptions, as described in the text.

		Forecast					
		2019	2020	2021	2022	2023	2024
RATE COVENANT COMPLIANCE, COVERAGE, 8.03(b)							
Net Revenues							
Revenues							
Operating Revenues		$ 112,829,528	$ 113,674,555	$ 124,877,945	$ 127,822,954	$ 130,949,576	$ 135,677,917
Add: Non-operating Revenues		2,720,807	2,788,773	2,858,966	2,929,725	3,001,093	3,072,880
Add: Other Available Revenues (1) (2)		5,361,563	7,316,597	7,979,097	7,979,722	7,977,428	7,977,466
Subtotal Revenues		$ 120,911,897	$ 123,779,924	$ 135,716,007	$ 138,732,401	$ 141,928,097	$ 146,728,262
Less: Operations and Maintenance Expenses		(96,121,397)	(101,295,376)	(116,383,464)	(120,236,533)	(123,953,851)	(127,569,980)
Net Revenues	[A1]	$ 24,790,501	$ 22,484,548	$ 19,332,543	$ 18,495,869	$ 17,974,246	$ 19,158,282
Add: Carryover Amount (<= 25% of Principal and Interest Requirements)	[A2]	-	-	-	-	-	-
Net Revenues plus Carryover Amount	[A=A1+A2]	$ 24,790,501	$ 22,484,548	$ 19,332,543	$ 18,495,869	$ 17,974,246	$ 19,158,282
Principal and Interest Requirements on Outstanding and Proposed Bonds							
Principal and Interest Requirements on Series 2016 Revenue Bonds		$ 4,289,250	$ 4,296,000	$ 4,292,000	$ 4,292,500	$ 4,292,000	$ 4,290,250
Principal and Interest Requirements on Series 2019 Revenue Bonds		-	1,749,750	2,349,750	2,349,750	2,348,250	2,350,250
Subtotal Principal and Interest Requirements on Outstanding and Proposed Bonds	[B]	$ 4,289,250	$ 6,045,750	$ 6,641,750	$ 6,642,250	$ 6,640,250	$ 6,640,500
Coverage (0.25x)	[C=B*25%]	1,072,313	1,511,438	1,660,438	1,660,563	1,660,063	1,660,125
Rate Covenant Coverage Requirement (1.25x)	[D=B+C]	$ 5,361,563	$ 7,557,188	$ 8,302,188	$ 8,302,813	$ 8,300,313	$ 8,300,625
Rate Covenant Compliance, 8.03(b)	[A] - [D] >= 0	$ 19,428,938	$ 14,927,361	$ 11,030,356	$ 10,193,056	$ 9,673,934	$ 10,857,657
RATE COVENANT COMPLIANCE, DEPOSITS, 8.03(a)							
Net Revenues	[A1]	$ 24,790,501	$ 22,484,548	$ 19,332,543	$ 18,495,869	$ 17,974,246	$ 19,158,282
Deposits to:							
Bond Fund							
Principal Account (Series 2016 Revenue Bonds)		$ 2,165,000	$ 2,280,000	$ 2,390,000	$ 2,510,000	$ 2,635,000	$ 2,765,000
Interest Account (Series 2016 Revenue Bonds)		2,124,250	2,016,000	1,902,000	1,782,500	1,657,000	1,525,250
Principal Account (Series 2019 Revenue Bonds)		-	-	600,000	630,000	660,000	695,000
Interest Account (Series 2019 Revenue Bonds)		-	1,749,750	1,749,750	1,719,750	1,688,250	1,655,250
Subtotal Bond Fund		$ 4,289,250	$ 6,045,750	$ 6,641,750	$ 6,642,250	$ 6,640,250	$ 6,640,500
Bond Reserve Fund		-	-	-	-	-	-
Subordinate Bond Fund		193,418	193,418	193,418	64,473	-	-
Subordinate Bond Reserve Fund		-	-	-	-	-	-
Operations and Maintenance Reserve Account		2,021,150	1,293,495	3,772,022	963,267	929,330	904,032
Repair and Replacement Fund		-	-	-	-	-	-
Rebate Fund		-	-	-	-	-	-
Other Required Transfers		1,072,313	1,511,438	1,660,438	1,660,563	1,660,063	1,660,125
Total Deposits	[E]	$ 7,576,130	$ 9,044,100	$ 12,267,627	$ 9,330,552	$ 9,229,642	$ 9,204,657
Rate Covenant Compliance, 8.03(a)	[A1] - [E] >= 0	$ 17,214,370	$ 13,440,448	$ 7,064,916	$ 9,165,317	$ 8,744,604	$ 9,953,625
FINANCIAL METRICS							
Airline Cost per Enplaned Passenger (CPE)		$ 6.21	$ 9.51	$ 10.26	$ 10.14	$ 10.26	$ 10.21
Debt Service Coverage	[A1 / B]	5.78	3.72	2.91	2.78	2.71	2.89

Source: Kenton County Airport Board and LeighFisher.
1.) The debt service for the Series 2016 Revenue Bonds is assumed to be fully paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.
2.) The debt service for the Series 2019 Revenue Bonds is assumed to be 89% paid by Designated PFC Revenues through the Forecast Period as described in the accompanying text.

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APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

In addition to certain information provided under the headings "THE SERIES 2019 REVENUE BONDS" and "SOURCES OF PAYMENT AND SECURITY" in the body of this Official Statement, included in this Appendix B are summaries of certain provisions of the General Bond Resolution, adopted by the Board on May 16, 2016 and the Series 2019 Resolution, adopted by the Board on January 22, 2019. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the General Bond Resolution and the Series 2019 Resolution.

DEFINITIONS

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

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

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

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

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

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

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

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

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

"Beneficial Owner" means the person in whose name a Series 2019 Revenue Bond is recorded as the beneficial owner thereof by the respective systems of DTC and each of the DTC Participants, or the Registered Holder of such Series 2019 Revenue Bond if such Series 2019 Revenue Bond is not then registered in the name of Cede & Co.

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

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

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

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

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

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

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

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

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

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

"Certificate of Award" means, with respect to any Series 2019 Revenue Bonds, the certificate delivered by the Chairman or Vice Chairman and the Chief Executive Officer or Chief Financial Officer, as Authorized Representatives, awarding that Series 2019 Revenue Bonds to their original purchaser.

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

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

"Common Bond Reserve Account" means the special and separate account designated as the Kenton County Airport Board Common Bond Reserve Account in the Bond Reserve Fund created pursuant to the Series 2019 Resolution for the Series 2019 Revenue Bonds and any other Common Reserve Bonds.

"Common Bond Reserve Requirement" means the amount deposited in the Common Bond Reserve Account as set forth in the Certificate of Award, and such amount shall always be equal to the least of (i) 10% of the original par amount of the Series 2019 Revenue Bonds and any other Common Reserve Bonds, (ii) the maximum annual Principal and Interest Requirements on all Outstanding Series 2019 Revenue Bonds and any other Common Reserve Bonds in any Fiscal Year or (iii) 125% of the average annual Principal and Interest Requirements on the Outstanding Series 2019 Revenue Bonds and any other Common Reserve Bonds; provided that such amount may be recalculated at any time (a) upon the designation and issuance by the Board of any other Common Reserve Bonds and (b) in connection with the redemption or purchase and cancellation of any Series 2019 Revenue Bonds or any other Common Reserve Bonds.

"Common Reserve Bonds" means the Bonds of any other Series issued under the General Bond Resolution and designated by the Board as being secured on a parity with the Series 2019 Revenue Bonds, by amounts on deposit in the Common Bond Reserve Account. As of the date of the issuance of the Series 2019 Revenue Bonds, the term Common Reserve Bonds shall include (i) the Series 2019 Revenue Bonds, (ii) the Cincinnati/Northern Kentucky International Airport Revenue Refunding Bonds, Series 2016, and (iii) and any future Series of Bonds designated by the Board as "Common Reserve Bonds."

"Commonwealth" means the Commonwealth of Kentucky.

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

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

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

(a) is in fact independent of the Board;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Designated PFC Revenue Account" means the special and separate account designated as the Kenton County Airport Board Designated PFC Revenue Account in the Revenue Fund created pursuant to the Series 2016 Bond Resolution adopted by the Board on May 16, 2016.

"Designated PFC Revenues" means certain Passenger Facilities Charges that may be committed in the future to pay Principal and Interest Requirements of the Series 2019 Revenue Bonds when such Passenger Facility Charges are deposited in the Designated PFC Revenue Account pursuant to action taken by the Board.

"DTC Participants" means trust companies, banks, brokers, dealers, clearing corporations, and certain other organizations that are direct or indirect participants or members of DTC, or if DTC or its successor or assign resigns from its functions as depository for the Series 2019 Revenue Bonds, any other Securities Depository which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Series 2019 Revenue Bonds and which is selected by the Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Interest Payment Date" means, in the case of the Series 2019 Revenue Bonds, January 1 and July 1 of each year, commencing on July 1, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Passenger Facilities Charges" or "PFCs" means charges collected by the Board under the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues, or any similar fee or charge authorized by any amendment thereto or by any successor federal law.

"Paying Agent" means, with respect to the Series 2019 Revenue Bonds, U.S. Bank National Association, and its successors designated in the applicable Series Resolution as the paying agent for such Series 2019 Revenue Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Registered Holder" or "Registered Owner" means the person in whose name a Series 2019 Revenue Bond is registered as of the Record Date.

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

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

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

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of the General Bond Resolution will not, by itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies that have been requested by the Board to maintain a rating on the Bonds and are then maintaining a rating on any of the Bonds to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the General Bond Resolution will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

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

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

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

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

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

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

"Revenues" means (a) except to the extent hereinafter excluded, all income, receipts, earnings and revenues received by or accrued to the Board from the operation and use of and for the services furnished or to be furnished at the Airport, (b) any proceeds of business interruption insurance, (c) all income, receipts and earnings from the investment of moneys held by or on behalf of the Board in any Funds and Accounts established by the General Bond Resolution and the income and gains realized upon the maturity or sale of securities held by or on behalf of the Board in such Funds and Accounts, except for investment earnings, income or realized gains on or from (i) moneys deposited in escrow or trust to defease Bonds, (ii) any Capitalized Interest deposited in the Bond Fund, (iii) moneys deposited in any account within the Construction Fund unless otherwise provided in the corresponding Series Resolution, (iv) moneys deposited in any rebate fund or account therein, and (v) moneys deposited in any Account or subaccount established under the Other Available Revenues provisions of the General Bond Resolution, unless otherwise provided in the corresponding Series Resolution (or any other action adopted by the Board) and (d) amounts received by the Board from any Person, including, without limitation, the federal or state government, as reimbursement of O&M Expenses. There shall not be included in Revenues (i) any contributions or donations otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of O&M Expenses or the payment of Bonds or Subordinate Bonds, (ii) proceeds from the sale and disposition of the Airport, (iii) Special Facilities Revenues, except as provided in the Special Facilities and Special Facility Obligations provisions of the General Bond Resolution and (e), (iv) any unrealized gains on securities held for investment by or on behalf of the Board in any Funds and Accounts established by the General Bond Resolution, (v) any proceeds of insurance other than as mentioned above, (vi) the proceeds of any borrowing, (vii) cash subsidy payments or other similar payments made or expected to be made by the United States Treasury or other federal or state governmental entity to or on behalf of the Board for the payment of all or any portion of the interest or principal due or coming due on Bonds, except to the extent otherwise provided in the Series Resolution corresponding to a Series of Bonds, (vii) any gains resulting from changes in valuation of any Interest Rate Swap or Investment Obligations, (ix) any Passenger Facilities Charges, Customer Facilities Charges or Grant Funds, provided however

Designated PFC Revenues, Designated CFC Revenues, and Designated Grant Revenue may be deemed Other Available Revenues for one or more Series of Bonds under any Series Resolution (or any other action adopted by the Board), (x) any Released Revenues, and (xi) any Termination Payment made to the Board by a Counterparty. For purposes of testing compliance with the rate covenant described in the Rate Covenant provisions of the General Bond Resolution and the limitations on the issuance of Additional Bonds contained in the Additional Bonds provisions of the General Bond Resolution, Revenues will be calculated based upon GAAP, except that such calculation will include and exclude those items specifically included or excluded above. Additionally, in situations where GAAP calls for amounts to currently be recorded as revenue, but (i) the timing of the required receipt of the revenue or a portion of the revenue, while known, is more than one year in the future or (ii) the actual timing of the required receipt of the revenue is not readily determinable, the Board may include as Revenues for the current period, the amounts recorded as revenues which were received during the year and any known amounts which were recorded as revenues and are to be received within one year.

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

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

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

"Serial Bonds" means Series 2019 Revenue Bonds maturing in annual installments.

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

"Series 2019 Capitalized Interest Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2019 Capitalized Interest Subaccount in the Series 2019 Construction Account created to be used to pay capitalized interest on the Series 2019 Revenue Bonds.

"Series 2019 Construction Account" means the special and separate account created pursuant to the Series 2019 Resolution to be used to pay costs of the Series 2019 Improvement Project.

"Series 2019 Costs of Issuance Fund" means the fund designated as the Kenton County Airport Board 2019 Costs of Issuance Fund created pursuant to the Series 2019 Resolution to be used to make payments for the costs of issuing the Series 2019 Revenue Bonds.

"Series 2019 Improvement Project" means roadway, infrastructure, and facilities including the modification, improvement or relocation of existing roadways, facilities and other infrastructure to accommodate the Consolidated Ground Transportation Facility. The Series 2019 Improvement Project constitutes Improvements within the meaning of the General Resolution.

"Series 2019 Interest Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2019 Interest Subaccount in the Interest Account of the Bond Fund created pursuant to the Series 2019 Resolution.

"Series 2019 PFC Interest Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2019 PFC Interest Subaccount in the Interest Account of the Bond Fund created pursuant to the Series 2019 Resolution.

"Series 2019 PFC Principal Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2019 PFC Principal Subaccount in the Principal Account of the Bond Fund created pursuant to the Series 2019 Resolution.

"Series 2019 Principal Subaccount" means the special and separate subaccount designated as the Kenton County Airport Board Series 2019 Principal Subaccount in the Principal Account of the Bond Fund created pursuant to the Series 2019 Resolution.

"Series 2019 Resolution" means the resolution adopted by the Board on January 22, 2019, as amended, authorizing the issuance of the Series 2019 Revenue Bonds.

"Series 2019 Revenue Bonds" means the $32,935,000 Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019, issued pursuant to the provisions of the General Bond Resolution and the Series 2019 Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

"Term Bonds" means, with respect to the Series 2019 Revenue Bonds, the Series 2019 Revenue Bonds that have a single stated maturity date but are subject to mandatory redemption with sinking fund installments on one or more mandatory redemption dates prior thereto.

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

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

SUMMARY OF GENERAL BOND RESOLUTION

Designation of Funds

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

(a) the Construction Fund;

(b) the Revenue Fund;

(c) the Operations and Maintenance Fund;

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

(e) the Bond Reserve Fund;

(f) the Subordinate Bond Fund;

(g) the Subordinate Bond Reserve Fund;

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

(i) the Rebate Fund;

(j) the Insurance and Condemnation Award Fund;

(k) the Repair and Replacement Fund; and

(l) the General Purposes Fund.

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

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

Revenues Received by the Board

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

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

Application of Money in Revenue Fund

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

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

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

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

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

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

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

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

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

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

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

In each month following a month in which any deposit or payment described in subparagraphs (a) through (i) under this heading has not been made, in addition to the amounts then due, there will be deposited an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, under the terms of the General Bond Resolution, of money or Investment Obligations to such Fund or Account from other Funds and Accounts created by the General Bond Resolution.

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

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

Application of Money in Construction Fund

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

If any money remains in the account in the Construction Fund created for the proceeds of a Series of Bonds after the applicable Completion Date and payment, or provision for payment, in full of the costs of the Improvements to be financed with the proceeds of that Series of Bonds, then such money will be used promptly, unless otherwise provided in the applicable Series

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

Application of Money in Operations and Maintenance Fund

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

Application of Money in Principal Account

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

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

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

Application of Money in Interest Account

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

If (i) the amount required to be deposit in the Interest Account, or any applicable subaccount therein, pursuant to the provisions described under the heading "Application of Money in Revenue Fund" above or (ii) the balance in the Interest Account, or any subaccount therein, on the 20th Business Day of the month immediately preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the Board immediately will deposit an amount sufficient to cure the shortfall, drawing upon funds available in the General Purposes Fund and the Repair and Replacement Fund in that order. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, or any subaccount therein, there will be transferred to the Interest Account such amount as may be necessary to remedy such deficiency from the Bond Reserve Fund.

Application of Money in Redemption Account

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

Application of Money in Bond Reserve Fund

The Bond Reserve Fund will be used solely for the payment of Principal and Interest Requirements on the Bonds. An Account within the Bond Reserve Fund may be pledged to all Series of Bonds Outstanding or solely to one or more particular Series of Bonds as set forth in the Series Resolution. If a Reserve Requirement has been designated for a Series of Bonds, the related Series Resolution will either (1) create a separate Account within the Bond Reserve Fund or (2) designate a previously created Account within the Bond Reserve Fund, if permitted, for the deposit of the Reserve Requirement. Whenever there is a deficiency in the Bond Fund for the payment of Principal and Interest Requirements for Bonds for which a Reserve Requirement has been designated, funds available in the appropriate Account of the Bond Reserve Fund will be used by the Board for the payment of Principal and Interest Requirements on such Bonds. If at any time there shall be money and investments then on deposit and available in the Bond Fund and Bond Reserve Fund in an amount sufficient to permit the payment of Principal and Interest Requirements on such Bonds or the purchase for cancellation or call for redemption under the redemption provisions of the General Bond Resolution on the next available redemption date of any Outstanding Bonds, without thereby reducing the balance thereafter remaining in the Bond Fund and Bond Reserve Fund below the amount that on such Principal Payment Date or Interest

Payment Date would be required by the Series Resolution to be on hand therein, or purchase or redemption date would be required by the Series Resolution to be on hand therein with respect to Bonds not to be so purchased or redeemed, the Board may, at its discretion, cause such money in the Bond Fund and Bond Reserve Fund in the amounts required to be used, together with any other money provided by the Board, to accomplish such payment, purchase or redemption.

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

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

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

Application of Money in Rebate Fund

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

Application of Money in Insurance and Condemnation Award Fund

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

Application of Money in Repair and Replacement Fund

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

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

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

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

Application of Money in General Purposes Fund

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

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

Other Available Revenues

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

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

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

Unclaimed Funds

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

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

Disposition of Fund Balances

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

Interest Rate Swaps

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

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

Deposits

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

Investments of Money

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

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

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

Valuation

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

Tax Covenants

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

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

Test for Issuance of Bonds

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

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

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

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

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Bonds, or (2) the third full Fiscal Year during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, the estimated Net

Revenues for each such Fiscal Year, will be at least equal to 125% of the Principal and Interest Requirements for each such Fiscal Year with respect to all Outstanding Bonds and calculated as if the proposed Series of Bonds were then outstanding; and

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

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

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

Additional Bonds for Completion Purposes

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

Additional Bonds for Refunding Purposes

The certificates described under the heading "Test for Issuance of Bonds" above will not be required if the Additional Bonds are issued for the purpose of refunding previously issued

Bonds; and instead there will be filed with the Board a certificate of the Authorized Representative stating that (i) the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding after the issuance of such refunding Bonds shall be less than the aggregate Principal and Interest Requirements with respect to all Bonds Outstanding prior to the issuance of such refunding Bonds or (ii) the proposed issuance of the refunding Bonds will reduce total debt service payments on all Outstanding Bonds on a net present value basis.

Security for Bonds

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

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

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

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

Certain Covenants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) To the extent Special Facilities Revenues received by the Board during any Fiscal Year will exceed the amounts to be paid pursuant to the provisions described in subparagraph (c)(i) under this heading for such Fiscal Year, such excess Special Facilities Revenues, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

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

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

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

(b) the principal of, and the redemption premium, if any, and interest on any such Subordinate Bonds is payable as a whole or in part solely from the proceeds of other

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

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

Events of Default

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

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

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

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

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

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

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

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

No Acceleration; No Cross Defaults

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

Remedies and Enforcement of Remedies

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

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

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

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

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

Application of Revenues and Other Moneys After Default

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

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

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

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

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

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

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

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

Effect of Discontinuance of Proceedings

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

Control of Proceedings by Holders

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

Restrictions Upon Actions by Individual Holders

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

No Remedy Exclusive

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

Delay Not a Waiver

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

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

Modification or Amendment without Bondholder's Consent

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

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

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

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

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

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

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

Series Resolution with Bondholder's Consent

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

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

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

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

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

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

Defeasance

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

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

SUMMARY OF SERIES 2019 RESOLUTION

Creation of Funds and Accounts

The Series 2019 Resolution creates and establishes in the Funds and Accounts created, established and renamed or otherwise authorized pursuant to the General Bond Resolution the following:

(a) the Series 2019 Interest Subaccount in the Interest Account of the Bond Fund;

(b) the Series 2019 Principal Subaccount in the Principal Account of the Bond Fund;

(c) the Common Bond Reserve Account in the Bond Reserve Fund;

(d) the Series 2019 PFC Interest Subaccount in the Interest Account of the Bond Fund;

(e) the Series 2019 PFC Principal Subaccount in the Principal Account of the Bond Fund;

(f) the Series 2019 Rebate Account;

(g) the Series 2019 Costs of Issuance Fund;

(h) the Series 2019 Construction Account; and

(i) the Series 2019 Capitalized Interest Subaccount.

The Common Bond Reserve Account is pledged to the payment of the Series 2019 Revenue Bonds and any other Common Reserve Bonds on a parity basis to the Series 2019 Revenue Bonds as may be set forth in any subsequent Series Resolutions.

If the Board deems necessary, the Board may transfer amounts on deposit in the PFC Project Fund to the Series 2019 Interest Subaccount and/or the Series 2019 Principal Subaccount to satisfy the Principal and Interest Requirements for the Outstanding Bonds, including the Series 2019 Revenue Bonds, provided that such discretionary transfer of funds from the PFC Project Fund to the Series 2019 Interest Subaccount or the Series 2019 Principal Subaccount shall not cause such funds to be deemed Designated PFC Revenues under the General Bond Resolution.

Series 2019 Rebate Account

At the times and in the manner required by the Code and the applicable laws of the Commonwealth (i) the Consultant or Bond Counsel engaged by the Board will calculate the amount to be paid to the United States of America as of each such time; (ii) the Chief Financial Officer, as an Authorized Representative, will transfer, to the extent needed, any necessary amount in any account other than the Common Bond Reserve Account to the 2019 Revenue Rebate Account; and (iii) the Chief Financial Officer, as an Authorized Representative, will pay the amount to be paid to the United States of America as calculated pursuant to the provision described in clause (i) of this heading from the Series 2019 Rebate Account.

Any money in the Series 2019 Rebate Account (i) in excess of the amount to be paid to the United States of America or (ii) following the final payment to the United States of America after payment in full of the Series 2019 Revenue Bonds will be transferred to the General Purposes Fund.

At no time will any funds constituting proceeds of the Series 2019 Revenue Bonds be used or invested in any manner to cause or result in a prohibited payment under, or in any other fashion that would constitute failure of compliance with, Section 148 of the Code.

If the Chief Financial Officer, as an Authorized Representative, receives a written opinion of Bond Counsel that such action would not result in the inclusion of interest on the Series 2019 Revenue Bonds in gross income for purposes of federal income taxation, the Board may adopt a Series Resolution to the extent necessary and desirable to (i) combine the Rebate Fund and any Accounts or subaccounts therein with the Bond Reserve Fund or (ii) otherwise modify, supplement or replace the provisions described under this heading.

If at any time the Chief Financial Officer, as an Authorized Representative, receives a written opinion of Bond Counsel that failure to comply with the provisions described under this heading or any part of the provisions described under this heading will not adversely affect the exclusion of interest on the Series 2019 Revenue Bonds from gross income for purposes of federal income taxation, the Board may discontinue compliance with the provisions described under this heading to the extent set forth in such opinion.

Tax Covenant

The Board will not take any action that would cause the interest on the Series 2019 Revenue Bonds to become included in gross income for federal income tax purposes.

In particular, the Board will covenant and certify that no person will use the money on deposit in any Account in connection with the Series 2019 Revenue Bonds, whether or not that money was derived from proceeds of the sale of the Series 2019 Revenue Bonds, in a way that would cause the Series 2019 Revenue Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code or "hedge bonds" under Section 149(g) of the Code, or that would otherwise cause the interest on the Series 2019 Revenue Bonds to be included in gross income for federal income tax purposes. The Board will cause to be made any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2019 Revenue Bonds under Section 148(f) of the Code.

Notwithstanding any other provision of the Series 2019 Resolution to the contrary, so long as necessary to maintain the exclusion of interest on the Series 2019 Revenue Bonds from gross income for federal income tax purposes, the covenants described under this heading will survive the payment of the Series 2019 Revenue Bonds and the interest thereon, including any payment or defeasance of the Series 2019 Revenue Bonds.

Bondholders Alone Have Rights Under Series 2019 Resolution

Nothing in the Series 2019 Resolution, expressed or implied, is intended or will be construed to confer upon any person, firm or corporation, other than the Bondholders of the Series 2019 Revenue Bonds secured under the Series 2019 Resolution, any right, remedy or claim, legal or equitable, under or by reason of the Series 2019 Resolution. The Series 2019 Resolution is intended to be for the sole and exclusive benefit of the Holders of the Series 2019 Revenue Bonds.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

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

Definitions

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

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

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

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

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

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

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

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

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

"Bond Resolution" means the resolution adopted by the Board on May 16, 2016, authorizing the issuance of the Bonds, including all supplements and amendments thereto.

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

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

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

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

"Concourse A" means Concourse A at the Airport.

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

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

"Concourse C" means Concourse C at the Airport.

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

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

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

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

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

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

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

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

"Fiscal Year" means the 12-month period beginning on January 1 of any year and ending on December 31 of that year, or any other twelve month, or different transition, period adopted by Board as its fiscal year for financial affairs.

"KCAB General Purposes Fund" means the fund of the same name created by the Board.

"Landing Fees" means charges per 1000 pounds of Maximum Gross Landed Weight of Revenue Landings at the Airport which shall be due and payable by Signatory.

"Lease Modification Agreement" means that certain agreement dated July 1, 2011 and entered into by and between the Board and Delta, and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Loading Bridges" means the Concourse A loading bridges.

"Loading Bridge Cost Center" means the Cost Center to which expenses associated with the Loading Bridges are allocated.

"Majority–in-Interest" or "MII" shall mean either an Airfield MII or Terminal MII. Capital Expenditures subject to MII and impacting the Terminal Cost Center solely shall require a Terminal MII for disapproval; all other Capital Expenditures subject to MII shall require an Airfield MII.

"Maximum Gross Landed Weight" means the maximum gross landing weight as certified by the FAA for landing of an aircraft.

"Net Remaining Revenues" or "NRRs" means the amount determined in accordance with Section 5.2 of the Airport Use Agreement.

"Operation and Maintenance Expenses" or "O&M Expenses" or "Airport Expenses" means, in any Fiscal Year, all expenses of the Board, paid or accrued, for administering, operating, maintaining, and repairing the Airport.

"Operation and Maintenance Reserve Account" means the account of the same name created by the Board.

"Operation and Maintenance Reserve Account Requirement" means for each Fiscal Year the amount necessary to bring the balance in the Operation and Maintenance Reserve Account to an amount equal to twenty-five (25) percent of Operation and Maintenance Expenses in the Approved Budget for such Fiscal Year.

"Repair and Replacement Reserve Fund" means the fund of the same name created by the Board.

"Repair and Replacement Reserve Fund Requirement" shall be $10,000,000. In the event that the Repair and Replacement Reserve Fund shall be drawn down below the Requirement in any given Fiscal Year, such Fund shall be replenished over the next two Fiscal Years.

"Revenue Landings" means all aircraft landings at the Airport except government flights, military flights, and those aircraft landings which occur when the aircraft has taken off from the Airport and without making a landing at any other airport, returns to land at Airport because of meteorological conditions, mechanical or operating causes, or any other reason of emergency or precaution.

"Revenues" means all rentals, landing fees, user charges, concession and other operating revenues received by the Board from the operation of the Airport: provided, however, that Revenues shall not include Passenger Facility Charges, customer facility charges; other similar fees and charges; interest and investment income other than interest on the Operation and Maintenance Reserve Account and the Repair and Replacement Reserve Fund when such interest results in there being an amount in such funds in excess of the respective requirements of such funds; grant and other capital reimbursements; insurance proceeds; proceeds from asset disposition; and any non-operating income, or any revenues pledged to special facility, or any other similar bonds; provided, further however, that Revenues shall include any of the foregoing which KCAB shall deem to be Revenues.

"Signatory" when referred to singly means the Air Transportation Company that executes an Airport Use Agreement, and when referred to in plural means all Air Transportation Companies that have executed an agreement in substantially the same form as each Airport Use Agreement.

"Terminal" means the passenger terminals, including associated concourses, as shown on Exhibit A attached hereto and as presently existing or as hereafter modified, developed or relocated.

"Terminal 3 Facilities" or "T3 Facilities" means the Terminal 3 Facilities (now known as the Main Terminal), the tunnel connecting Terminal 3 to Concourse B, and Concourse B at the Airport.

"Terminal 3 Facilities Agreement" means that certain lease agreement dated May 3, 2007 and entered into by and between the Board and Delta, and any and all modifications, amendments, supplements and extensions thereof or hereafter made.

"Terminal Cost Center" means the Cost Center to which expenses associated with the Terminals are allocated.

"Terminal Lease Agreement(s)" means the Terminal 3 Facilities Agreement, Delta O&M Agreement, the Concourse A Lease Agreements, the Concourse C Agreement, the Lease Modification Agreement and any other lease hereafter entered into by and between the Board and a Signatory for Terminal space at the Airport with a term through the expiration of the corresponding Airport Use Agreement.

"Terminal MII" means such group of Signatories leasing space within the Terminal representing greater than fifty percent in number of all Signatories leasing space and having paid greater than fifty percent of the total Signatories' Terminal Rentals for the prior Fiscal Year.

"Terminal Ramp Area" means those areas of the Airport that provide for the parking, loading, unloading and servicing of passenger aircraft, which areas may be leased together with Terminal space to a Signatory.

"Terminal Ramp Area Rental Rate" means the terminal ramp area rental rate calculated pursuant to Section 5.5 of the Agreement.

"Terminal Rentals" means the rentals, fees and charges paid pursuant to a Signatory's Terminal Lease Agreement after the application of any credits provided by the Board to Signatory.

"Terminal Rental Rate" means the terminal rental rate calculated pursuant to Section 5.4 of the Agreement.

Term

Each Airport Use Agreement presently in effect became effective prior to the date hereof. Each Airport Use Agreement terminates on December 31, 2020. The Board cannot predict the terms or provisions of any Airport Use Agreement effective January 1, 2021. Upon the expiration of the Airport Use Agreements, the Board may enter into extensions of such agreements with the airlines, enter into new agreements with the airlines, or impose rates and charges upon the airlines. Regardless, the Board has covenanted in the Resolution (which extends beyond the expiration of the Airport Use Agreements) to establish rentals, rates and other charges for the use and operation of the Airport such that Revenues (including rentals, fees and charges imposed on the airlines), together with certain other moneys deposited in Accounts and Funds pursuant to the Resolution, are sufficient to satisfy the coverage requirements contained in the Resolution.

Signatory Requirement

For passenger airlines, each Signatory is required to maintain with the Board a Terminal Lease Agreement until December 31, 2020, with a minimum of 2,300 square feet of leased Terminal space, plus a minimum of 135 lineal feet of Terminal Ramp Area. For cargo airlines, each Signatory is required to maintain with the Board a separate cargo agreement until December 31, 2020, which (i) provides for the lease of premises directly or indirectly having an annual total rental of no less than $150,000 or (ii) provides for guaranteed annual landed weight resulting in Landing Fees of no less than $150,000 or (iii) provides for the lease of premises directly or indirectly and guaranteed annual landed weight resulting in combined lease payments and Landing Fees of no less than $150,000.

Use of Airport Facilities

Each of the Signatories shall have the right to the use of the Airport for the conduct of its air transportation business, and the right of ingress to and egress from the Airport, subject to reasonable rules and regulations of the Board in effect from time to time.

Net Remaining Revenues

Net Remaining Revenues ("NRR") are to be calculated for each Fiscal Year by first subtracting from Revenues as calculated prior to the application of any NRR to adjust Terminal Rental and Landing Fees: (i) Operation and Maintenance Expenses; (ii) Expensed Capital Outlays; (iii) Debt Service paid from Revenues; (iv) Amortization Charges; and (v) transfers as required to the Operations and Maintenance Reserve Account and Repair and Replacement Reserve Fund. Added back to Revenues is the Concourse C Adjustment made pursuant to the Concourse C Amendment which Concourse C Adjustment is more fully explained in this Official Statement under the heading "Airport Lease Agreements." The percentage of Net Remaining Revenues that are to be applied to adjust Terminal Rentals and Landing Fees, is set forth below:

Net Remaining Revenues (NRRs)	Airfield	Terminal
NRRs up to $10,000,000.00	10%	15%
NRRs in excess of $10,000,000.00	10%	40%
NRRs in excess of $30,000,000.00	10%	65%

Landing Fees

Each Signatory shall pay the Board by the twentieth (20^{th}) of each month Landing Fees for Revenue Landings for the preceding month. The Landing Fee rate shall be calculated by dividing the Airfield Cost Center Requirement, reduced by Terminal Ramp Area revenues, and further reduced by the Net Remaining Revenues allocated to reduce the Airfield Cost Center Requirement, by total landed weight, adjusted to account for the non-signatory airlines landed weight charged at a premium of 15%. Each Signatory's Landing Fees shall be determined as the product of the landing fee rate for the period and such Signatory's total landed weight for the month. Signatory's landed weight for the month shall be determined as the sum of the products obtained by multiplying the Maximum Gross Landed Weight of each type of Signatory's aircraft by the number of Revenue Landings of each said aircraft during such month. Each Signatory may designate one or more Air Transportation Companies as its Affiliate and for purposes of calculating Landing Fees such Affiliate's landed weight shall be considered as Signatory landed weight and shall be charged at the Signatory Landing Fee rate. The Signatory is responsible for the payment of its designated Affiliates' Landing Fees.

Lease of Airport Facilities

Each passenger airline that is a Signatory leases airport facilities (e.g. Terminal space, Terminal Ramp Area, Loading Bridges and Airline Shared Space) under a separate Terminal Lease Agreement. Each Terminal Lease Agreement is more fully explained in this Official Statement under the heading "Airport Lease Agreements." Of relevance here is that the Terminal Lease Agreements incorporate the applicable rentals, rates and charges that are set forth under the Airport Use Agreement for the lease of such airport facilities, which rentals, rates and charges, are summarized below.

Terminal Rentals

Terminal Space- the Terminal Rental Rate for space leased under the Signatory's Terminal Lease Agreement is calculated first by determining a gross terminal rental rate, which shall be the Terminal Cost Center Requirement divided by total Terminal leasable square feet, and then by applying a per square foot credit for Concession Revenues. This credit to gross terminal rental rates is calculated separately for the

Terminal 3 Facilities and Concourse A and is calculated by dividing the Concession Revenues allocated to the Terminal 3 Facilities and Concourse A by the total leasable space in each of the facilities.

Terminal Ramp Area - The Terminal Area Rental Rate for ramp leased under a Signatory's Terminal Lease Agreement is calculated by dividing the Terminal Ramp Area Cost Center Requirement, which is equal to 20% of the costs allocated to the Airfield Cost Center, by total Terminal Ramp Area lineal footage.

Airline Shared Space - a Signatory's charge for the use of areas used in common by all carriers operating in Concourse A is calculated by applying the Concourse A Terminal Rental Rate to the total square feet in these shared areas and dividing by the number of gates being used in Concourse A.

Loading Bridges – a Signatory's charge for the use of loading bridges under the Concourse A Agreement is calculated by the dividing the cost allocated to the Loading Bridge Cost Centers by the number of gates being used in Concourse A.

Total Terminal Rentals paid by a Signatory under a Terminal Lease Agreements are reduced by each Signatory's share of Net Remaining Revenues allocated to the Terminal. The Terminal share of the NRR is allocated to each Signatory based on its percentage of Terminal space.

Settlement Provisions

Prior to the beginning of each Fiscal Year, the Board shall provide each Signatory the proposed Landing Fee rate, Terminal Rentals and the NRR adjustment to Terminal Rental for the ensuing Fiscal Year based upon the Board's Annual Budget. After the close of each Fiscal Year, such rental, fees and charges for the preceding Fiscal Year shall be recalculated using audited financial data. Any overpayments of rentals, fees and charges will be returned by the Board to Signatory and any underpayments will be invoiced to Signatory and due within thirty (30) days of the Signatory's receipt of the invoice.

Adjustment to Rates and Charges

The Board may make reasonable adjustment to Landing Fees and Terminal Rentals, no more than once during each Fiscal Year to account for changes in activity levels and budget changes, which result in a required adjustment of ten percent (10%) or more to the Landing Fees and Terminal Rentals. Board shall provide thirty (30) days advance written notice of such adjustment and the reason therefore to Signatory.

Extraordinary Coverage Payments

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

Other Fees and Charges

Signatory shall pay reasonable and non-discriminatory charges for other services or facilities provided by Board. Such services or facilities may include, but are not limited to, aircraft parking fees, gate charges, special maintenance of leased premises, directly metered utilities, trash removal and fees for

Board provided equipment and systems. Signatory shall pay the required fees for all permits and licenses necessary for the conduct of its business at the Airport. Signatory shall also pay all applicable taxes and assessments.

Majority-in-Interest Provision

The Airport Use Agreement utilizes a negative MII process whereby Signatories are required to issue written disapproval for Capital Expenditures requiring MII consideration within 60 days or the Capital Expenditure requiring MII consideration is deemed approved. The MII process does not apply to Capital Expenditures: (i) having an individual net capital cost (total cost less any other source of funding to the Board) of less than $750,000.00, with such amount adjusted annually in accordance with changes in the U.S. Implicit Price Deflator Index; (ii) where neither debt service nor amortization charges will be included in calculating a Signatory's rentals, fees and charges; (iii) that are required to address legal or regulatory compliance; (iv) any capital expenditure necessary to repair a casualty; or to address an environmental remediation; (v) all costs to settle litigation and to comply with judicial orders; (vi) expenditures of an emergency nature.

Debt Service; Amortization Charges

Nothing in the Airport Use Agreement shall be construed to limit in any way the Board's authority to issue Bonds and/or use other funds for any Capital Expenditures; provided, however, the Board's authority to include Debt Service on such Bonds and/or Amortization Charges on such other funds used in the calculation of Signatory rates and charges shall be subject to the MII provisions of the Airport Use Agreement.

Security Deposits

The Signatory is required to maintain a deposit in the form of a surety bond or an irrevocable letter of credit in an amount equal to three (3) months of its estimated Landing Fees of the Signatory and its Affiliates.

Indemnification

Each Signatory is required to hold harmless and defend the Board, including all directors, members, officers, agents, servants and employees thereof, from any and all liabilities, losses, suits, judgments, fines, penalties, costs, damage, expense (including cost of suit and reasonable expenses of legal services), claims, demands and causes of actions whatsoever claimed by anyone by reason of injury or damage to persons or property, or other damages, as a result of acts or omissions of Signatory, its affiliates, agents, servants, employees, contractors, suppliers or invitees, or arising out of any operations of Signatory upon or about the Airport, except to the extent such liability as may result from the gross negligence or willful misconduct of the Board.

Insurance

As a means of further protecting the Board, Signatory shall at all times carry insurance coverage, including Comprehensive Airline Liability Insurance in a limit not less than Five Hundred Million Dollars ($500,000,000) per occurrence, Aircraft Liability Insurance in a limit of not less than Five Hundred Million and No/100 Dollars ($500,000,000.00) on each aircraft owned by the Signatory on the Airport, Commercial Automobile Liability Insurance with a limit of not less than Fifty Million and No/100 Dollars ($50,000,000) each accident, and Workers' Compensation and Employer's Liability Coverage.

Operation of Airport

Board agrees that it will operate and maintain the Airport facilities as a public airport in a prudent manner and consistent with the sponsor's assurances given by Board to the United States government in accordance with federal laws and consistent with the terms and conditions of the Airport Use Agreement.

Environmental Provisions

Signatory agrees that it will not use, store, maintain, discharge or conduct operations involving hazardous substances at the Airport in violation of any applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, standards, orders, licenses or permits of any governmental authorities, relating to environmental matters.

Subordination to Bond Resolution

The Airport Use Agreement and all rights granted to Signatory thereunder are subordinated and subject to the lien and provisions of the Bond Resolution. Board reserves the right to make such pledges and grant such liens and enter into covenants as it may deem necessary or desirable to secure and provide for the payment of Bonds, including the creation of reserves.

Assignment

Signatory shall not assign, sell, pledge or encumber, license the use of, or otherwise transfer any interest in the Airport Use Agreement, without the prior written approval of the Board. The Board shall approve the assignment of the Airport Use Agreement to any business entity with which Signatory may merge or consolidate or which purchases all or substantially all of Signatory's assets.

Amendment

The Airport Use Agreement may be amended only by written agreement signed by the Board and Signatory.

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APPENDIX D

2017 FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

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Cincinnati/Northern Kentucky International Airport

Basic Financial Statements and Other Required Information issued under the provisions of the Office of Management and Budget Uniform Guidance

December 31, 2017 and 2016

Cincinnati/Northern Kentucky International Airport
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December 31, 2017 and 2016

CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the members of the Kenton
County Airport Board
Hebron, Kentucky

We have audited the accompanying financial statements (hereby referred to as the financial statements) of the business-type activities of the Cincinnati/Northern Kentucky International Airport (hereby referred to as the Airport), which is controlled and operated by the Kenton County Airport Board, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 our opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport as of December 31, 2017 and 2016, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that management's discussion and analysis, the schedule of the proportionate share of the net pension liability of the Kentucky Retirement System's County Employees Retirement System, and the schedule of the employer contributions to the Kentucky Retirement System's County Employees Retirement System (the required supplementary information), as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements that collectively comprise the Airport's financial statements. As listed in the table of contents, the combining schedules, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of passenger facility charges collected and expended (the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Page Three

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
June 25, 2018

Introduction

The following management discussion and analysis of the financial performance and activity of the Cincinnati/Northern Kentucky International Airport (the "Airport") provides an introduction and understanding of the Airport's basic financial statements (herein referred to as the "Statements") for the calendar year ended December 31, 2017 with selected comparative information for the year ended December 31, 2016.

The Statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Prior to 2016, the Airport's financial statements were presented on a basis of accounting designed to comply with the Airport's bond resolutions and the use agreements with the airlines operating at the Airport. Prior to 2016, the Airport did not maintain separate accounting records in conformity with GAAP. Therefore, GAAP basis comparative information for 2015, which would normally also be reflected in this management's discussion and analysis, is not available for these purposes.

The operations of the Airport are self-supporting and generate revenues from Airport users to fund all operating expenses and debt service requirements. Capital projects are funded through the issuance of bonds, the collection of Passenger Facility Charges ("PFCs"), the collection of Customer Facility Charges ("CFCs"), the receipt of federal and state grants and internally generated funds.

Airport Governance

The Kenton County Airport Board (the "Board") was created pursuant to a resolution of the Fiscal Court of Kenton County, Kentucky adopted on June 3, 1943. Under the provisions of Chapter 183 of the Kentucky Revised Statutes and by the terms of such resolution, the Board has been created and organized as a public body politic and corporate. The Board has complete jurisdiction, control, possession and supervision of the Airport. This includes the power and authority to establish reasonable rates, charges, and fees for the use of its landing areas, ramps and other common aviation facilities. Through contracts or other permissible means, the Board also negotiates general rates, charges, and fees for commercial vendors, concessionaires or other organizations for the use and occupancy of its terminals and other facilities.

Airport Activity Highlights

The Airport serves as the primary airport for scheduled passenger service for the fifteen county Cincinnati Consolidated Metropolitan Statistical Area. The Airport also serves as DHL Express' ("DHL") main international cargo hub for North America and South America and is one of DHL's three global super hubs.

In 2017, Amazon Fulfillment Service, Inc. ("Amazon") selected the Airport to serve as the future home of the Amazon Prime Air Global Hub and announced plans to invest $1.4 billion at the Airport. Amazon began operating Amazon Prime Air aircraft from the Airport in May 2017 utilizing daytime capacity at DHL's hub facility.

As of December 31, 2017, scheduled passenger service at the Airport was provided by seven airline groups through a total of twenty-two mainline and regional carriers. Scheduled cargo service was provided by three cargo operators.

Selected activity statistics for the years ended December 31, 2017 and 2016 are as follows:

	2017	**2016**
Enplaned passengers	3,926,158	3,383,938
Origin passengers(1)	3,652,270	3,007,532
Landed Weights(lbs. 000s)		
Passenger airlines	4,606,347	3,979,995
Cargo airlines(2)	5,734,983	4,314,754
Total landed weight	10,341,330	8,294,749
Aircraft operations(3)	70,491	64,149

(1) as reported to the Airport by the airlines

(2) includes maintenance flights

(3) includes domestic air carriers, international air carriers and air taxi/commuter flights

The Airport's enplaned passenger activity grew by 542,220, or 16.0%, in 2017 as the result of a 644,738, or 21.4%, increase in passengers starting their flight from the Airport ("origin passengers") offset by a 102,518, or 27.2%, decrease in passengers connecting through the Airport. The increase in origin passengers and the related decrease in connecting passengers are the results of a continued diversification of the carrier base at the Airport with incumbent and low-cost carrier entrants expanding service at the Airport. This increased diversification has resulted in enhanced competition at the Airport, resulting in lower air fares and the stimulation of local passenger traffic. In 2017, origin passengers represented 93.0% of the Airport's enplaned passengers, increasing from 88.9% in 2016.

In thousand-pound units (lbs. 000s), total landed weights at the Airport increased 2,046,581, or 24.7%, in 2017 as compared to 2016. This increase reflects increases in cargo landing weights of 1,420,229, or 32.9%, and passenger airline landed weights of 626,352, or 15.7%. The increase in cargo airline landed weights was due to the commencement of operations by Amazon in the second quarter of 2017 and the continued growth of DHL's operations. Passenger airline landed weights grew in 2017 due to the June 2017 commencement of air service at the Airport by Southwest Airlines Co., an increase in the average size of aircraft utilized by the legacy carriers (American Airlines Inc., Delta Air Lines Inc. and United Airlines Inc.) operating at the Airport and continued growth in service by low-cost carriers Frontier Airlines and Allegiant Air.

The number of aircraft operations at the Airport grew by 6,342, or 9.9%, with cargo operations increasing by 3,997, or 28.6%, and passenger operations increasing by 2,345, or 4.8%. The percentage increase in the number of operations at the Airport is lower than the increases in enplanements and landed weights due to the continued increase in the average size of cargo and passenger aircraft operating from the Airport.

Airline Rates and Charges

Two of the primary revenue sources for the Airport are the landing fees received from the airlines for the use of the airfield and the rentals received for their use of the terminal facilities. Effective January 1, 2016, the Airport entered into a new Airport Use Agreement ("Use Agreement") with certain passenger and cargo air carriers operating at the Airport ("Signatory Carriers") that expires on December 31, 2020. The Use Agreement provides for the use of the airfield and establishes the methodology for calculating the landing fee rate charged to the air carriers. Each passenger carrier that is a Signatory Carrier leases airport facilities under separate terminal leases which also expire on December 31, 2020. The Use Agreement establishes the methodology for calculating the various terminal related rates and charges to be paid under these terminal leases.

The airline rates and charges methodology under the Use Agreement provides that operating expenses, debt service, other capital costs and funding of certain reserve accounts are allocated to airline and Board cost centers. The landing fee and terminal rates and charges are calculated based on the costs allocated to the applicable airline cost centers less certain revenue offsets. The calculation of the landing fee rate is residual in nature with the landing fee rate prior to any revenue offsets established to recover the cost of providing the airfield. A commercial compensatory rate setting methodology is used to establish terminal related rates and charges with any unrecovered costs related to unleased space being borne by the Airport. Under the Use Agreement, a portion of net remaining revenues ("NRR") as defined in the agreement is credited to reduce the landing fee rate and Signatory Carrier terminal related rentals. Landing fees and airline terminal rentals are reflected in the Statements of Revenues, Expenses and Changes in Net Position net of the related NRR credits.

The landing fee rate, terminal related rates and charges and the related NRR credits are established annually during the budget process based on projected revenues, costs and airline activity. After the close of each fiscal year, the landing fee rate, terminal related rates and charges and related NRR credits are recalculated using audited financial data. Any overpayments of such rentals, fees and charges are returned by the Board to the Signatory Carriers and any underpayments are invoiced to the Signatory Carriers. Amounts owed to the carriers as the result of this settlement process for 2017 and 2016 were $9.8 million and $6.6 million, respectively. As $4.5 million of the amount payable at December 31, 2016 had not been paid by December 31, 2017, the total amount reflected on the Balance Sheet as payable at December 31, 2017 was $14.3 million.

The bond resolutions associated with the bonds outstanding at December 31, 2017 and 2016 require that rates and fees charged to the air carriers be determined and fixed at amounts which, together with all other revenues from the operation, use and services of the Airport, will be sufficient to 1) pay the costs of operating and maintaining the Airport, 2) fund the principal, interest and coverage requirements on the outstanding bonds, and 3) make all other transfers as required under the bond resolutions.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the Use Agreement, each Signatory Carrier is required to make extraordinary coverage protection payments to the Airport in any Fiscal Year in which the amount of operating revenues less operating expenses is or is forecasted to be less than 125% of the aggregate annual debt service requirements as calculated under the Airport's bond resolutions. No such payments were necessary for 2017 and 2016.

As of December 31, 2017, the Airport had eight Signatory Carriers, of which six were passenger airlines (Allegiant Air LLC, American Airlines Inc., Delta Air Lines Inc. ("Delta"), Frontier Airlines Inc., Southwest Airlines CO., and United Airlines Inc.,) and two were cargo operators (DHL Network Operations (USA) Inc., and Federal Express Corporation). Except for Southwest Airlines Co., which became a Signatory Carrier during 2017, the Signatory Carriers at December 31, 2017 were the same as those at December 31, 2016.

Overview of the Financial Statements

The Airport's Statements include three separate financial statements: the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The Airport is a business-type activity and, as such, is accounted for as an Enterprise Fund. For administrative purposes and to ensure adherence to applicable parameters and restrictions on the allowable use of funds and their associated net positions, the Airport has established various self-balancing account groups (more fully described in note 1 to the Statements).

The Balance Sheet presents the Airport's financial position at December 31, the end of the Airport's fiscal year, and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position is classified into three components: unrestricted, net investment in capital assets, and restricted. Restricted net position is further classified between major categories of restrictions.

The Statement of Revenues, Expenses and Changes in Net Position reports total operating revenues, operating expenses, non-operating changes in net position, and capital contributions for the fiscal 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.

The Statement of Cash Flows presents information showing how the Airport's cash and cash equivalents changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments by operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Summary of Financial Position

A summarized comparison of the Airport's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position at December 31, 2017 and 2016 is set forth below (in thousands of dollars):

	2017	2016
Assets		
Current assets	$ 91,985	$ 104,139
Non-current assets		
Capital assets	707,410	714,610
Other non-current assets	184,833	156,482
Total assets	984,228	975,231
Deferred outflow of resources	25,336	25,336
Total assets and deferred outflow of resources	$ 1,009,564	$ 1,000,567
Liabilities		
Current liabilities	$ 27,116	$ 23,213
Non-current liabilities	135,644	112,229
Total liabilities	162,760	135,442
Deferred inflow of resources	5,801	2,461
Net position		
Unrestricted	39,324	54,915
Net investment in capital assets	653,494	657,937
Restricted	148,185	134,772
Total net position	841,003	847,624
Total liabilities, deferred inflow of resources and net position	$ 1,009,564	$ 985,527

Net Position

Net position is the difference between total assets, total deferrals and total liabilities, and is an indicator of the current fiscal health of the Airport. The majority of the Airport's net position at December 31, 2017 and 2016 represents its investment in capital assets less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to the airlines, passengers, service providers and other users of the Airport. While the Board's net position related to capital assets is reported net of related debt, the associated debt service is paid annually from operating revenues or other non-operating revenues generated through the use of these assets.

In 2017, the Airport's net position decreased by $6.6 million. This change is the result of a $15.6 million reduction of unrestricted net position, a $4.4 million reduction in invested in capital assets, net of related debt net position and an increase of $13.4 million in restricted net position.

The reduction of unrestricted net position was primarily the result of utilizing $32.0 million of the cash and investments in the unrestricted Designated for Capital Projects account group to fund capital additions. Also contributing significantly was a $5.1 million increase in pension expense required under GASB Statement No.68 to reflect the Airport's proportionate share of the total net pension liabilities of the multiple-employer defined benefit pension plan in which the Airport's employees participate. This reduction in unrestricted net position was partially offset by a $15.4 million increase in net position resulting from income generated from Airport operations in 2017 and a $5.5 million reimbursement from the restricted for Demolition of Excess Facilities account group of eligible expenditures previously made from the unrestricted Designated for Capital Project account group.

The reduction in the net position related to the investment in capital assets, net of related debt, was due to $42.7 million of deprecation of the Airport's capital assets, which was offset in part by $35.3 million in capital assets paid for from funds available in the restricted and unrestricted account groups and a $3.0 million reduction in debt service principal outstanding.

The increase in restricted net position was due to the receipt of $16.0 million of PFC revenues, $8.8 million of CFC revenues and $0.9 million of income generated by investments. These increases were partially offset by a $5.5 million reimbursement from the restricted Demolition of Excess Facilities account group to the unrestricted Designated for Capital Projects account group for eligible demolition expenditures, a $3.4 million transfer from the restricted PFC account group for funding of debt service requirements and the utilization of $3.4 million of funds available in the restricted account groups for the acquisition of capital assets.

<u>Assets, Liabilities, and Deferrals</u>
In 2017, total assets increased $9.0 million. This change includes a $12.2 million decrease in current assets, a $7.2 million decrease in capital assets, and a $28.4 million increase in other non-current assets. The decrease in current assets was primarily due to a rebalancing of investments by the Airport from a short-term horizon to a long-term horizon resulting in an increase in the amount of investments with maturity dates of one year or greater at December 31, 2017 as compared to 2016. The decrease in capital assets, net of related depreciation, was due to the depreciation of the Airport's assets being greater than 2017 capital additions. The increase in other non-current assets was related to the above discussed rebalancing of investments to a longer-term horizon and the increase in invested balances as the result of 2017 PFC and CFC receipts.

In 2017, total liabilities increased $27.3 million. This change includes an $8.6 million increase in current liabilities and an $18.7 million increase in non-current liabilities. The increase in current liabilities was due to a $5.5 million increase in accounts payable related to both capital and operational expenditures and a $2.8 million increase in the rates and charges settlement payables to air carriers other than Delta. The increase in non-current liabilities was primarily due to a $16.8 million increase in the Airport's assigned proportionate share of its pension plan's net pension liability and a $4.8 million increase the rates and charges settlement payable to Delta. These increases are partially offset by a $3.1 million reduction in revenue bonds payable including unamortized premium due to principal payments on the outstanding debt.

In 2017, deferred outflow of resources increased $15.0 million and deferred inflows of resources increased $3.3 million. The increase in deferred outflows of resources was primarily due to a change in economic assumptions made by the Kentucky Retirement System's ("KRS") Board, which in 2017 elected to lower the assumed investment return for the multiple-employer defined benefit pension plan in which the Airport's employees participate. This change increased the Airport's proportionate share of the pension plan's net pension liabilities, a significant portion of which is recorded as deferred outflow in accordance with GASB accounting standards. The increase in deferred inflow of resources was related to changes in the amortization of the pension plan actuarial adjustment for the difference between expected and actual plan experience.

Summary of Financial Operations

A summary comparison of the Airport's Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2017 and 2016 is set forth below (in thousands of dollars):

	2017	2016
Operating revenues		
Landing fees	$ 18,032	$ 17,236
Rentals	21,395	20,278
Parking	37,044	31,695
Concessions	12,878	12,221
Other	3,588	2,949
Total operating revenues	92,937	84,379
Operating expenses		
Salaries, wages and benefits	46,452	42,913
Contracted services	22,531	26,641
Utilities	6,844	7,098
Supplies and capital items expensed	5,239	5,761
General administration	2,006	1,344
Insurance	1,293	1,257
Total operating expenses	84,365	85,014
Operating loss, before depreciation and amortization	8,572	(635)
Depreciation and amortization	(42,730)	(43,523)
Operating loss, after depreciation and amortization	(34,158)	(44,158)
Nonoperating changes in net position: increase (decrease)		
Revenue bonds:		
Revenue bond interest, net of premium amortization	(1,255)	(1,130)
Bond refunding - bond issuance costs & interest	-	(1,816)
Passenger facility charge revenues	16,032	13,575
Customer facility charge revenues	8,778	6,726
Police forfeiture program revenues	336	677
Grants and federal awards for operating expenses	510	371
Investment income	1,970	1,598
Other	65	(75)
Total nonoperating changes in net position, before capital contributions	26,436	19,926
Capital Contributions		
Reversion of ownership of leased facilities	-	11,503
Grants and federal awards for capital expenditures	1,088	3,773
Third party funding of project costs	13	944
Total capital contributions	1,101	16,220
Total changes in net position	(6,621)	(8,012)
Net position at the beginning of year	847,624	855,636
Net position at the end of year	$ 841,003	$ 847,624

Operating Revenues and Expenses
In 2017, operating revenues increased $8.6 million and operating expenses decreased $0.6 million.

Landing fee revenue increased by $0.8 million in 2017 and, due to the residual nature of the calculation of the landing fee rate, is reflective of an increase in the airfield cost center requirements net of the portions of the NRR allocated to reduce the landing fee rate.

In 2017, rental revenues increased $1.1 million. The primary components of this increase were a $0.3 million net increase in terminal related rentals, a $0.1 million increase in ground rentals resulting from additional commercial development leasing activity, and a $0.6 million increase in per-turn terminal and ramp rentals received for the use of non-leased gates.

Parking revenues increased $5.3 million in 2017 primarily due to increased use of the Airport's parking facilities stemming from the 2017 growth in origin passengers.

Concession revenues increased $0.7 million in 2017 related to the additional passengers utilizing the Airport, with the primary components of the increase being revenues from car rentals and food and beverages sales.

Salaries, wages and benefits expenses increased $3.5 million in 2017, including a $2.3 million increase in salaries and wages and a $1.2 million increase in benefit expense. Benefits expense increased as the result of an increase in pension expense and increases in the cost of employee group health coverage.

In 2017, expense related to contracted services decreased $4.1 million. This decrease was the result of the majority of a project to demolish excess facilities at the Airport being completed by the end of 2016, with this decrease being offset in part by the cost of a number of large airfield and terminal area repair and maintenance projects undertaken in 2017.

Supplies and capital items expensed decreased $0.5 million in 2017 primarily due to decreased utilization of supplies during the milder 2017 winter season.

In 2017, general administration expenses increased $0.7 million due to marketing expenses related to the implementation and utilization of an air service incentive program intended to increase the number of air carriers operating at the Airport as well as the destinations served.

In 2017, depreciation and amortization decreased by $0.8 million due to certain airfield assets becoming fully depreciated during 2017.

Nonoperating Changes in Net Position
The nonoperating changes in net position increased by $6.5 million in 2017 as compared to 2016.

In 2016, the Airport recorded a non-operating decrease in net position totaling $1.8 million related to the costs incurred in the refunding of its outstanding bonds (as described in note 6 to the Statements). No such costs were incurred in 2017.

PFC revenues, which are funds collected at a Federal Aviation Administration approved rate per qualifying enplaned passenger, increased $2.5 million in 2017 as the result of the 2017 increase in enplanements.

CFCs are funds collected at a rate charged per rental car transaction day. CFC revenues increased $2.1 million in 2017 principally due to a November 2016 increase in the rate charged per rental car transaction day. Also contributing was an increase in the number of rental car transactions, resulting from the increase in passengers utilizing the Airport.

Capital Contributions
In 2017, capital contributions decreased by $15.1 million. The types of capital contributions reflected by the Airport include recording of the appraised value of facilities constructed by tenants at such time as, in accordance with the provisions of associated ground leases, the ownership of the facilities reverts to the Airport. Capital contributions also include grants, federal awards and contributions received from other outside parties to fund capital project costs.

During 2016, the Airport recognized $11.5 million of capital contributions related to the reversion of ownership of two facilities. There were no such reversions in 2017. Grants and federal awards for capital expenditures decreased $2.7 million in 2017 as the result of a reduction in the amount of federal grant eligible project costs incurred in 2017. Third party funding of project costs decreased $0.9 million in 2017 due to 2016 including tenant funding of $0.9 million of environmental mitigation related costs required for the tenant to construct facilities on the Airport and no such funding being received in 2017.

Summary of Cash Flows

A comparative summary of the Statements of Cash Flows for the years ended December 31, 2017 and 2016 is as follows (in thousands of dollars):

	2017	2016
Net cash provided by operating activities	$ 22,508	$ 5,103
Net cash provided by non-capital financing activities	676	965
Net cash (used in) provided by capital and related financing activities	(6,814)	6,373
Net cash used in investing activities	(11,747)	(16,240)
Net increase (decrease) in cash	4,623	(3,799)
Cash at the beginning of the year	6,722	10,521
Cash at the end of the year	$ 11,345	$ 6,722

The Airport's overall cash position increased $4.6 million in 2017.

Net cash provided by operating activities increased $17.4 million in 2017 related to the $9.2 increase in operating income before depreciation and amortization as well as an increase of $0.8 million in operating cash provided by the differences in the timing of cash receipts and payments in 2017 as compared to 2016 reflected in the changes in operating related receivables and payables. Also contributing are 1) a $3.2 million increase in the amount of rates and charges collected during 2017 which, based on the year-end settlement process, were determined to be overpayments and, therefore, are owed back to the air carriers and 2) a $4.5 million decrease in the amount actually refunded to the air carriers in 2017 as compared to 2016.

In 2017, net cash provided by non-capital financing activities decreased $0.3 million as compared to 2016 as the result of a decrease in cash received under law enforcement federal asset forfeiture programs.

Net cash used by capital and related financial activities in 2017 increased by $13.2 million as compared to 2016. This was primarily due to an increase in cash used for acquisition of capital assets and a decrease in cash provided by third parties for funding of capital project costs. These increases in cash used were partially offset by a decrease in cash used due to their being no bond refunding related costs in 2017 and by an increase in cash provided by PFCs, CFC's, and grants.

In 2017, net cash used in investing activities decreased by $4.5 million as compared to 2016. This was due to a $3.3 million decrease in net investment purchases (investment purchases less investment maturities) and a $1.2 million increase in investment income received. While the amount of investments held at December 31, 2017 was greater than the amount at December 31, 2016, the amount of investments purchased during 2017 was less than in 2016. This was due to the 2016 investing of a significant amount of funds being held in cash at the beginning of 2016 as the Airport transitioned to the new Use Agreement.

Capital Assets

As of December 31, 2017, the Airport's capital assets balance, net of accumulated depreciation, was $707.4 million. As detailed in note 4 to the Statements, during 2017 the amount of capital assets gross of depreciation increased $34.2 million and accumulated depreciation increased $41.4 million. The increase in gross capital assets during 2017 was primarily related to additions to aircraft parking ramp and various projects related to the improvement and modernization of terminal facilities.

The Airport's Master Plan provides both near and long-term road maps for the Airport's facilities to be developed to efficiently serve future aviation needs. Under Federal Aviation Administration guidelines, the Master Plan must periodically be updated to reflect operational changes at the Airport and changes in the industry. The Airport is in the process of updating its Master Plan to reflect the changes in the nature of operations occurring at the Airport, including the diversification of air carrier operations at the Airport, the growth in origin passengers and the anticipated growth in cargo operations related to Amazon's announced intention to develop an Amazon Hub at the Airport. In support of the development of a cost-effective ongoing renewal and replacement ("R&R") program as well as to provide necessary information for the Master Plan update, the Board is in the process of performing assessments of the condition of various infrastructure components. These condition assessments, as well as the ongoing Master Plan update, will provide information for ongoing infrastructure R&R investment decisions as well as for decisions regarding the investment in new facilities which may be needed in the future to efficiently and cost-effectively serve the growth in air travel demand. The Master Plan update is intended to provide forecasts of aviation activity and facility needs at the airport through approximately the year 2050.

The primary near-term projects identified in the last Master Plan update have been completed or are in process. The projects completed include the demolition of older obsolete terminal facilities that were no longer in use. Currently under design is a Consolidated Ground Transportation Facility. This facility will consolidate rental car operations into a single facility adjacent to the terminal and will include a ground level transportation center that will provide for the loading and unloading of busses transporting passengers to and from the terminal facilities. The project will also include the reconfiguration of the main terminal roadway system. In addition to enhancing customer service, completion of this project will serve to relieve congestion in front of the terminal.

Debt Administration

As of December 31, 2017, the Airport's outstanding bonds were the Series 2016 fixed rate revenue bonds with a principal balance of $44.6 million. Pursuant to approvals previously received from the Federal Aviation Administration, the debt service on the Series 2016 bonds, while secured by the revenues of the Airport, is fully payable with on-hand PFC funding and currently approved future collections of PFCs. At December 31, 2017, the Airport's underlying long-term bond ratings were "A2" from Moody's Investor Services and "A+" from Fitch Ratings, both with a "stable" outlook.

It is anticipated that in early 2019 long-term bonds will be issued to provide for the funding of the Consolidated Ground Transportation Facility. The majority of these bonds are planned to be paid solely from CFC revenues and to be additionally secured by the rental car companies operating from the facility.

Currently, it is anticipated that the cost of any capital assets and improvements which, at the conclusion of the Master Plan update, are determined to be necessary will be funded with some combination of short-term financing, long-term financing and on-hand capital funds. The projects and the related financing will occur over a number of years, with the total amount ultimately financed likely to be material to the financial statements and balance of outstanding debt of the Airport. However, as the projects have not yet been identified, estimated project costs and the amount and timing of any related financing are not yet known or estimable.

Requests for Information

This financial report is designed to provide a general overview of the Airport's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, P.O. Box 752000, Cincinnati, OH 45275-2000 or emailed to info@cvgairport.com.

Cincinnati/Northern Kentucky International Airport
Balance Sheets
December 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Assets		
Current assets		
Cash - unrestricted	$ 7,597	$ 4,392
Cash - restricted	1,876	1,361
Investments (at fair value) - unrestricted	64,912	84,176
Investments (at fair value) - restricted	6,313	1,044
Investment income receivable	217	158
Accounts receivable	4,872	3,913
Grants and federal awards receivable	738	3,720
Prepaid expenses	1,294	1,308
Supplies inventory	4,166	4,067
Total current assets	91,985	104,139
Non-current assets		
Cash - restricted	1,872	969
Investments (at fair value) - unrestricted	38,450	26,004
Investments (at fair value) - restricted	141,270	126,544
Investment income receivable	426	322
Passenger facility charges receivable	1,973	1,775
Customer facility charges receivable	665	606
Prepaid expenses	177	262
Capital assets, non-depreciable	209,583	209,340
Capital assets, net of accumulated depreciation	497,827	505,270
Total non-current assets	892,243	871,092
Total assets	$ 984,228	$ 975,231
Deferred Outflow of Resources		
Pension	$ 25,336	$ 10,296
Total deferred outflow of resources	$ 25,336	$ 10,296
Total assets and deferred outflow of resources	$ 1,009,564	$ 985,527
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 17,707	$ 12,203
Rates and charges settlement payable to airlines	4,956	2,109
Contract retainage payable	1,378	1,098
Assets held in trust	-	40
Revenue bonds payable, inclusive of unamortized premium	3,075	3,037
Total current liabilities	27,116	18,487
Non-current liabilities		
Accounts payable and accrued expenses	1,746	1,638
Rates and charges settlement payable to airlines	9,332	4,484
Revenue bonds payable, inclusive of unamortized premium	49,463	52,538
Net pension liability	75,103	58,295
Total non-current liabilities	135,644	116,955
Total liabilities	$ 162,760	$ 135,442
Deferred Inflow of Resources		
Pension	$ 5,801	$ 2,461
Total deferred inflow of resources	$ 5,801	$ 2,461
Net Position		
Unrestricted	$ 39,324	$ 54,915
Net investment in capital assets	653,494	657,937
Restricted:		
For federally approved projects	74,036	61,731
For ground transportation expenditures	50,391	44,477
For operational cash flow shortages (by bond resolutions)	19,469	18,750
For demolition of excess facilities	-	5,546
For debt service	4,289	4,268
Total net position	$ 841,003	$ 847,624
Total liabilities, deferred inflow of resources and net position	$ 1,009,564	$ 985,527

See report independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Operating revenues		
Landing fees	$ 18,032	$ 17,236
Rentals:		
Terminal	12,315	12,014
Ground	4,110	3,968
Ramp	3,993	3,430
Other	977	866
Parking	37,044	31,695
Concessions	12,878	12,221
Rebilled services	1,862	1,616
Ground transportation	1,043	649
Other	683	684
Total operating revenues	92,937	84,379
Operating expenses		
Salaries, wages and benefits	46,452	42,913
Contracted services	22,531	26,641
Utilities	6,844	7,098
Supplies and capital items expensed	5,239	5,761
General administration	2,006	1,344
Insurance	1,293	1,257
Total operating expenses	84,365	85,014
Operating income (loss), before depreciation and amortization	8,572	(635)
Depreciation and amortization	(42,730)	(43,523)
Operating loss, after depreciation and amortization	(34,158)	(44,158)
Nonoperating changes in net position: increase (decrease)		
Revenue bonds:		
Revenue bond interest, net of premium amortization	(1,255)	(1,130)
Bond refunding - release of funds for defeasance of bonds - interest	-	(1,209)
Bond refunding - bond issuance costs	-	(607)
Passenger facility charge revenues	16,032	13,575
Customer facility charge revenues	8,778	6,726
Police forfeiture program revenues	336	677
Police forfeiture program revenues passed through to other local government	(2)	(2)
Grants and federal awards for operating expenses	510	371
Investment income	1,970	1,598
Net gain on disposal of capital assets	33	17
Non-capitalized project costs	(24)	(90)
Other	58	-
Total nonoperating changes in net position, before capital contributions	26,436	19,926
Capital Contributions		
Reversion of ownership of leased facilities	-	11,503
Grants and federal awards for capital expenditures	1,088	3,773
Third party funding of project costs	13	944
Total capital contributions	1,101	16,220
Total changes in net position	(6,621)	(8,012)
Net position at the beginning of year	847,624	855,636
Net position at the end of year	$ 841,003	$ 847,624

See report independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Cash flows from operating activities		
Cash received from customers	$ 98,348	$ 85,982
Cash paid to suppliers	(32,758)	(41,451)
Cash paid for the direct benefit of employees	(43,082)	(39,428)
Net cash provided by operating activities	22,508	5,103
Cash flows from non-capital financing activities		
Police forfeiture program receipts	329	678
Police forfeiture program receipts passed through to other local government	(2)	(2)
Grants and federal awards receipts for operating expenses	401	385
Non-capitalizable project costs	(52)	(96)
Net cash provided by non-capital financing activities	676	965
Cash flows from capital and related financing activities		
Revenue bonds:		
Debt service payments -principal	(1,985)	(1,250)
Debt service payments -interest	(2,307)	(2,623)
Bond refunding - proceeds from issuance of bonds	-	57,351
Bond refunding - bond proceeds transferred to escrow	-	(56,736)
Bond refunding - interest and redemption account release of funds to escrow	-	(2,149)
Bond refunding - bond reserve release of funds to escrow	-	(914)
Bond refunding - bond issuance costs	-	(607)
Passenger facility charges received	15,825	13,281
Customer facility charges received	8,618	6,445
Grants and federal awards receipts for capital expenditures	4,153	2,380
Third party funding of project costs	44	922
Proceeds from sale of assets	82	63
Acquisition and construction of airport facilities	(31,244)	(9,790)
Net cash (used in) provided by capital and related financing activities	(6,814)	6,373
Cash flows from investing activities		
Proceeds from sales and maturities of investments	404,762	430,784
Purchase of investments	(419,398)	(448,697)
Investment income received	2,889	1,673
Net cash used in investing activities	(11,747)	(16,240)
Net increase (decrease) in cash	4,623	(3,799)
Cash at the beginning of the year	6,722	10,521
Cash at the end of the year	$ 11,345	$ 6,722

See report independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport
Statements of Cash Flows, continued
Years Ended December 31, 2017 and 2016

(in thousands of dollars)

	2017	2016
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss, after depreciation and amortization	$ (34,158)	$ (44,158)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	42,730	43,523
Change in assets and liabilities		
Increase in accounts receivable	(995)	(127)
Increase in supplies inventory	(99)	(134)
Decrease in portion of interfund receivables related to operating activities	8	960
Decrease in prepaid expenses	47	278
Increase (decrease) in accounts payable and accrued expenses	2,088	(1,265)
Increase in rates and charges settlement payable to airlines	7,695	1,694
Increase (decrease) in portion of interfund payables related to operating activities	84	(454)
Increase in deferred outflow of resources	(15,040)	(1,920)
Increase (decrease) in deferred inflow of resources	3,340	(779)
Increase in net pension liability	16,808	7,485
Total adjustments	56,666	49,261
Net cash provided by operating activities	$ 22,508	$ 5,103

	2017	2016
Noncash capital and related financing activities:		
Reversion of ownership of capital assets, capital contributions	$ -	$ 11,503
Amortization of revenue bond premium, payment of revenue bond debt service interest	$ 1,052	$ 526

See report of independent auditors and accompanying notes to financial statements.

(in thousands of dollars)

1. Summary of Significant Accounting Policies and Practices

Reporting Entity

The Kenton County Airport Board (the "Board") was created by the Fiscal Court of Kenton County, Kentucky on June 3, 1943. The Board is a public body politic and corporate, and has jurisdiction, control, possession and supervision of the Cincinnati/Northern Kentucky International Airport (the "Airport").

Basis of Accounting

The Airport is a business-type activity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services and are accounted for in Enterprise Funds, which utilize the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned, and expenses are recognized when incurred.

The principal operating revenues of the Airport are from sources such as the Airport's tenant airlines, concessions, customer parking, rental cars, and other third party facility and ground leases. Investment income, Passenger Facility Charges and Customer Facility Charges, federal and state operating grants and other revenues not related to the operations of the airport are considered nonoperating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense, bond issuance costs and non-capitalized project costs are considered nonoperating expenses.

As required of an Enterprise Fund, the Balance Sheets are presented with assets and liabilities classified as current and non-current. Assets are classified as current if they will be converted to cash within one year of the Balance Sheets dates and are not subject to restrictions which prohibit them from being used in the current operations of the Airport. Restricted assets are also classified as current if they will be converted to cash within one year of the Balance Sheets dates and are needed to cover current liabilities which exist at the Balance Sheets dates. Liabilities are classified as current if they are likely to be paid within one year of the Balance Sheets dates.

Adoption of New Pronouncements

During 2017, the Airport implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding the presentation of payroll-related measures in RSI, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement affected the presentation of information related to covered payroll on the Schedule of the Proportionate Share of the Net Pension Liability table in the RSI section and did not have an effect on the Airport's basic financial statements.

(in thousands of dollars)

Significant Upcoming Implementations

All full-time employees of the Airport are members of the Kentucky Retirement Systems' County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension system. During 2017, the CERS implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses the financial reporting of defined benefit other post-employment benefit ("OPEB") plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information ("RSI") related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. As the provisions of Statement No. 74 pertain only to financial reporting of OPEB plans, the adoption of this statement does not have an effect on the Airport's current year basic financial statements. However, the CERS' 2017 implementation of Statement No. 74 will result in information necessary for the Airport to implement Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in its 2018 basic financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45 and requires governments to report a liability on their financial statements for the OPEB that they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities, including a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government, new RSI including a schedule showing the causes of increases and decreases in the OPEB liability, and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This statement is effective for the Airport's fiscal year ended December 31, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria for determining if the Airport would be required to recognize a liability associated with legal obligations to perform future asset retirement activities related to its tangible capital assets and disclosure of information about the nature of the Airport's AROs, the methods and assumptions used for estimates of liabilities, and the estimated remaining useful life of the associate tangible capital assets. This statement is effective for the Airport's fiscal year ended December 31, 2019.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for the Airport's fiscal year ended December 31, 2018.

(in thousands of dollars)

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Airport's fiscal year ended December 31, 2020.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for the Airport's fiscal year ended December 31, 2019.

The Airport has not determined what impact, if any, these statements will have on its financial statements.

Air Carrier Rates and Charges
Effective January 1, 2016, the Airport entered into a new Airport Use Agreement ("Use Agreement") with certain passenger and cargo air carriers operating at the Airport ("Signatory Carriers"). The Use Agreement, which expires on December 31, 2020, provides for the use of the Airport and establishes the landing fees to be paid for use of the airfield. Each passenger carrier that is a Signatory Carrier leases airport facilities under separate terminal lease agreements, with these lease agreements also expiring as of December 31, 2020. The Use Agreement establishes the methodology for calculating the various terminal related rates and charges to be paid under these terminal lease agreements. Air carriers which are not Signatory Carriers utilize the terminal facilities under an operating permit and pay per use of the facilities.

The Use Agreement employs a hybrid structure for establishing airline rates and charges. Rates charged for the use of the airfield are residual in nature in that the landing fee rates prior to any revenue offsets are established to recover the costs of providing the airfield. A commercial compensatory rate setting methodology is used to establish terminal related rates and charges wherein any unrecovered terminal costs are borne by the Airport. Under the Use Agreement, a portion of net remaining revenues ("NRR") as defined in the agreement are credited to reduce the landing fee rate and Signatory Carrier terminal related rentals. Landing fees and airline terminal rentals are reflected net of the related NRR credits in the Statement of Revenues, Expenses and Changes in Net Position.

(in thousands of dollars)

The landing fee rate, terminal related rates and charges and the related NRR credits are established annually during the budget process based on projected revenues, costs and airline activity. After the close of each fiscal year, the landing fee rate, terminal related rates and charges and related NRR credits are recalculated using audited financial data. Any overpayments of such rentals, fees and charges are returned by the Board to the Signatory Carriers and any underpayments are invoiced to the Signatory Carriers. At December 31, 2017 and 2016, $9,804 and $6,593, respectively, were payable to the carriers as the result of this settlement process. As $4.5 million of the amount payable at December 31, 2016 had not been paid by December 31, 2017, the total amount reflected on the Balance Sheet as payable at December 31, 2017 was $14.3 million.

The bond resolutions associated with the bonds outstanding at December 31, 2017 and 2016 require that rates and fees be determined and fixed to ensure that revenues from the operation, use and services of the Airport will be sufficient to 1) pay the costs of operating and maintaining the Airport, 2) fund the principal, interest and coverage requirements on the outstanding bonds, and 3) make all other transfers as required under the bond resolutions.

In addition to the landing fees and terminal rentals and any other fees and charges allowable under the Use Agreement, each Signatory Carrier is required to make extraordinary coverage protection payments to the Airport in any Fiscal Year in which the amount of operating revenues less operating expenses is or is forecasted to be less than 125% of the aggregate annual debt service requirements as calculated under the Airport's bond resolutions. No such payments were necessary for 2017 and 2016.

(in thousands of dollars)

Account Groups and Restrictions on Net Position

For administrative purposes and to ensure adherence to applicable parameters and restrictions on the allowable use of funds and their associated net positions, the Airport has established various self-balancing account groups.

The account groups and the nature of restrictions on the components of the Airport's net position are as follows:

Account Group:	Restrictions on Net Position:
Operations and Maintenance	Unrestricted
Designated for Capital Projects	Unrestricted
Designated for Group Health Coverage	Unrestricted
Repair and Replacement Reserve	Unrestricted
General Purposes	Unrestricted
Net Investment in Capital Assets	Net Investment in Capital Assets
Passenger Facility Charge	Restricted for federally approved projects
Police Forfeiture	Restricted for federally approved projects
Customer Facility Charge	Restricted for ground transportation expenditures
Operations & Maintenance Reserve	Restricted for operational cash flow needs (by bond resolutions)
Demolition of Excess Facilities	Restricted for demolition of excess facilities
Bond Interest and Redemption	Restricted for debt service
Bond Reserve	Restricted for debt service
Other Third Party Funding	Restricted for uses legally required by contributing parties

Unrestricted Account Groups

The unrestricted account groups listed in the table above are resources available for any Airport use.

Operations and Maintenance account group- unrestricted: The Operations and Maintenance account group is maintained to account for operating revenues and expenses and provide for the funding of debt service.

Designated for Capital Projects account group- unrestricted: The Airport has funds on hand which were previously received through reimbursements from federal and state grants and other third parties for eligible capital expenditures. As the Airport intends to use these funds for capital projects, they are recorded as Designated for Capital Projects as a component of unrestricted net position.

Designated for Group Health Coverage account group- unrestricted: Effective January 1, 2009, the Airport, by resolution of the Board, established an account group for all activities of the self-funded health coverages maintained for employees. By this resolution, the Airport assumed the risk financing of the health and dental coverages through self-funding of claims, subject to certain individual stop loss and group aggregate limits. Activities include contributions to the account, the payment of claims, the payment of fees and expenses, and the establishment and maintenance of reserves. Contributions to the account for the payment of claims, fees and expenses are made from the Operations and Maintenance account group and are recorded as operating expenses. Contributions to the account for the purposes of building reserves are recorded as transfers of net position from the General Purposes account group (see Note 10).

(in thousands of dollars)

Repair and Replacement Reserve account group- unrestricted: Pursuant to the requirements of the Airport's bond resolutions, the Board is required to maintain an asset balance of $10,000 in the Repair and Replacement Reserve account group, which is available for any Airport use. In the event that amounts from this reserve are used, the Airport is required, commencing from the date the deficit occurred, to replenish the balance in twenty-four equal monthly installments from the Operations and Maintenance account group, provided the funds are not needed for other purposes. Due to temporary market value fluctuations related to investments, at December 31, 2017 and 2016 the balances in the Repair and Replacement Reserve were $9,984 and $10,018, respectively. The bond resolutions do not require the Airport to adjust the amount held in the Repair and Replacement Reserve when the balance differs from the required $10,000 solely due to temporary market value fluctuations. Actual losses due to market value fluctuations are not expected to occur due to the fixed rate nature of the investments and the Airport's practice of holding its investments to maturity. No funds from the Repair and Replacement Reserve account group were used during 2017 and 2016.

General Purposes account group- unrestricted: Pursuant to the requirements of the Airport's bond resolutions, the Board maintains a General Purposes account group, the balance of which is available for any Airport use. Amounts of revenues remaining in the Operations and Maintenance account group after satisfaction of operating expenses and other transfers required by the bond resolutions are transferred to the General Purposes account group. In 2017 and 2016, the amounts transferred to the General Purposes account group were $15,355 and $14,659, respectively.

Net Investment in Capital Assets
The Net Investment in Capital Assets account group is maintained for the recording of the balances and depreciation of capital assets, as well as any associated balances of outstanding debt.

Restricted Account Groups
The resources of the restricted account groups listed in the table above are restricted by outside parties. Accordingly, approval of these parties, as applicable, is required in order for the restricted resources to be available for use. It is the Airport's policy to first apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

Passenger Facility Charge account group- restricted: In 1994, the Federal Aviation Administration ("FAA") first granted approval to the Airport to impose a Passenger Facility Charge ("PFC") and to use the PFCs to fund specific approved projects. PFCs, which are charged at rates per qualifying enplaned passenger, are considered earned upon collection by the airline and are credited to the restricted net position of the Passenger Facility Charge account group. Amounts collected by the airlines but not yet remitted to the Airport are classified as Passenger Facility Charges receivable. As of December 31, 2017 the Airport has received approval on a total of fourteen PFC applications. The approvals authorize the Airport to collect PFCs and associated investment income for approved projects up to the amount of allowable project costs, but not to exceed $576,424. Through December 31, 2017, PFCs and associated investment income in the amount of $547,171 have been collected.

Police Forfeiture account group- restricted: The Police Forfeiture account group is maintained to account for all activity of funds received by the Airport's police department through the Equitable Sharing Programs of the U.S. Department of Justice, the U.S. Department of Treasury, and the Commonwealth of Kentucky. The use of these funds is restricted to law enforcement expenditures considered allowable under the various sharing agreements.

(in thousands of dollars)

Customer Facility Charge account group- restricted: Pursuant to an ordinance of the Board, the collection of Customer Facility Charges ("CFCs") began on April 1, 2006. The CFCs, which are charged at a rate per rental car transaction day, are being collected to provide for the planning, construction, operation, and maintenance of facilities to accommodate the ground transportation needs at the Airport. The CFCs are considered earned upon collection by the rental car companies and are recognized as nonoperating revenues in the Customer Facility Charge account group. The use of CFCs is limited by what may be legally enforceable restrictions. The total amount of CFCs collected in 2017 and 2016 was $8,778 and $6,726, respectively.

Operations & Maintenance Reserve account group- restricted: Pursuant to the requirements of the Airport's bond resolutions, the Board is required to maintain in the Operations and Maintenance Reserve an asset balance equal to twenty-five percent of the then current year budgeted operating expenses. Assets in the Operations and Maintenance Reserve account group may only be used to finance operating expenditures, when sufficient funds are not otherwise available in the Operations and Maintenance account group or from other available funding sources. Upon use of funds from this reserve, the Airport is required, commencing in the ensuing calendar year, to replenish the asset balance in twelve equal monthly installments from the Operations and Maintenance account group, provided the funds are not needed for other purposes. At December 31, 2017 and 2016, the asset balances to be carried in the Operations and Maintenance Reserve were $19,595 and $18,808, respectively. Due to a temporary decline in the market value of the fixed rate investments held at that date, the asset balances were $19,523 and $18,796 at December 31, 2017 and 2016, respectively. The bond resolutions do not require the Airport to adjust the amount held in the Operations and Maintenance Reserve as a result of temporary market value fluctuations. Actual losses due to market value fluctuations are not expected to occur due to the fixed rate nature of the investments and the Airport's practice of holding its investments to maturity. No funds from the Operations and Maintenance Reserve account group were used during 2017 and 2016.

Demolition of Excess Facilities account group- restricted: The Airport's Master Plan calls for a consolidation of all airline operations into one terminal and into Concourse A and Concourse B, thereby allowing the demolition of excess, less cost-efficient structures at the Airport. Pursuant to a December 2013 approval of the airline counterparties to the previous use agreement, in 2015 and 2014, utilizing operating revenues, funds were accumulated by the Airport for the demolition of certain structures at the Airport. The amounts collected for this purpose and remaining at December 31, 2017 and 2016 are restricted for use on the demolition of excess facilities and are recorded in the Demolition of Excess Facilities account group. During 2017 and 2016, $5,608 and $8,748, respectively, were expended for the costs of demolition. The allowable costs included demolition costs expensed as well as those costs capitalized as part of capital projects due to being necessitated by these projects.

Bond Interest & Redemption account group- restricted: Pursuant to the requirements of the Airport's bond resolutions, the Bond Interest & Redemption account group is maintained to hold and account for contributions from the Operations and Maintenance account group for the debt service requirements of any outstanding bonds. From the Operations & Maintenance account group, debt service contributions in the amount of 1/6th of the next required interest payment and 1/12th of the next maturing principal are made to the Bond Interest and Redemption account group on a monthly basis. During 2017 and 2016, all required debt service contributions to the Bond Interest and

(in thousands of dollars)

Redemption Account were made in full. Assets included in the Bond Interest and Redemption account group are restricted for the payment of bond principal and interest.

The FAA's approvals of three of the Airport's PFC applications authorized the use of PFCs for the debt service requirements and related costs of revenue bonds ("PFC Bonds") issued to finance the projects included in those applications. The revenue bond resolutions which authorized the issuance of the PFC Bonds ("PFC Bond Resolutions") created the PFC Revenue Account (within the Operations and Maintenance account group), the PFC Interest and Redemption Account (within the Bond Interest and Redemption account group) and the PFC Bond Reserve Account (within the Bond Reserve account group). The bond resolutions provide that, through December 31, 2020, the Board must, from the Passenger Facility Charge account group, transfer to the PFC Revenue Account PFCs equal to 125% of the principal and interest requirements on the PFC Bonds. Upon transfer to the PFC Revenue Account within the Operations and Maintenance account group, these amounts are restricted for the payment of the principal and interest requirements of the PFC Bonds and any required transfers to the Bond Reserve account group. Subsequent to 2020, the Board may, but is not required to, transfer PFCs for the debt service and coverage requirements of the PFC Bonds. Any debt service requirements of the PFC Bonds for which the Board elects to not use PFCs will be paid from operating revenues of the Airport, which are pledged as security for the PFC Bonds. During 2017, the amounts of $1,985, $2,307, $1,073 were transferred from the Passenger Facility Charge account group for the principal, interest and debt service coverage requirements, respectively. During 2016, the amounts transferred for principal, interest and debt service coverage were $2,190, $2,845 and $1,258, respectively. Pursuant to the bond resolutions, at December 31, 2017 and 2016, the $1,073 and $1,258, respectively, of debt service coverage were returned to the Passenger Facility Charge account group. At December 31, 2017 and 2016, all outstanding bonds were PFC Bonds.

Bond Reserve account group- restricted: Pursuant to the requirements of the Airport's bond resolutions, the Airport must hold in the Bond Reserve account group an amount at least equal to the maximum principal and interest due on outstanding bonds in any succeeding year. Upon use of funds that results in a deficiency in the balance on hand, the Airport is required to replenish the asset balance in twelve equal monthly installments from the Operations and Maintenance account group, provided the funds are not needed to fund operations and maintenance expenses or debt service. However, if the series of bonds for which the associated reserve is deficient are payable from PFCs, the deficiency may also be cured using funds from the Passenger Facility Charge account group. At December 31, 2017 and 2016, the required balances in the Bond Reserve were $4,241 and $4,252, respectively, while the asset balances were $4,303 and $4,282, respectively. No funds from the Operations and Maintenance Reserve account group were used during 2017 and 2016. Assets included in the Bond Reserve account group are restricted for the payment of bond principal and interest.

Other Third Party Funding account group- restricted: Assets held in the Other Third Party Funding account group are restricted for use on expenditures as contractually obligated by the outside parties from which the funding is obtained.

Cash and Investments

As more fully discussed in Note 2, the Board's cash and investments are governed by Kentucky Revised Statutes ("KRS") and the Board's Investment Policy, which was adopted on January 17,

(in thousands of dollars)

2005 and last amended on May 15, 2017. Investments are stated at their fair values based on market values quoted at December 31, 2017 and 2016.

The following items, to the extent that they are experienced during the reporting period, are included as components of investment income: 1) interest earnings, 2) amortization of premiums and accretion of discounts, 3) unrealized gains and losses due to recording investments at fair value and 4) realized gains and losses due to sale or impairment of investments.

Accounts Receivable
The Board's receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on an analysis of past due amounts that are not covered by security deposits or letters of credit. When continued collection activity results in receipts of amounts previously reserved, revenue is recognized in the period collected.

Prepaid Expenses and Supplies Inventory
Prepaid expenses consist primarily of insurance, employee benefits and any other expenditures expected to benefit future periods. Supplies inventory, which is reported at average cost, primarily consists of bulk materials used for snow removal, fuel, and materials or parts to be used for maintenance and repair or otherwise in support of airport operations.

Airport Facilities
Additions and replacements to Airport facilities with costs greater than $50 are carried as assets in the Net Investment in Capital Assets account group. Those with costs less than $50 are typically replaced every three to five years and are recorded as operating expenses. For assets with costs in excess of $50, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally ranging from three to forty years, and is recognized as a component of operating expenses and a direct reduction of the Net Investment in Capital Assets net position. The cost of assets retired, as well as any related accumulated depreciation, is removed from the related accounts. The net of these amounts, less any proceeds received from disposition, is transferred to the Designated for Capital Projects unrestricted net position.

Avigation easements, when the fully-executed documentation has been obtained, are recorded at the amount incurred by the Airport to obtain such easements.

Pursuant to certain agreements between the Board and tenants of the Airport, facilities constructed by or on behalf of a tenant on property leased from the Airport are not reflected as assets of the Airport until such time as the Board assumes the risks and rights of ownership. Upon transfer of the risks and rights of ownership to the Board, the appraised fair market value of such reverted property is recorded as a capital asset and credited to the Net Investment in Capital Assets net position.

Repairs and maintenance which do not substantially increase the capacity, improve the operational efficiency, increase the value or extend the useful lives of Airport assets are expensed.

Interest During Construction
Interest costs incurred during construction of qualifying projects, rather than being recorded as interest expense, are capitalized as a cost of the assets which result from the projects. Capitalized

(in thousands of dollars)

interest consists of interest cost at the average borrowing rate on the Airport's outstanding debt in excess of the investment income on investments acquired with the proceeds of borrowings.

Capital Contributions
Capital contributions consist primarily of grants from federal and state governmental agencies, contributions to capital project costs from airlines and other tenants, and the appraised value of leased facilities where the ownership has reverted to the Airport. The Airport recognizes contributions as earned as related project costs are incurred. As discussed above, facilities that have reverted to the Board are recorded at fair value upon reversion of ownership.

Deferred Outflows/Inflows of Resources
Deferred outflows of resources represent the consumption of net position that will be recognized in a future reporting period. As such, they have a current positive effect on net position, similar to assets. Deferred inflows of resources represent an acquisition of net position that will be recognized in a future reporting period. As such, they have a current negative effect on net position, similar to liabilities.

Compensated Absences
Employees accrue vacation leave based on amounts of regularly scheduled work hours and length of service. Employees can accumulate up to 30 days of vacation time and are paid for all accumulated vacation time upon separation of employment for any reason. All accumulated vacation time is accrued and included in the current and noncurrent portions of the liabilities in accrued expenses (see Note 6).

Sick leave is earned by employees at the rate of one day per month of service, with the maximum accumulation for each employee being 60 days of sick leave. Employees are paid for all accumulated sick time upon retirement from the Airport, death or other employment separation when eligible for retirement. Accumulated sick leave is accrued when an employee's age and/or years of service are within five years of the minimum age or years of service required for retirement under the provisions of the pension plans in which the Airport's employees participate (see Note 9). Accumulated sick leave is accrued and included in the current and noncurrent portion of the liabilities in accrued expenses (see Note 6).

Bond Issuance Costs and Bond Discounts and Premiums
Bond issuance costs (excluding prepaid bond insurance, if any) are expensed at the time of bond issuance. Bond discounts and premiums are deferred in the year of issuance and amortized using the effective interest method over the life of the issuance. Gains and losses on bond refundings are deferred and amortized over the shorter of the remaining life of the original issue or the life of the new issue.

Assets Held in Trust
Amounts received from and restricted by outside parties for the accomplishment of certain projects are considered to be earned upon completion of the projects or the satisfaction of the parameters set forth in the authoritative documents. Until earned, the amounts received are considered to be liabilities, which are reflected on the Balance Sheet as assets held in trust.

(in thousands of dollars)

Grants and Federal Awards
Grant and federal award revenues include amounts received from governmental agencies through various types of agreements. Certain amounts included from federal agencies are subject to the reporting requirements of the U.S. Office of Management and Budget Uniform Guidance.

Grant and federal award reimbursements are earned and recorded when approved grants and agreements are available, the amounts are known and the related eligible expenditures are incurred. Grant and award amounts earned relating to capital expenditures are recorded as capital contributions and are credited to the Net Investment in Capital Assets net position. Amounts earned relating to operating expenses are recorded as nonoperating grant and federal award revenues in the Operations & Maintenance account group.

Net Pension Liability
All full-time employees of the Airport as of December 31, 2017 and 2016 are members of the Kentucky Retirement Systems' County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension system (more fully described in Note 9). For purposes of measuring the net pension liabilities, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CERS and additions to/deductions from the CERS' fiduciary net position have been determined on the same basis as they are reported by the CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the CERS when due and payable in accordance with the benefit terms and investments are reported at fair value.

Use of Estimates
The preparation of financial statements in conformity with the basis of accounting described in these notes requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications
Certain balances in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

2. Cash and Investments

The investing of Airport funds is done in compliance with the Airport's investment policy (the "policy"), such policy being in accordance with the Kentucky Revised Statutes ("KRS") and the applicable provisions of the bond resolutions in effect. The policy expressly establishes the preservation of capital through the minimization of credit risk and the maintaining of sufficient liquidity to be the primary and secondary objectives, respectively, of the Airport's investment program. The policy was designed specifically to address those risks inherent in an investment program. Those risks, as outlined in GASB Statement No. 40, consist of: 1) credit risk including custodial credit risk and concentration of credit risk and 2) interest rate risk.

(in thousands of dollars)

GASB Statement No. 40
GASB Statement No. 40 defines the following types of risk which apply to the Airport's investment portfolio:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Provisions of the Policy
To substantially reduce the likelihood of significant loss related to these items of risk, the policy sets forth parameters related to the types of investments which may be purchased, the credit quality of issuers, portfolio diversification as it relates to both type of investment and issuer, the maximum investment term/maturity, proper safekeeping and custody procedures, and the amounts and types of required collateralization.

Types of investments and credit quality of issuers: In addition to collateralized/insured deposits in interest-bearing accounts and certificates of deposit, the policy permits investment in U.S. Treasury obligations and other obligations backed by the full faith and credit of the United States (collectively, "U.S. Treasury securities"). Investments in securities issued by certain associations and corporations established by the government of the United States ("U.S. government sponsored enterprises") are also allowed. Such investments are permitted provided that at the time of purchase, the corporation is rated by at least one Nationally Recognized Statistical Rating Organization ("NRSRO") at the greater of "AA" or the highest current NRSRO rating on U.S. Treasury obligations. Subject to restrictions on maturities and requirements for minimum ratings by the NRSROs of "AA" or "AAA" on long-term instruments and "A-1" on short-term instruments, the policy also permits investment in certain repurchase agreements, uncollateralized certificates of deposit, banker acceptances, commercial paper, state and municipal obligations, money market mutual funds and supranational bonds.

Portfolio diversification: To eliminate the risk of a significant loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer, the policy establishes maximum percentages of the Airport's portfolio which may be invested in each type of permitted investment and in securities by any individual issuer, counterparty or depository.

(in thousands of dollars)

The limits related to portfolio diversification are as follows:

	Maximum Allowable % of Portfolio	
	Investment Type	**Individual issuer, counterparty or depository**
Investment Types		
U.S. Treasury securities	100%	100%
U.S. government sponsored enterprises	100%	35%
Repurchase agreements	50%	25%
Supranational bonds	10%	5%
Commercial paper	20%	5%
Bankers acceptances	20%	5%
Collateralized/insured certificates of deposit	25%	5%
Collateralized/insured deposit accounts	100%	40%
Uncollateralized certificates of deposit	20%	5%
State and municipal obligations	20%	5%
Money market mutual funds	100%	50%

Maximum investment term/maturity: The policy provides that, unless matched to a specific cash flow need, the Airport's funds should not, in general, be invested in securities maturing more than three years from the date of purchase. However, in accordance with the Airport's bond resolutions, provided that the average aggregate weighted term to maturity for the Bond Reserve Accounts does not exceed five years, funds in the Bond Reserve Accounts may be invested in securities that mature or are redeemable within five years from the date of purchase.

Safekeeping and custody procedures: To ensure proper safekeeping and control over investment assets, investment securities are required to be secured through third-party custody and safekeeping procedures. To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all security transactions are required to be conducted on a delivery-versus-payment basis.

Collateralization: For the purpose of protecting balances deposited in financial institutions, as outlined in the table above, the policy establishes a limit for the amount which may be deposited in any single institution. In addition, the policy requires all cash and other deposits maintained in any financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to be collateralized. The instruments permitted to be used as collateral for deposits consist of U.S. Treasury securities, securities issued by U.S. government sponsored enterprises and direct obligations of the Commonwealth of Kentucky, as well as those of certain of its agencies and instrumentalities. Except for deposits collateralized with a Federal Home Loan Bank Letter of Credit, deposits must be collateralized at a minimum of 102% of the market value of principal plus accrued interest. As provided by KRS Section 41.240(4), amounts collateralized with a Federal Home Loan Bank Letter of Credit may be collateralized at 100%. All securities pledged as collateral are required to be held by an independent third-party custodian.

The policy also requires that the Board's portfolio remain sufficiently liquid to enable the Airport to meet all cash flow requirements. As set forth in the policy, this is accomplished by the proper structuring of investment maturities and by investing in securities permitted by the policy, such securities having active secondary or resale markets.

(in thousands of dollars)

Cash and Investments Held
At December 31, 2017 and 2016, the Airport's cash and investments were comprised of the following:

	2017		2016	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash	$ 11,345	$ 11,345	$ 6,722	$ 6,722
Investments				
Investment in money market mutual funds				
First American Government Obligation Fund	$ 28,594	$ 28,594	$ 26,089	$ 26,089
Securities				
U.S Treasury	49,447	49,163	61,970	61,319
U.S. government sponsored enterprises	121,015	120,164	102,973	102,558
Commercial paper	52,775	53,024	47,643	47,802
Total investments	$ 251,831	$ 250,945	$ 238,675	$ 237,768

In the above table, the cost of securities includes the face value of the investments combined with any premiums and discounts at purchase.

Cash deposits are maintained at the Airport's depository bank in demand deposit accounts. Accounts other than the Bond Reserve and Bond Interest and Redemption Accounts are non-interest bearing and are fully collateralized by a letter of credit issued and held in the Airport's name by the Federal Home Loan Bank of Cincinnati. The Bond Reserve and Bond Interest and Redemption Accounts are interest bearing. Collateral for amounts deposited in these accounts in excess of amounts insured by the FDIC is pledged by the depository bank and held in safe-keeping by the Federal Reserve Bank in the Airport's name. At December 31, 2017 and 2016 such collateral was comprised of U.S. Treasury securities and securities issued by certain U.S. government sponsored enterprises. At December 31, 2017 and 2016 the collateral instruments had a combined market value of $20,505 and $13,299, respectively.
The First American Government Obligation Fund is a money market fund which invests primarily in direct obligations of the U.S. Treasury and U.S. government sponsored enterprises and in other securities collateralized by such obligations. The Airport's investments in this fund are maintained by the Trust Department of the Airport's custodial bank in the name of the Kenton County Airport Board.

The U.S. Treasury securities in which the Airport invests are direct obligations of the U.S. Treasury and are unconditionally backed by the full faith and credit of the United States government. The Airport's investment in U.S. government sponsored enterprise securities at December 31, 2017 and 2016, as permitted by the policy, consisted of instruments issued by the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. All securities in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank.

(in thousands of dollars)

The commercial paper instruments in which the Airport was invested at December 31, 2017 and 2016 were unsecured short-term financing obligations issued by corporations or banks. In accordance with the requirements of the policy, these instruments had maturities of no greater than 270 days, the amount invested in any single issuing corporation did not exceed five percent (5%) of the total amount of funds invested by the Board (based on book value on the date of acquisition), and the instruments were issued by corporations with individual net worths of at least $50,000 and short-term debt ratings of no less than "A-1" (or its equivalent) by at least two NRSROs. The commercial paper held at December 31, 2017 and/or December 31, 2016 consisted of instruments issued by Bank of Montreal, Bank of Tokyo-Mitsubishi Canadian Imperial Bank Holding Co., BNP Paribas Financial Inc., Credit Agricole Corporate and Investment Bank, ING "U.S." Funding LLC, JP Morgan Securities and Toyota Motor Credit Co. All obligations in which the Airport was invested were held in the Airport's name by the Trust Department of the Airport's custodial bank.

The maturities of investments held at December 31, 2017 and 2016 were as follows:

	2017 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government						
Obligation Fund	$ 28,594	$ -	$ -	$ -	$ -	$ 28,594
Securities						
U.S. Treasury	14,768	15,872	1,489	9,609	7,425	49,163
U.S. government sponsored						
enterprises	13,446	4,977	15,717	3,959	82,065	120,164
Commercial paper	28,050	14,605	10,369	-	-	53,024
Total	$ 84,858	$ 35,454	$ 27,575	$ 13,568	$ 89,490	$ 250,945

	2016 Investment Maturities (at fair value)					
Investment Type	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**13 -36 months**	**Total**
Investment in money market mutual funds						
First American Government						
Obligation Fund	$ 26,089	$ -	$ -	$ -	$ -	$ 26,089
Securities						
U.S. Treasury	22,111	13,093	9,453	2,390	14,272	61,319
U.S. government sponsored						
enterprises	2,502	17,331	4,989	13,978	63,758	102,558
Commercial paper	17,479	19,908	10,415	-	-	47,802
Total	$ 68,181	$ 50,332	$ 24,857	$ 16,368	$ 78,030	$ 237,768

All securities held by the Airport at December 31, 2017 and 2016 carried ratings of AAA/Aaa or their equivalents, the highest quality rating strata issued by the NRSROs.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same, which is to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between

(in thousands of dollars)

market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following tables show the fair value and the fair value measurements for the Airport's investments, subject to the provisions of GASB No. 72, at December 31, 2017 and 2016:

	2017 Investments Measured at Fair Value			
	Fair Value	Level 1	Level 2	Level 3
Investment in money market mutual funds				
First American Government Obligation Fund	$ 28,594	$ -	$ 28,594	$ -
Securities				
U.S Treasury	49,163	49,163	-	-
U.S. government sponsored enterprises	120,164	-	120,164	-
Commercial paper	53,024	-	53,024	-
Total investments	$ 250,945	$ 49,163	$ 201,782	$ -

	2016 Investments Measured at Fair Value			
	Fair Value	Level 1	Level 2	Level 3
Investment in money market mutual funds				
First American Government Obligation Fund	$ 26,089	$ -	$ 26,089	$ -
Securities				
U.S Treasury	61,319	61,319	-	-
U.S. government sponsored enterprises	102,558	-	102,558	-
Commercial paper	47,802	-	47,802	-
Total investments	$ 237,768	$ 61,319	$ 176,449	$ -

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

First American Government Obligations Funds: Invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. The fund is not publicly traded. Fair value is based on published fair value per share (unit).

(in thousands of dollars)

U.S. Treasuries: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government sponsored enterprises: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Commercial paper: Valued using pricing models maximizing the use of observable inputs for similar securities.

3. Restricted Assets

The assets of the following account groups at December 31, 2017 and 2016 are subject to restrictions which limit the purposes for which they may be used:

	2017	2016
Passenger Facility Charge	$ 72,106	$ 59,787
Police Forfeiture	2,138	1,965
Customer Facility Charge	51,750	44,961
Operations & Maintenance Reserve	19,523	18,796
Demolition of Excess Facilities	5,465	6,086
Bond Interest & Redemption	1	-
Bond Reserve	4,303	4,282
Other Third Party Funding	22	62
	$ 155,308	$ 135,939

As previously discussed in Note 1, assets included in the Passenger Facility Charge account group are federally restricted for use on specific FAA approved projects. As applicable, assets in the Police Forfeiture account group are restricted by the federal government or the Commonwealth of Kentucky for expenditures allowable under the Equitable Sharing Programs of the U.S. Department of Justice, the U.S. Department of Treasury, and the Commonwealth of Kentucky. Customer Facility Charge assets, being subject to legally enforceable restrictions, may only be used for ground transportation related expenditures. In accordance with the Airport's bond resolutions, assets in the Operations and Maintenance Reserve may only be used to finance operating expenditures, when sufficient funds are not otherwise available in the Operations and Maintenance account group or from other available funding sources. In accordance with a contractual obligation with the tenant airlines, assets included in the Demolition of Excess Facilities account group are restricted to fund the demolition of excess facilities at the airport. Also pursuant to the requirements of the Airport's bond resolutions, assets included in the Bond Reserve and the Bond Interest and Redemption account groups are restricted for the payment of bond principal and interest. Assets held in the Other Third Party Funding account group are restricted for use on expenditures as contractually obligated by the outside parties from which the funding was received.

(in thousands of dollars)

4. Capital Assets

Capital assets are comprised of the following:

	Balance 12/31/2015	Additions/ transfers	Retirements/ transfers	Balance 12/31/2016	Additions/ transfers	Retirements/ transfers	Balance 12/31/2017
Land (non-depreciable)	$ 167,627	$ 982	$ -	$ 168,609	$ 324	$ (98)	$ 168,835
Runways, taxiways							
and other land improvements	661,919	3,419	-	665,338	13,372	(4)	678,706
Buildings and building renovations	374,394	11,657	(20,095)	365,956	1,776	4	367,736
Utility systems	85,004	632	-	85,636	4,834	-	90,470
Equipment	127,755	5,911	(247)	133,419	8,014	(1,312)	140,121
Easements (non-depreciable)	40,729	2	-	40,731	17	-	40,748
Construction-in-progress	5,962	7,890	(10,034)	3,818	34,282	(26,991)	11,109
Total capital assets	1,463,390	30,493	(30,376)	1,463,507	62,619	(28,401)	1,497,725
Less accumulated depreciation							
Runways, taxiways							
and other land improvements	444,344	22,955	(23)	467,276	22,089	-	489,365
Buildings and building renovations	144,777	11,225	(20,095)	135,907	11,220	-	147,127
Utility systems	62,323	3,001	-	65,324	2,696	-	68,020
Equipment	74,235	6,342	(187)	80,390	6,725	(1,312)	85,803
Total accumulated depreciation	725,679	43,523	(20,305)	748,897	42,730	(1,312)	790,315
Total capital assets, net of							
accumulated depreciation	$ 737,711	$ (13,030)	$ (10,071)	$ 714,610	$ 19,889	$ (27,089)	$ 707,410
Total non-depreciable capital assets	$ 208,356	$ 984	$ -	$ 209,340	$ 341	$ (98)	$ 209,583
Total depreciable capital assets, net of							
accumulated depreciation	529,355	(14,014)	(10,071)	505,270	19,548	(26,991)	497,827
Total capital assets, net of							
accumulated depreciation	$ 737,711	$ (13,030)	$ (10,071)	$ 714,610	$ 19,889	$ (27,089)	$ 707,410

Capital assets purchased are reported at cost. Easements are acquired and attached in perpetuity to the deeds of certain parcels purchased and/or sound insulated in the Airport's land and noise mitigation programs. Accordingly, the costs of obtaining these easements are recorded as land until such time as the easement documents are executed. Thereafter, the costs are transferred and recorded as easements. Those assets acquired through donation or contractual reversion of ownership are reported at the fair value determined at the time of ownership transfer. The costs of construction projects are recorded as construction-in-process until such time as the projects are substantially complete. Upon substantial completion, the costs are transferred to the appropriate fixed asset classification as shown in the above table. Related to construction-in-process and capital assets, the Airport had contract retainage and accounts payable of $7,249 and $2,061 at December 31, 2017 and 2016, respectively.

(in thousands of dollars)

Useful Lives
The Airport's capital assets are depreciated over useful lives as follows:

	Years
Runways, taxiways and other land improvements	15 - 31.5
Buildings	25 - 40
Building improvements and renovations	10 - 20
Utility systems	20 - 40
Equipment	3 - 30

Substantially all capital assets of the Airport are held for direct or indirect utilization in the Airport's principal activities of leasing land, buildings and airfield facilities to third party lessees.

5. Lease of Airport Facilities

Airport facilities are leased to third parties to serve the public through the operation of airline terminal and airfield facilities, as well as through concession and warehousing operations.

The concession agreements generally provide for the Airport's receipt of fixed rentals plus certain contingent rentals which are based on the tenants' gross revenues. Contingent rentals amounted to $11,068 and $9,508 for the years ended December 31, 2017 and 2016, respectively.

For the years 2018, 2019, 2020, 2021 and 2022, minimum future rentals for noncancelable leases (other than noncancelable rentals charged to the Signatory Carriers under the Use Agreement and other long-term terminal facility leases) are $8,042, $6,805, $6,489, $5,048 and $3,969, respectively.

For the years 2018, 2019 and 2020, prior to adjustment in the Signatory Carrier rates and charges through the calculation method outlined in Note 1, noncancelable rentals under the Use Agreement (exclusive of landing fees) and other long-term terminal facility leases pertaining to the Signatory Carriers are projected to be $30,552, $30,288 and $30,523, respectively. As outlined in Note 1, these amounts will likely be reduced based on projected, and then actual, air carrier activity, Airport cost of operation, and applicable revenues during those periods. For the years 2017 and 2016, the gross amounts of revenues related to Signatory Carrier noncancelable leases were $27,882 and $25,638, respectively. The net amounts for 2017 and 2016 were $15,046 and $14,404, respectively. As the Use Agreement and other long-term terminal facility leases expire on December 31, 2020, as of December 31, 2017 and 2016, no amount of Signatory Carrier noncancelable rentals exists for 2021 or 2022. Such amounts will be determined upon execution of a new Use Agreement and facility rental agreements, or upon the implementation of such other rate making methodology permitted under applicable law, to become effective January 1, 2021.

(in thousands of dollars)

6. Long-Term Liabilities

During 2017 and 2016 the Airport's long-term liabilities and related activity consisted of the following:

Revenue Bonds
The following revenue bonds were outstanding at December 31, 2017 and 2016. The maturities occur on January 1 of each year.

	2017	2016
Series 2016 Refunding Bonds, 4.00% to 5.00%, due 2019-2033	$ 44,550	$ 46,535

In June 2016, the Board issued $47,785 of Series 2016 refunding bonds, the proceeds of which were used to refund the Series 2003B Bonds. The Board refunded the previously outstanding indebtedness to reduce its total debt service payments throughout the term of the bonds and to provide for the enactment of updated bond resolutions which include provisions more consistent with the new Use Agreement. The total reduction in debt service payments of $13,088 represented a net present value savings at the time of issuance of $9,638.

The refunding bonds, which bear fixed interest rates, were issued under the terms of both a general bond resolution and a resolution specific to the Series 2016 refunding bonds. In accordance with the applicable bond resolutions, the bonds are secured by the operating revenues of the Airport and by amounts on deposit in the PFC Revenue Account. As the Series 2016 Refunding Bonds were issued for the defeasance of the Series 2003B Bonds, which were issued to fund the cost of specific PFC eligible, FAA approved projects, the debt service requirements of the Series 2016 Refunding Bonds, including any debt service coverage or required deposits to the Bond Reserve account group, are authorized by the FAA to be paid with PFCs (see Note 1).

The Series 2016 Refunding Bonds were issued at a premium of $9,566, which is being amortized over the life of the bonds, based on the effective interest method, as a reduction of bond interest expense. The amortization of the bond premium subsequent to December 31, 2017 is as follows:

2018	$ 1,010
2019	947
2020	884
2021	750
2022	750
2023-2027	2,659
2028-2032	988
	$ 7,988

(in thousands of dollars)

The required funding of bond principal and interest subsequent to December 31, 2017 is as follows:

	Principal	Interest	Total Debt Service
2018	$ 2,065	$ 2,227	$ 4,292
2019	2,165	2,124	4,289
2020	2,280	2,016	4,296
2021	2,390	1,902	4,292
2022	2,510	1,782	4,292
2023-2027	14,560	6,901	21,461
2028-2032	18,580	2,879	21,459
	$ 44,550	$ 19,831	$ 64,381

At December 31, 2017 and 2016, the current and non-current portions of revenue bonds payable as shown above have been combined with the current and non-current portions of the unamortized bond premium for presentation on the Balance Sheet. The current amounts of revenue bonds payable, inclusive of unamortized bond premium, at December 31, 2017 and 2016 were $3,075 and $3,037, respectively. The non-current portions at December 31, 2017 and 2016 were $49,463 and $52,538, respectively.

For the years ended December 31, 2017 and 2016, interest expense on outstanding revenue bonds was $2,307 and $1,636, respectively, and the amortization of bond premium was $1,052 and $506, respectively. On the Statement of Revenues, Expenses and Changes in Net Position these amounts have been combined and presented as $1,255 and $1,130 of revenue bond interest expense, net of premium amortization, at December 31, 2017 and 2016, respectively.

Other Long-Term Liabilities

At December 31, 2017, the Airport's other liabilities which have portions due after one year consisted of rental deposits, compensated absences, estimated amounts potentially due for incidents not covered by commercial insurance, estimated amounts due under a frequent parking rewards program, landing fees in excess of requirements from the prior use agreement, rates and charges settlement payable to the airlines and the Airport's assigned proportionate share of net pension liability from its participation in the pension plans discussed in Note 9. Amounts related to these liabilities are shown below.

(in thousands of dollars)

Long-Term Liability Activity
For the year ended December 31, 2017 and 2016, components of the Airport's liabilities which had non-current activity or balances were as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amounts Due within One Year	Amounts Due after One Year
Accounts payable and accrued expenses						
Deposits	$ 96	$ 250	$ (90)	$ 256	$ 63	$ 193
Compensated absences	3,442	1,704	(1,563)	3,583	2,472	1,111
Uninsured losses	24	117	(119)	22	2	20
Parking rewards	561	148	(13)	696	516	180
Landing fees in excess of requirements from the prior use agreement	242	-	-	242	-	242
Rates and charges settlement payable to airlines	4,484	4,848	-	9,332	-	9,332
Revenue bonds payable	46,535	-	(1,985)	44,550	2,065	42,485
Revenue bond premium	9,040	-	(1,052)	7,988	1,010	6,978
Net pension liability	58,295	16,808	-	75,103	-	75,103
	$ 122,719	$ 23,875	$ (4,822)	$ 141,772	$ 6,128	$ 135,644

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amounts Due within One Year	Amounts Due after One Year
Accounts payable and accrued expenses						
Deposits	$ 90	$ 89	$ (83)	$ 96	$ 55	$ 41
Compensated absences	2,935	1,055	(548)	3,442	2,295	1,147
Uninsured losses	31	185	(192)	24	4	20
Parking rewards	487	84	(10)	561	373	188
Landing fees in excess of requirements from the prior use agreement	242	-	-	242	-	242
Rates and charges settlement payable to airlines	-	4,484	-	4,484	-	4,484
Revenue bonds payable	58,590	47,785	(59,840)	46,535	1,985	44,550
Revenue bond premium	-	9,566	(526)	9,040	1,052	7,988
Net pension liability	50,810	7,485	-	58,295	-	58,295
	$ 113,185	$ 70,733	$ (61,199)	$ 122,719	$ 5,764	$ 116,955

(in thousands of dollars)

7. Special Facility Revenue Bonds

Special Facility Revenue Bonds ("SFRBs") Series 2001A totaling $22,500 were issued in July 2001 to finance the construction of a pilot training facility for FlightSafety International, Inc. ("FlightSafety"). Although taking the legal form of a financing lease between the Board and FlightSafety, the substance of the arrangement is that the SFRBs constitute special and limited obligations and do not constitute a debt, liability or general obligation of the Board or a pledge of Airport revenues. As such, no liability relating to the SFRBs is included in the accompanying financial statements. Information related to the amounts outstanding on the SFRBs is not readily available to management of the Airport. For additional information regarding the SRFBs, readers should contact FlightSafety.

8. Major Lessees

In 2017, the operating revenues received from Delta Airlines, Inc. ("Delta") and DHL Worldwide Express, Inc. ("DHL"), represented approximately 19.59% and 9.36%, respectively, of total operating revenues. The comparable amounts for 2016 for Delta and DHL were 21.41% and 11.01%, respectively.

Landing fees received from Delta and DHL in 2017 represented 20.85% and 42.76%, respectively, of total billed landing fees. The comparable amounts for 2016 for Delta and DHL were 24.99% and 48.42%, respectively.

9. Retirement Plans and Post Retirement Benefits

Defined Benefit Pension Plans

All full-time employees of the Airport are members of the Kentucky Retirement Systems' County Employees Retirement System, a cost-sharing multiple-employer defined benefit pension system consisting of two employee plans, Nonhazardous and Hazardous. The plan in which employees participate is determined by the type of position held by the employee.

General Information about the Pension Plan

Plan Description

Created by the Kentucky General Assembly pursuant to the provisions of KRS Section 78.520, the assets of CERS, in addition to the assets of the Kentucky Employers Retirement System ("KERS") and the State Police Retirement System ("SPRS"), collectively referred to as the System ("System"), are administered by the Kentucky Retirement System Board of Trustees ("KRS Board"). In accordance with the provisions of KRS Sections 16.555, 61.570, and 78.630, the assets of the System are invested as a whole, while each system's assets are used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs.

Under the provisions of KRS Section 61.701, the KRS Board also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the System. The assets of the insurance fund are invested as a whole.

(in thousands of dollars)

Benefits provided: Nonhazardous

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 01/01/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service.
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

(in thousands of dollars)

Benefits provided: Hazardous

	Tier 1 Hazardous Participation beginning prior to 9/1/2008	**Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013**	**Tier 3 Hazardous Participation beginning on or after 01/01/2014**
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.50% if 60 months or greater, 2.00% if less than 60 months	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS board based on member's accumulated account balance.
Cost of Living Adjustment:	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 1 month of service.	Any age with 25 years of service. Age 60 with 5 years of service.	Any age with 25 years of service. Age 60 with 5 years of service.
Reduced Retirement Benefit:	Age 50 with 15 years of service but less than 20 years of service.	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

Contributions

Employer contribution rates are governed by KRS Section 61.565 and require the Airport to contribute at an actuarially determined rate. The KRS Board sets the employer contribution rates on the basis of this annual actuarial valuation last preceding the July 1 of a new biennium. If it is determined on the new basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted, then the KRS Board may amend contribution rates as of the first day of July of the second year of a biennium.

Employee contributions are deducted from an active employee's salary and remitted to the CERS by the Airport along with the employer's portion of the contribution.

(in thousands of dollars)

The Airport has met 100% of its contribution funding requirements for the plan fiscal years ended June 30, 2017 and June 30, 2016.

The contribution rates in effect and contributions remitted relating to the CERS and the CERS portion of the Insurance Fund for the fiscal year ended December 31, 2017 were as follows:

	CERS		CERS Portion of Insurance Fund	
	Non Hazardous	Hazardous	Non Hazardous	Hazardous
Employee Contribution rates:				
Tier 1 : Participation prior to 9/1/2008	5.00%	8.00%		
Tier 2 : Participation 9/1/2008 through 12/31/2013	6.00%	9.00%		
Tier 3 : Participation after 1/1/2014	6.00%	9.00%		
Airport Contribution rates:				
July 1, 2017 - December 31, 2017	14.48%	22.20%	4.70%	9.35%
July 1, 2016 - June 30, 2017	13.95%	21.71%	4.73%	9.35%
July 1, 2015 - June 30, 2016	12.42%	20.26%	4.64%	12.69%
July 1, 2014 - June 30, 2015	12.75%	20.73%	4.92%	13.58%
Employee Contributions				
2017	$ 989	$ 660		
2016	$ 926	$ 602		
2015	$ 901	$ 605		
Airport Contributions				
2017	$ 2,591	$ 1,770	$ 859	$ 755
2016	$ 2,263	$ 1,546	$ 802	$ 798
2015	$ 2,140	$ 1,518	$ 813	$ 972
Amount of payroll on which employee and employer contributions were based				
2017	$ 18,215	$ 8,056	$ 18,215	$ 8,056
2016	$ 17,101	$ 7,346	$ 17,101	$ 7,346
2015	$ 17,014	$ 7,409	$ 17,014	$ 7,409
Contributions made by Airport and employees as a percentage of contributions required of of Airport and employees 2017, 2016, and 2015	100%	100%	100%	100%

(in thousands of dollars)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2017 and December 31, 2016, the Airport reported a liability of $75,103 and $58,295, respectively, for its assigned proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2017, and June 30, 2016, the Airport's proportionate shares of the CERS nonhazardous plan were 0.73166% and 0.70381%, respectively. At June 30, 2017, and June 30, 2016, the Airport's proportionate share of the CERS hazardous plan were 1.44268% and 1.37778%, respectively.

For CERS plan years ending June 30, 2017 and June 30, 2016, the Airport's proportionate shares of plan pension expense were $7,297 and $4,721, respectively, for nonhazardous and $5,156 and $2,676, respectively, for hazardous.

In May and July 2017, the KRS Board voted to change certain economic assumptions and actuarial rates for the CERS hazardous and nonhazardous plans. These changes of assumptions, net of other pension actuarial activities between June 30, 2016 and June 30, 2017, contributed to the year over year increase in the Airport's net pension liability. A summary of the adopted changes is as follows:

Description of Assumption	2017	2016
Assumed investment rate of return	6.25%	7.50%
Assumed rate of inflation	2.30%	3.25%
Payroll growth assumption	2.00%	4.00%

(in thousands of dollars)

At December 31, 2017 and December 31, 2016 the Airport reported deferred inflows and outflows directly related to the net pension liability recorded as a component of its proportionate share of net pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Deferred Outflows and Inflows at December 31, 2015	$ 8,376	$ (3,240)	$ 5,136
Prior year contributions subsequent to measurement date	$ (1,861)	$ -	$ (1,861)
Difference between expected and actual experience	(356)	-	(356)
Changes in assumptions	(2,588)	-	(2,588)
Net differences between projected and actual earnings on pension plan investments	4,774	810	5,584
Changes in proportion and differences between contributions and proportionate share of contributions	68	(31)	37
Contributions subsequent to measurement date	1,883	-	1,883
Deferred Outflows and Inflows at December 31, 2016	$ 10,296	$ (2,461)	$ 7,835
Prior year contributions subsequent to measurement date	$ (1,883)	$ -	$ (1,883)
Difference between expected and actual experience	886	(1,087)	(201)
Changes in assumptions	12,113	-	12,113
Net differences between projected and actual earnings on pension plan investments	336	(2,267)	(1,931)
Changes in proportion and differences between contributions and proportionate share of contributions	1,312	14	1,326
Contributions subsequent to measurement date	2,276	-	2,276
Deferred Outflows and Inflows at December 31, 2017	$ 25,336	$ (5,801)	$ 19,535

The $2,276 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in 2018, 2019, 2020, 2021 and 2022 in the amounts of $5,568, $5,568, $5,194, $1,510, and ($581) respectively.

Actuarial Assumptions
The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	2.00%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

(in thousands of dollars)

The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again by the KRS Board's actuary when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The investment return, price inflation, and payroll growth assumptions were adopted by the Board in May and July 2017 for use with the June 30, 2017 valuation in order to reflect future economic expectations.

(a) Discount rate: The discount rate used to measure the total pension liability was 6.25%

(b) Projected cash flows: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) Long term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(d) Municipal bond rate: the discount rate determination does not use a municipal bond rate.

(e) Periods of projected benefit payments: projected future benefit payments for all current plan members were projected through 2117.

(in thousands of dollars)

(f) Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Eqvivalent	2%	(0.25)%
Total	100%	

(g) Sensitivity Analysis: The following presents the net pension liability of the Airport, calculated using the discount rate of percent, as well as what the Airport's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate for nonhazardous and hazardous:

Asset Class	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Airport's net pension liability - Nonhazardous	$ 54,013	$ 42,826	$ 33,468
Airport's net pension liability - Hazardous	40,582	32,277	25,418
Total	$ 94,595	$ 75,103	$ 58,886

Pension Plan Fiduciary Net Position
Detailed information about CERS' fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Comprehensive Annual Financial Report (which is a matter of public record). The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or can be obtained in an electronic format by visiting the website at www.kyret.ky.gov.

(in thousands of dollars)

Deferred Compensation Plans
The Airport's employees are also eligible to participate in two deferred compensation plans which are authorized under KRS Sections 18A.230 – 18A.275 and administered by the Kentucky Public Employees' Deferred Compensation Authority ("KDCA"). These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their compensation until future years. Deferred compensation is not available to employees until termination, retirement or death, or in certain circumstances of financial hardship. There were no employer contributions to the 457 or 401(k) plans for the years ended December 31, 2017 and 2016. Employee contributions in total were approximately $1,301 and $1,033, respectively, for the years ended December 31, 2017 and 2016.

Additional information about the deferred compensation plans may be obtained from the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky 40601-8862.

10. Self-funded Group Health Coverage

As previously discussed in Note 1, effective January 1, 2009, the Airport, by resolution of the Board, established an account group for all activities of the self-funded health coverages maintained for employees. By this resolution, the Airport assumed the risk financing of the health and dental coverages through self-funding of claims, subject to certain individual stop loss and group aggregate limits.

Commercially procured coverages assume any liabilities for claims which exceed the established limits. Third party administrators are utilized to manage the claims handling activities of the plans. Activities in the Designated for Group Health Coverage account group include contributions to the account, the payment of claims, the payment of fees and expenses, and the establishment and maintenance of reserves. Contributions to the account for the payment of claims, fees and expenses are made from the Operations and Maintenance account group and are recorded as operating expenses. Contributions to the account for the purposes of building reserves are recorded as transfers of net position from the General Purposes account group.

Any assets of the Designated for Group Health Coverage account group which are determined by the Airport's Chief Financial Officer to no longer be necessary for the self-funded health coverage programs are returned to the General Purposes account group, with a corresponding transfer of net position, in the period in which the determination is made.

(in thousands of dollars)

The changes in the balances of the claims liability and reserves in the Designated for Group Health Coverage account group consisted of the following:

		Claims Liability
Liability at January 1, 2016	$	427
Claims and changes in estimates for 2016		4,888
Claims paid in 2016		(4,921)
Changes in receivables related to claims		27
Liability at December 31, 2016	$	421
Claims and changes in estimates for 2017		5,302
Claims paid in 2017		(5,196)
Changes in receivables related to claims		(53)
Liability at December 31, 2017	$	474

		Reserve
Reserves at January 1, 2016	$	4,905
Contributions from Operations and Maintenance		4,637
Investment Income		39
Claims, premiums and fees incurred		(5,078)
Reserves at December 31, 2016	$	4,503
Contributions from Operations and Maintenance		5,537
Investment Income		18
Claims, premiums and fees incurred		(5,555)
Reserves at December 31, 2017	$	4,503

The Airport purchases both aggregate and specific stop loss coverage for the health insurance coverage. The specific stop loss insurance assumes the risk for claims on any individual covered by the plan. During 2017 and 2016, the individual stop loss coverage to which the Airport's claims liability was limited was $150. The aggregate insurance during 2017 and 2016 provided full coverage for aggregate claims in excess of 125% of expected claims amounts actuarially calculated by a third party. These amounts, given enrollment levels, limited total medical coverage risk financing by the Airport during 2017 and 2016 to approximately $5,371 and $4,362 each year, respectively.

11. Risk Management

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

(in thousands of dollars)

12. Commitments and Contingencies

At December 31, 2017, the Airport is committed, either through contracts or Board proceedings, to the eventual expenditure of approximately $20,805, which consists primarily of rehabilitation of existing facilities and additions to Airport facilities through construction activities. Of the total estimated costs, approximately $13,245 will be funded by federal grants, state grants, PFCs, CFCs and/or tenant funds, with the remainder to be funded by available capital funds.

Environmental Mitigation and Remediation
The Airport is currently investigating the causes and extent of fuel leakage discovered during 2017 in the soil around the Airport Rescue and Fire Fighting training facility located on the Airport. The Airport has contracted with a geotechnical and environmental investigation firm to determine the extent of the contamination and to develop and recommend a remediation action plan. At this time, the amount of any resulting remediation obligation or liability is not reasonably estimable. As such, in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no amounts have been reflected in the financial statements. The Airport maintains pollution legal liability insurance which provides a $5,000 aggregate limit of liability inclusive of remediation expense for onsite new and pre-existing conditions subject to a $100 self-insured retention. The Airport currently believes that this level of insurance will be sufficient to cover any costs of remediation which will be required.

(in thousands of dollars)

Schedule of the Proportionate Share of the Net Pension Liability of the
Kentucky Retirement System's County Employees Retirement System
Last 10 years *
As of June 30

	2017	2016	2015	2014
Plan's total pension liability	$ 16,995,820	$ 14,791,127	$ 14,353,633	$ 13,061,349
Plan's fiduciary net position	$ 8,905,233	$ 8,151,573	$ 8,519,002	$ 8,615,148
Plan's net pension liability	$ 8,090,586	$ 6,639,554	$ 5,834,631	$ 4,446,200
Plan's fiduciary net position as a percentage of the total pension liability	52.40%	55.11%	59.35%	65.96%
Airport's proportionate share of the net pension liability	$ 75,103	$ 58,295	$ 50,810	$ 38,228
Airport's proportion of the net pension liability	0.9283%	0.8780%	0.8708%	0.8598%
Airport's covered payroll	$ 26,271	$ 24,447	$ 24,423	$ 22,641
Airport's proportionate share of the net pension liability as a percentage of its covered payroll	285.88%	238.45%	208.04%	168.84%

(in thousands of dollars)

Schedule of the Employer Contributions of the
Kentucky Retirement System's County Employees Retirement System
Last 10 years
As of December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution for pension	$ 4,361	$ 3,809	$ 3,658	$ 3,561	$ 3,455	$ 3,086	$ 2,700	$ 2,535	$ 2,157	$ 2,079
Airport's contributions in relation to the statutorily required contribution	(4,361)	(3,809)	(3,658)	(3,561)	(3,455)	(3,086)	(2,700)	(2,535)	(2,157)	(2,079)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Airport's covered payroll	$ 26,271	$ 24,447	$ 24,423	$ 22,641	$ 22,148	$ 21,500	$ 20,782	$ 21,441	$ 20,237	$ 21,023
Contributions as a percentage of the Airport's covered payroll	16.60%	15.58%	14.98%	15.73%	15.60%	14.35%	12.99%	11.82%	10.66%	9.89%

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information
December 31, 2017

(in thousands of dollars)

	Total	Eliminations	Unrestricted Account Groups: Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Assets							
Current assets							
Cash - unrestricted	$ 7,597	$ -	$ 5,610	$ 1,328	$ 376	$ 138	$ 145
Cash - restricted	1,876	-	166	-	-	-	-
Investments (at fair value) - unrestricted	64,912	-	26,321	12,971	1,453	5,275	18,892
Investments (at fair value) - restricted	6,313	-	907	-	-	-	-
Investment income receivable	217	-	57	31	18	35	76
Accounts receivable	4,872	-	4,725	-	141	-	-
Interfund receivable	-	(22,115)	579	5,760	313	-	15,463
Grants and federal awards receivable	738	-	37	701	-	-	-
Prepaid expenses	1,294	-	1,293	-	1	-	-
Supplies inventory	4,166	-	4,166	-	-	-	-
Total current assets	91,985	(22,115)	43,861	20,791	2,302	5,448	34,576
Non-current assets							
Cash - restricted	1,872	-	-	-	-	-	-
Investments (at fair value) - unrestricted	38,450	-	4,957	4,934	2,675	4,536	21,348
Investments (at fair value) - restricted	141,270	-	-	-	-	-	-
Investment income receivable	426	-	-	-	-	-	-
Interfund receivable	-	(1,980)	-	-	-	-	-
Passenger facility charges receivable	1,973	-	-	-	-	-	-
Customer facility charges receivable	665	-	-	-	-	-	-
Prepaid expenses	177	-	177	-	-	-	-
Capital assets, non-depreciable	209,583	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	497,827	-	-	-	-	-	-
Total non-current assets	892,243	(1,980)	5,134	4,934	2,675	4,536	21,348
Total assets	$ 984,228	$ (24,095)	$ 48,995	$ 25,725	$ 4,977	$ 9,984	$ 55,924
Deferred Outflow of Resources							
Pension	$ 25,336	$ -	$ 25,336	$ -	$ -	$ -	$ -
Total deferred outflow of resources	$ 25,336	$ -	$ 25,336	$ -	$ -	$ -	$ -
Total assets and deferred outflow of resources	$ 1,009,564	$ (24,095)	$ 74,331	$ 25,725	$ 4,977	$ 9,984	$ 55,924
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	$ 17,707	$ -	$ 11,362	$ 4,519	$ 474	$ -	$ -
Rates and charges settlement payable to airlines	4,956	-	4,956	-	-	-	-
Interfund payable	-	(24,095)	17,666	224	-	33	401
Contract retainage payable	1,378	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,075	-	-	-	-	-	-
Total current liabilities	27,116	(24,095)	33,984	4,743	474	33	401
Non-current liabilities							
Accounts payable and accrued expenses	1,746	-	1,746	-	-	-	-
Rates and charges settlement payable to airlines	9,332	-	9,332	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	49,463	-	-	-	-	-	-
Net pension liability	75,103	-	75,103	-	-	-	-
Total non-current liabilities	135,644	-	86,181	-	-	-	-
Total liabilities	$ 162,760	$ (24,095)	$ 120,165	$ 4,743	$ 474	$ 33	$ 401
Deferred Inflow of Resources							
Pension	$ 5,801	$ -	$ 5,801	$ -	$ -	$ -	$ -
Total deferred inflow of resources	$ 5,801	$ -	$ 5,801	$ -	$ -	$ -	$ -
Net Position							
Unrestricted	$ 39,324	$ -	$ (51,635)	$ 20,982	$ 4,503	$ 9,951	$ 55,523
Net investment in capital assets	653,494	-	-	-	-	-	-
Restricted:							
For federally approved projects	74,036	-	-	-	-	-	-
For ground transportation expenditures	50,391	-	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	19,469	-	-	-	-	-	-
For demolition of excess facilities	-	-	-	-	-	-	-
For debt service	4,289	-	-	-	-	-	-
Total net position	$ 841,003	$ -	$ (51,635)	$ 20,982	$ 4,503	$ 9,951	$ 55,523
Total liabilities, deferred inflow of resources and net position	$ 1,009,564	$ (24,095)	$ 74,331	$ 25,725	$ 4,977	$ 9,984	$ 55,924

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information, continued
December 31, 2017

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups							
		Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Demolition of Excess Facilities	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Assets									
Current assets									
Cash - unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash - restricted	-	-	208	1,359	54	59	-	14	16
Investments (at fair value) - unrestricted	-	-	-	-	-	-	-	-	-
Investments (at fair value) - restricted	-	-	-	-	-	5,406	-	-	-
Investment income receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	6
Interfund receivable	-	-	-	-	-	-	-	-	-
Grants and federal awards receivable	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Supplies inventory	-	-	-	-	-	-	-	-	-
Total current assets	-	-	208	1,359	54	5,465	-	14	22
Non-current assets									
Cash - restricted	-	1,215	126	73	386	-	-	72	-
Investments (at fair value) - unrestricted	-	-	-	-	-	-	-	-	-
Investments (at fair value) - restricted	-	67,651	1,765	48,684	18,966	-	-	4,204	-
Investment income receivable	-	169	2	190	51	-	1	13	-
Interfund receivable	-	1,098	37	779	66	-	-	-	-
Passenger facility charges receivable	-	1,973	-	-	-	-	-	-	-
Customer facility charges receivable	-	-	-	665	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Capital assets, non-depreciable	209,583	-	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	497,827	-	-	-	-	-	-	-	-
Total non-current assets	707,410	72,106	1,930	50,391	19,469	-	1	4,289	-
Total assets	$ 707,410	$ 72,106	$ 2,138	$ 51,750	$ 19,523	$ 5,465	$ 1	$ 4,303	$ 22
Deferred Outflow of Resources									
Pension	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total deferred outflow of resources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total assets and deferred outflow of resources	$ 707,410	$ 72,106	$ 2,138	$ 51,750	$ 19,523	$ 5,465	$ 1	$ 4,303	$ 22
Liabilities									
Current Liabilities									
Accounts payable and accrued expenses	$ -	$ -	$ 47	$ 1,304	$ -	$ 1	$ -	$ -	$ -
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	161	55	54	5,464	1	14	22
Contract retainage payable	1,378	-	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,075	-	-	-	-	-	-	-	-
Total current liabilities	4,453	-	208	1,359	54	5,465	1	14	22
Non-current liabilities									
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	49,463	-	-	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-	-
Total non-current liabilities	49,463	-	-	-	-	-	-	-	-
Total liabilities	$ 53,916	$ -	$ 208	$ 1,359	$ 54	$ 5,465	$ 1	$ 14	$ 22
Deferred Inflow of Resources									
Pension	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total deferred inflow of resources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Position									
Unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net investment in capital assets	653,494	-	-	-	-	-	-	-	-
Restricted:									
For federally approved projects	-	72,106	1,930	-	-	-	-	-	-
For ground transportation expenditures	-	-	-	50,391	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	-	-	-	-	19,469	-	-	-	-
For demolition of excess facilities	-	-	-	-	-	-	-	-	-
For debt service	-	-	-	-	-	-	-	4,289	-
Total net position	$ 653,494	$ 72,106	$ 1,930	$ 50,391	$ 19,469	$ -	$ -	$ 4,289	$ -
Total liabilities, deferred inflow of resources and net position	$ 707,410	$ 72,106	$ 2,138	$ 51,750	$ 19,523	$ 5,465	$ 1	$ 4,303	$ 22

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information
December 31, 2016

(in thousands of dollars)

			Unrestricted Account Groups				
	Total	Eliminations	Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Assets							
Current assets							
Cash - unrestricted	$ 4,392	$ -	$ 3,253	$ 277	$ 521	$ 209	$ 132
Cash - restricted	1,361	-	608	-	-	-	-
Investments (at fair value) - unrestricted	84,176	-	29,493	37,454	3,914	2,530	10,785
Investments (at fair value) - restricted	1,044	-	651	-	-	-	-
Investment income receivable	158	-	3	67	14	29	45
Accounts receivable	3,913	-	3,730	-	162	-	-
Interfund receivable	-	(15,490)	516	27	260	28	14,659
Grants and federal awards receivable	3,720	-	62	3,658	-	-	-
Prepaid expenses	1,308	-	1,255	-	53	-	-
Supplies inventory	4,067	-	4,067	-	-	-	-
Total current assets	104,139	(15,490)	43,638	41,483	4,924	2,796	25,621
Non-current assets							
Cash - restricted	969	-	-	-	-	-	-
Investments (at fair value) - unrestricted	26,004	-	-	8,407	-	7,222	10,375
Investments (at fair value) - restricted	126,544	-	-	-	-	-	-
Investment income receivable	322	-	-	-	-	-	-
Interfund receivable	-	(4,556)	-	-	-	-	-
Passenger facility charges receivable	1,775	-	-	-	-	-	-
Customer facility charges receivable	606	-	-	-	-	-	-
Prepaid expenses	262	-	262	-	-	-	-
Capital assets, non-depreciable	209,340	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	505,270	-	-	-	-	-	-
Total non-current assets	871,092	(4,556)	262	8,407	-	7,222	10,375
Total assets	$ 975,231	$ (20,046)	$ 43,900	$ 49,890	$ 4,924	$ 10,018	$ 35,996
Deferred Outflow of Resources							
Pension	$ 10,296	$ -	$ 10,296	$ -	$ -	$ -	$ -
Total deferred outflow of resources	$ 10,296	$ -	$ 10,296	$ -	$ -	$ -	$ -
Total assets and deferred outflow of resources	$ 985,527	$ (20,046)	$ 54,196	$ 49,890	$ 4,924	$ 10,018	$ 35,996
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	$ 12,203	$ -	$ 9,382	$ 1,377	$ 421	$ -	$ -
Rates and charges settlement payable to airlines	2,109	-	2,109	-	-	-	-
Interfund payable	-	(20,046)	17,247	2,592	-	22	81
Contract retainage payable	1,098	-	-	-	-	-	-
Assets held in trust	40	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	3,037	-	-	-	-	-	-
Total current liabilities	18,487	(20,046)	28,738	3,969	421	22	81
Non-current liabilities							
Accounts payable and accrued expenses	1,638	-	1,638	-	-	-	-
Rates and charges settlement payable to airlines	4,484	-	4,484	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	52,538	-	-	-	-	-	-
Net pension liability	58,295	-	58,295	-	-	-	-
Total non-current liabilities	116,955	-	64,417	-	-	-	-
Total liabilities	$ 135,442	$ (20,046)	$ 93,155	$ 3,969	$ 421	$ 22	$ 81
Deferred Inflow of Resources							
Pension	$ 2,461	$ -	$ 2,461	$ -	$ -	$ -	$ -
Total deferred inflow of resources	$ 2,461	$ -	$ 2,461	$ -	$ -	$ -	$ -
Net Position							
Unrestricted	$ 54,915	$ -	$ (41,420)	$ 45,921	$ 4,503	$ 9,996	$ 35,915
Net investment in capital assets	657,937	-	-	-	-	-	-
Restricted:							
For federally approved projects	61,731	-	-	-	-	-	-
For ground transportation expenditures	44,477	-	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	18,750	-	-	-	-	-	-
For demolition of excess facilities	5,546	-	-	-	-	-	-
For debt service	4,268	-	-	-	-	-	-
Total net position	$ 847,624	$ -	$ (41,420)	$ 45,921	$ 4,503	$ 9,996	$ 35,915
Total liabilities, deferred inflow of resources and net position	$ 985,527	$ (20,046)	$ 54,196	$ 49,890	$ 4,924	$ 10,018	$ 35,996

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Balance Sheet Information, continued
December 31, 2016

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups: Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Demolition of Excess Facilities	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Assets									
Current assets									
Cash - unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash - restricted	-	-	21	484	47	147	-	13	41
Investments (at fair value) - unrestricted	-	-	-	-	-	-	-	-	-
Investments (at fair value) - restricted	-	-	-	-	-	393	-	-	-
Investment income receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	21
Interfund receivable	-	-	-	-	-	-	-	-	-
Grants and federal awards receivable	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Supplies inventory	-	-	-	-	-	-	-	-	-
Total current assets	-	-	21	484	47	540	-	13	62
Non-current assets									
Cash - restricted	-	511	190	97	89	-	-	82	-
Investments (at fair value) - unrestricted	-	-	-	-	-	-	-	-	-
Investments (at fair value) - restricted	-	53,872	1,753	42,932	18,613	5,200	-	4,174	-
Investment income receivable	-	117	1	143	47	1	-	13	-
Interfund receivable	-	3,512	-	699	-	345	-	-	-
Passenger facility charges receivable	-	1,775	-	-	-	-	-	-	-
Customer facility charges receivable	-	-	-	606	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Capital assets, non-depreciable	209,340	-	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	505,270	-	-	-	-	-	-	-	-
Total non-current assets	714,610	59,787	1,944	44,477	18,749	5,546	-	4,269	-
Total assets	$ 714,610	$ 59,787	$ 1,965	$ 44,961	$ 18,796	$ 6,086	$ -	$ 4,282	$ 62
Deferred Outflow of Resources									
Pension	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total deferred outflow of resources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total assets and deferred outflow of resources	$ 714,610	$ 59,787	$ 1,965	$ 44,961	$ 18,796	$ 6,086	$ -	$ 4,282	$ 62
Liabilities									
Current Liabilities									
Accounts payable and accrued expenses	$ -	$ -	$ 4	$ 484	$ -	$ 535	$ -	$ -	$ -
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	17	-	46	5	-	14	22
Contract retainage payable	1,098	-	-	-	-	-	-	-	-
Assets held in trust	-	-	-	-	-	-	-	-	40
Revenue bonds payable, inclusive of unamortized premium	3,037	-	-	-	-	-	-	-	-
Total current liabilities	4,135	-	21	484	46	540	-	14	62
Non-current liabilities									
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-
Rates and charges settlement payable to airlines	-	-	-	-	-	-	-	-	-
Revenue bonds payable, inclusive of unamortized premium	52,538	-	-	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-	-
Total non-current liabilities	52,538	-	-	-	-	-	-	-	-
Total liabilities	$ 56,673	$ -	$ 21	$ 484	$ 46	$ 540	$ -	$ 14	$ 62
Deferred Inflow of Resources									
Pension	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total deferred inflow of resources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Position									
Unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net investment in capital assets	657,937	-	-	-	-	-	-	-	-
Restricted:									
For federally approved projects	-	59,787	1,944	-	-	-	-	-	-
For ground transportation expenditures	-	-	-	44,477	-	-	-	-	-
For operational cash flow shortages (by bond resolutions)	-	-	-	-	18,750	-	-	-	-
For demolition of excess facilities	-	-	-	-	-	5,546	-	-	-
For debt service	-	-	-	-	-	-	-	4,268	-
Total net position	$ 657,937	$ 59,787	$ 1,944	$ 44,477	$ 18,750	$ 5,546	$ -	$ 4,268	$ -
Total liabilities, deferred inflow of resources and net position	$ 714,610	$ 59,787	$ 1,965	$ 44,961	$ 18,796	$ 6,086	$ -	$ 4,282	$ 62

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2017

(in thousands of dollars)

	Total	Unrestricted Account Groups				
		Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Operating revenues						
Landing fees	$ 18,032	$ 18,032	$ -	$ -	$ -	$ -
Rentals:						
Terminal	12,315	12,315	-	-	-	-
Ground	4,110	4,110	-	-	-	-
Ramp	3,993	3,993	-	-	-	-
Other	977	977	-	-	-	-
Parking	37,044	37,044	-	-	-	-
Concessions	12,878	12,878	-	-	-	-
Rebilled services	1,862	1,862	-	-	-	-
Ground transportation	1,043	1,043	-	-	-	-
Other	683	683	-	-	-	-
Total operating revenues	92,937	92,937	-	-	-	-
Operating expenses						
Salaries, wages and benefits	46,452	41,511	-	4,907	-	-
Contracted services	22,531	20,951	-	648	-	770
Utilities	6,844	6,844	-	-	-	-
Supplies and capital items expensed	5,239	5,129	-	-	-	-
General administration	2,006	1,989	-	-	-	-
Insurance	1,293	1,293	-	-	-	-
Total operating expenses	84,365	77,717	-	5,555	-	770
Operating income (loss), before depreciation and amortization	8,572	15,220	-	(5,555)	-	(770)
Depreciation and amortization	(42,730)	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(34,158)	15,220	-	(5,555)	-	(770)
Nonoperating changes in net position: increase (decrease)						
Revenue bonds:						
Transfer of revenue bond debt service - principal	-	(1,985)	-	-	-	-
Transfer of revenue bond debt service - interest	-	(2,307)	-	-	-	-
Payment of revenue bond debt service - principal	-	-	-	-	-	-
Revenue bond interest expense, net of premium amortization	(1,255)	-	-	-	-	-
Transfer of general puposes to fund bond reserve	-	-	-	-	-	(30)
Bond refunding - release of funds for defeasance of bonds - principal	-	-	-	-	-	-
Bond refunding - release of funds for defeasance of bonds - interest	-	-	-	-	-	-
Bond refunding - bond issuance costs	-	-	-	-	-	-
Passenger facility charge revenues	16,032	-	-	-	-	-
Customer facility charge revenues	8,778	-	-	-	-	-
Police forfeiture program revenues	336	-	-	-	-	-
Police forfeiture program revenues (state portion) passed through to other local government	(2)	-	-	-	-	-
Grants and federal awards for operating expenses	510	402	-	-	-	108
Investment income	1,970	949	308	18	(45)	(170)
Net gain on disposal of capital assets	33	-	81	-	-	7
Non-capitalized project costs	(24)	-	-	-	-	-
Capitalization of expenditures	-	-	(31,890)	-	-	-
Other	58	-	-	-	-	-
Transfers:						
Balance from previous years in excess of current requirements	-	(5,108)	-	-	-	5,108
Required reserve funding	-	(786)	-	-	-	-
Group Health Coverage	-	(5,537)	-	5,537	-	-
Reimbursement of demolition expenditures	-	-	5,464	-	-	-
Debt service requirements	-	4,292	-	-	-	-
Reimbursement of eligible expenditures	-	-	4	-	-	-
Current year remaining revenues	-	(15,355)	-	-	-	15,355
Total nonoperating changes in net position, before capital contributions	26,436	(25,435)	(26,033)	5,555	(45)	20,378
Capital Contributions						
Reversion of ownership of leased facilities	-	-	-	-	-	-
Grants and federal awards for capital expenditures	1,088	-	1,088	-	-	-
Third party funding of project costs	13	-	6	-	-	-
Total capital contributions	1,101	-	1,094	-	-	-
Total changes in net position	(6,621)	(10,215)	(24,939)	-	(45)	19,608
Net position at the beginning of year (deficit)	847,624	(41,420)	45,921	4,503	9,996	35,915
Net position at the end of year (deficit)	$ 841,003	$ (51,635)	$ 20,982	$ 4,503	$ 9,951	$ 55,523

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position, continued
Year Ended December 31, 2017

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups: Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Demolition of Excess Facilities	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Operating revenues									
Landing fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rentals:									
Terminal	-	-	-	-	-	-	-	-	-
Ground	-	-	-	-	-	-	-	-	-
Ramp	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-
Concessions	-	-	-	-	-	-	-	-	-
Rebilled services	-	-	-	-	-	-	-	-	-
Ground transportation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-	-
Operating expenses									
Salaries, wages and benefits	-	-	-	34	-	-	-	-	-
Contracted services	-	-	19	136	-	7	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Supplies and capital items expensed	-	-	110	-	-	-	-	-	-
General administration	-	-	17	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Total operating expenses	-	-	146	170	-	7	-	-	-
Operating income (loss), before depreciation and amortization	-	-	(146)	(170)	-	(7)	-	-	-
Depreciation and amortization	(42,730)	-	-	-	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(42,730)	-	(146)	(170)	-	(7)	-	-	-
Nonoperating changes in net position: increase (decrease)									
Revenue bonds:									
Transfer of revenue bond debt service - principal	-	-	-	-	-	-	1,985	-	-
Transfer of revenue bond debt service - interest	-	-	-	-	-	-	2,307	-	-
Payment of revenue bond debt service - principal	1,985	-	-	-	-	-	(1,985)	-	-
Revenue bond interest expense, net of premium amortization	1,052	-	-	-	-	-	(2,307)	-	-
Transfer of general puposes to fund bond reserve	-	-	-	-	-	-	-	30	-
Bond refunding - release of funds for defeasance of bonds - principal	-	-	-	-	-	-	-	-	-
Bond refunding - release of funds for defeasance of bonds - interest	-	-	-	-	-	-	-	-	-
Bond refunding - bond issuance costs	-	-	-	-	-	-	-	-	-
Passenger facility charge revenues	-	16,032	-	-	-	-	-	-	-
Customer facility charge revenues	-	-	-	8,778	-	-	-	-	-
Police forfeiture program revenues	-	-	336	-	-	-	-	-	-
Police forfeiture program revenues (state portion) passed through to other local government	-	-	(2)	-	-	-	-	-	-
Grants and federal awards for operating expenses	-	-	-	-	-	-	-	-	-
Investment income	-	583	12	329	(67)	62	-	(9)	-
Net gain on disposal of capital assets	(55)	-	-	-	-	-	-	-	-
Non-capitalized project costs	(24)	-	-	-	-	-	-	-	-
Capitalization of expenditures	35,271	-	(214)	(3,023)	-	(137)	-	-	(7)
Other	58	-	-	-	-	-	-	-	-
Transfers:									
Balance from previous years in excess of current requirements	-	-	-	-	-	-	-	-	-
Required reserve funding	-	-	-	-	786	-	-	-	-
Group Health Coverage	-	-	-	-	-	-	-	-	-
Reimbursement of demolition expenditures	-	-	-	-	-	(5,464)	-	-	-
Debt service requirements	-	(4,292)	-	-	-	-	-	-	-
Reimbursement of eligible expenditures	-	(4)	-	-	-	-	-	-	-
Current year remaining revenues	-	-	-	-	-	-	-	-	-
Total nonoperating changes in net position, before capital contributions	38,287	12,319	132	6,084	719	(5,539)	-	21	(7)
Capital Contributions									
Reversion of ownership of leased facilities	-	-	-	-	-	-	-	-	-
Grants and federal awards for capital expenditures	-	-	-	-	-	-	-	-	-
Third party funding of project costs	-	-	-	-	-	-	-	-	7
Total capital contributions	-	-	-	-	-	-	-	-	7
Total changes in net position	(4,443)	12,319	(14)	5,914	719	(5,546)	-	21	-
Net position at the beginning of year (deficit)	657,937	59,787	1,944	44,477	18,750	5,546	-	4,268	-
Net position at the end of year (deficit)	$ 653,494	$ 72,106	$ 1,930	$ 50,391	$ 19,469	$ -	$ -	$ 4,289	$ -

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

(in thousands of dollars)

		Unrestricted Account Groups				
	Total	Operations & Maintenance	Designated for Capital Projects	Designated for Group Health Coverage	Repair & Replacement Reserve	General Purposes
Operating revenues						
Landing fees	$ 17,236	$ 17,236	$ -	$ -	$ -	$ -
Rentals:						
Terminal	12,014	12,014	-	-	-	-
Ground	3,968	3,968	-	-	-	-
Ramp	3,430	3,430	-	-	-	-
Other	866	866	-	-	-	-
Parking	31,695	31,695	-	-	-	-
Concessions	12,221	12,221	-	-	-	-
Rebilled services	1,616	1,616	-	-	-	-
Ground transportation	649	649	-	-	-	-
Other	684	684	-	-	-	-
Total operating revenues	84,379	84,379	-	-	-	-
Operating expenses						
Salaries, wages and benefits	42,913	38,339	-	4,574	-	-
Contracted services	26,641	17,073	-	504	-	-
Utilities	7,098	7,098	-	-	-	-
Supplies and capital items expensed	5,761	5,665	-	-	-	-
General administration	1,344	1,323	-	-	-	-
Insurance	1,257	1,257	-	-	-	-
Total operating expenses	85,014	70,755	-	5,078	-	-
Operating income (loss), before depreciation and amortization	(635)	13,624	-	(5,078)	-	-
Depreciation and amortization	(43,523)	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(44,158)	13,624	-	(5,078)	-	-
Nonoperating changes in net position: increase (decrease)						
Revenue bonds:						
Transfer of revenue bond debt service - principal	-	(2,190)	-	-	-	-
Transfer of revenue bond debt service - interest	-	(2,845)	-	-	-	-
Payment of revenue bond debt service - principal	-	-	-	-	-	-
Revenue bond interest expense, net of premium amortization	(1,130)	-	-	-	-	-
Bond refunding - release of funds for defeasance of bonds - principal	-	-	-	-	-	-
Bond refunding - release of funds for defeasance of bonds - interest	(1,209)	-	-	-	-	-
Bond refunding - bond issuance costs	(607)	-	-	-	-	-
Passenger facility charge revenues	13,575	-	-	-	-	-
Customer facility charge revenues	6,726	-	-	-	-	-
Police forfeiture program revenues	677	-	-	-	-	-
Police forfeiture program revenues (state portion) passed through to other local government	(2)	-	-	-	-	-
Grants and federal awards for operating expenses	371	371	-	-	-	-
Investment income	1,598	432	373	39	(4)	75
Net gain on disposal of capital assets	17	-	-	-	-	-
Non-capitalized project costs	(90)	-	-	-	-	-
Capitalization of expenditures	-	-	(7,466)	-	-	-
Transfers:						
Group Health Coverage	-	(4,637)	-	4,637	-	-
Initial funding of reserve	-	-	(184)	-	212	(28)
Debt service requirements	-	5,118	-	-	-	-
Reimbursement of eligible expenditures	-	-	(2,170)	-	-	-
Current year remaining revenues	-	(14,659)	-	-	-	14,659
Total nonoperating changes in net position, before capital contributions	19,926	(18,410)	(9,447)	4,676	208	14,706
Capital Contributions						
Reversion of ownership of leased facilities	11,503	-	-	-	-	-
Grants and federal awards for capital expenditures	3,773	-	3,773	-	-	-
Third party funding of project costs	944	-	-	-	-	-
Total capital contributions	16,220	-	3,773	-	-	-
Total changes in net position	(8,012)	(4,786)	(5,674)	(402)	208	14,706
Net position at the beginning of year (deficit)	855,636	(36,634)	51,595	4,905	9,788	21,209
Net position at the end of year (deficit)	$ 847,624	$ (41,420)	$ 45,921	$ 4,503	$ 9,996	$ 35,915

Cincinnati/Northern Kentucky International Airport
Combining Schedule of Revenues, Expenses and Changes in Net Position, continued
Year Ended December 31, 2016

(in thousands of dollars)

	Net Investment in Capital Assets	Restricted Account Groups							
		Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Demolition of Excess Facilities	Bond Interest & Redemption	Bond Reserve	Other Third Party Funding
Operating revenues									
Landing fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rentals:									
Terminal	-	-	-	-	-	-	-	-	-
Ground	-	-	-	-	-	-	-	-	-
Ramp	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-
Concessions	-	-	-	-	-	-	-	-	-
Rebilled services	-	-	-	-	-	-	-	-	-
Ground transportation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-	-
Operating expenses									
Salaries, wages and benefits	-	-	-	-	-	-	-	-	-
Contracted services	-	-	6	24	-	9,034	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Supplies and capital items expensed	-	-	94	-	-	2	-	-	-
General administration	-	-	21	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Total operating expenses	-	-	121	24	-	9,036	-	-	-
Operating income (loss), before depreciation and amortization	-	-	(121)	(24)	-	(9,036)	-	-	-
Depreciation and amortization	(43,523)	-	-	-	-	-	-	-	-
Operating income (loss), after depreciation and amortization	(43,523)	-	(121)	(24)	-	(9,036)	-	-	-
Nonoperating changes in net position: increase (decrease)									
Revenue bonds:									
Transfer of revenue bond debt service - principal	-	-	-	-	-	-	2,190	-	-
Transfer of revenue bond debt service - interest	-	-	-	-	-	-	2,845	-	-
Payment of revenue bond debt service - principal	1,250	-	-	-	-	-	(1,250)	-	-
Revenue bond interest expense, net of premium amortization	506	-	-	-	-	-	(1,636)	-	-
Bond refunding - release of funds for defeasance of bonds - principal	1,854	-	-	-	-	-	(940)	(914)	-
Bond refunding - release of funds for defeasance of bonds - interest	-	-	-	-	-	-	(1,209)	-	-
Bond refunding - bond issuance costs	(607)	-	-	-	-	-	-	-	-
Passenger facility charge revenues	-	13,575	-	-	-	-	-	-	-
Customer facility charge revenues	-	-	-	6,726	-	-	-	-	-
Police forfeiture program revenues	-	-	677	-	-	-	-	-	-
Police forfeiture program revenues (state portion) passed through to other local government	-	-	(2)	-	-	-	-	-	-
Grants and federal awards for operating expenses	-	-	-	-	-	-	-	-	-
Investment income	13	362	3	343	(58)	48	-	(28)	-
Net gain on disposal of capital assets	12	-	5	-	-	-	-	-	-
Non-capitalized project costs	(90)	-	-	-	-	-	-	-	-
Capitalization of expenditures	9,183	-	(37)	(1,024)	-	288	-	-	(944)
Transfers:									
Group Health Coverage	-	-	-	-	-	-	-	-	-
Initial funding of reserve	-	-	-	-	-	-	-	-	-
Debt service requirements	-	(5,118)	-	-	-	-	-	-	-
Reimbursement of eligible expenditures	-	2,170	-	-	-	-	-	-	-
Current year remaining revenues	-	-	-	-	-	-	-	-	-
Total nonoperating changes in net position, before capital contributions	12,121	10,989	646	6,045	(58)	336	-	(942)	(944)
Capital Contributions									
Reversion of ownership of leased facilities	11,503	-	-	-	-	-	-	-	-
Grants and federal awards for capital expenditures	-	-	-	-	-	-	-	-	-
Third party funding of project costs	-	-	-	-	-	-	-	-	944
Total capital contributions	11,503	-	-	-	-	-	-	-	944
Total changes in net position	(19,899)	10,989	525	6,021	(58)	(8,700)	-	(942)	-
Net position at the beginning of year (deficit)	677,836	48,798	1,419	38,456	18,808	14,246	-	5,210	-
Net position at the end of year (deficit)	$ 657,937	$ 59,787	$ 1,944	$ 44,477	$ 18,750	$ 5,546	$ -	$ 4,268	$ -

Cincinnati/Northern Kentucky International Airport
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

(in thousands of dollars)

Name of Agency or Department	CFDA or Other No.	Name of Program	Federal Awards with Expenditure Activity in 2017: Award Amount	Federal Awards with Expenditure Activity in 2017: Total Awards Expended
US Dept of Transportation	20.106	Airport Improvement Program*	$ 27,534	$ 1,191
US Dept of Justice	16.922	Equitable Sharing Program	2,261	357
Federal Highway Administration (Passed through the Kentucky Transportation Cabinet)	20.205	Highway Planning and Construction	2,717	5
US Dept of Transportation (Passed through the Kentucky Transportation Cabinet Office of Highway Safety)	20.600	State and Community Highway Safety Program	10	2
		Total awards expended		$ 1,555

* AIP was tested as a major program

See report of independent auditors and accompanying notes to Schedule of Expenditures of Federal Awards

(in thousands of dollars)

1. General

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") presents the activity of all federal financial assistance programs of the Kenton County Airport Board ("the Airport"). The Airport's reporting entity is defined in Note 1 to the Airport's financial statements. All federal financial assistance was received directly from federal agencies, unless otherwise indicated on the Schedule. No amounts from federal sources were provided to subrecipients and the airport did not elect to use the 10% de minimis indirect cost rate.

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Airport. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Airport and is presented in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance, UG).

3. Reconciliation to Financial Statements

Following is a reconciliation of amounts per the Schedule to the 2017 financial statements (amounts rounded to nearest thousand):

	2017
Grants and federal awards, nonoperating changes in net position	510
Less: Federal receipts not subject to Uniform Guidance requirements	(397)
Less: Local government grants not funded by federal sources	(3)
Grants and federal awards, capital contributions	1,088
Police forfeiture revenues expended for operations, operating expenses	146
Less: State portion	(3)
Police forfeiture revenues expended for capital projects, nonoperating changes in net position	214
Expenditures of revenues from federal sources reported on the Schedule	$ 1,555

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the members of the Kenton
County Airport Board
Hebron, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities of the Cincinnati/Northern Kentucky International Airport (the Airport), which is controlled and operated by the Kenton County Airport Board, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Airport's financial statements (hereby referred to as the financial statements), and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
June 25, 2018

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Cincinnati/Northern Kentucky International Airport's (hereby referred to as the Airport) which is controlled and operated by the Kenton County Airport Board, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended December 31, 2017. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on Each Major Federal Program

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Page Two

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
June 25, 2018

Cincinnati/Northern Kentucky International Airport
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

(in thousands of dollars)

Section I - Summary of Auditor's Results

Type of auditor's report issued:	unmodified	
Internal Control over financial reporting:		
Material weakness(es) identified?	______ yes	__X__ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes	__X__ none reported
Noncompliance material to financial statements noted?	______ yes	__X__ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ yes	__X__ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	______ yes	__X__ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as a low-risk auditee?	__X__ yes	______ no

Section II - Findings related to financial statements reported in accordance with *Governmental Auditing Standards*

None reported.

Section III - Findings and questioned costs related to federal awards

None reported.

Federal Award Findings and Questioned Costs

No findings or questioned costs for federal award programs were reported for the year ended December 31, 2016.

Cincinnati/Northern Kentucky International Airport
Schedule of Passenger Facility Charges Collected and Expended
Year Ended December 31, 2017

Federal Aviation Administration
Application 1 #94-01-C-00-CVG, Application 2 #95-02-C-00-CVG
Application 3 #98-03-C-00-CVG, Application 4 #98-04-C-00-CVG
Application 5 #99-05-C-00-CVG, Application 6 #01-06-C-00-CVG
Application 7 #01-07-C-00-CVG, Application 8 #02-08-C-00-CVG
Application 9 #05-09-C-00-CVG, Application 10 #06-10-C-00-CVG
Application 11 #07-11-C-00-CVG, Application 12 #08-12-C-00-CVG
Application 13 #11-13-C-00-CVG, Application 14 #13-14-C-00-CVG

Quarter Ended	Collections from Airlines	Investment Earnings	Total Received	Expenditures on Approved Projects	Debt Service on Approved Projects	Total Expenditures	PFCs and Earnings Net of Expenditures
Beginning balance	$ 484,263	$ 46,293	$ 530,556	$ (312,753)	$ (158,016)	$ (470,769)	$ 59,787
Q1-17	3,739	176	3,915	(3)	(83)	(86)	
Q2-17	3,583	79	3,662	-	(1,342)	(1,342)	
Q3-17	4,216	164	4,380	(1)	(1,342)	(1,343)	
Q4-17	4,296	153	4,449	-	(1,341)	(1,341)	
Total 2017	15,834	572	16,406	(4)	(4,108)	(4,112)	12,294
Change in accrual	198	11	209	-	(184)	(184)	25
Total program to date	$ 500,295	$ 46,876	$ 547,171	$ (312,757)	$ (162,308)	$ (475,065)	
PFC funds to be used for future eligible expenditures							$ 72,106

1. General

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents all passenger facility charge activities of the Kenton County Airport Board (the "Airport"). The Airport's reporting entity is defined in Note 1 to the Airport's financial statements. The Schedule of Passenger Facility Charges Collected and Expended includes all the PFCs and the interest earnings thereon collected by the Airport beginning June 1, 1994 through December 31, 2017. Passenger Facility Charges are collected pursuant to Federal Aviation Administration approved applications.

2. Basis of Presentation

The accompanying Schedule of Passenger Facility Charges Collected and Expended of the Airport is presented in accordance with accounting principles generally accepted in the United States of America. Passenger Facility Charges are recorded as restricted revenue until expended in compliance with applicable Final Agency Decisions from the Federal Aviation Administration.

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Report on Compliance of Passenger Facility Charges

We have audited the Cincinnati/Northern Kentucky International Airport's (hereby referred to as the Airport) which is controlled and operated by the Kenton County Airport Board, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge Program for the year ended December 31, 2017.

Management's Responsibility

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, and regulations, applicable to the passenger facility charge program. Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Airport's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

Opinion on Passenger Facility Charge Program

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Passenger Facility Charge program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Passenger Facility Charge Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Passenger Facility Charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
June 25, 2018

Summary of Auditor's Results

We have issued an unmodified opinion, dated June 25, 2018 on the financial statements of Cincinnati/Northern Kentucky International Airport (the Airport) as of and for the year ended December 31, 2017.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance which are material to the Airport's financial statements.

We have issued an unmodified opinion, dated June 25, 2018 on the Airport's compliance for its passenger facility charge program.

Our audit disclosed no findings required to be reported under the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide).

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with the Guide.

Findings and Questioned Costs for the Passenger Facility Charge Program

Our audit disclosed no findings or questioned costs for passenger facility charge program as defined by the Guide.

No findings that are required to be reported in accordance with the provisions of the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration were reported for the year ended December 31, 2016.

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

March __, 2019

To: Kenton County Airport Board
Erlanger, Kentucky

We have served as bond counsel to our client Kenton County Airport Board (the "Board") in connection with the issuance by the Board of its $32,935,000 Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019 (the "Series 2019 Bonds"), dated the date of this letter.

The Series 2019 Bonds are issued pursuant to Chapter 183 and Chapter 58 of the Kentucky Revised Statutes, as supplemented and amended, and the 2016 Airport Revenue General Bond Resolution adopted by the Board on May 16, 2016, as supplemented from time to time, and as supplemented by the Series 2019 Bond Resolution adopted by the Board on January 22, 2019 (collectively, the "Resolution"). *Capitalized terms not otherwise defined in this letter are used as defined in the Resolution.*

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2019 Bonds, copies of the signed and authenticated Bonds, the Resolution and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Series 2019 Bonds and the Resolution are valid and binding obligations of the Board, enforceable in accordance with their respective terms.

2. The Series 2019 Bonds have been duly authorized and issued by the Board in accordance with the Constitution and laws of the Commonwealth of Kentucky, including the Act and the Resolution.

3. The Series 2019 Bonds constitute special, limited obligations of the Board, and the principal of and interest on (collectively, "debt service") the Series 2019 Bonds, together with debt service on any other obligations issued and outstanding on a parity with the Series 2019 Bonds as provided in the Resolution, are payable from and secured solely by the Net Revenues. The payment of debt service on the Series 2019 Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Series 2019 Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Board, the Commonwealth of Kentucky or any of its political subdivisions.

4. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2019 Bonds is exempt from income taxation by the Commonwealth of Kentucky and all political

subdivisions thereof, and the Series 2019 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. We express no opinion as to any other tax consequences regarding the Series 2019 Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Board.

We express no opinion herein regarding the priority of the lien on Net Revenues or other funds created by the Resolution.

The rights of the owners of the Series 2019 Bonds and the enforceability of the Series 2019 Bonds and the Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as bond counsel in connection with the original issuance and delivery of the Series 2019 Bonds is concluded upon delivery of this letter.

Respectfully submitted

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

General. The following information has been furnished by DTC for use in this Official Statement and neither the Board nor any Underwriter takes any responsibility for its accuracy or completeness. The DTC Omnibus Proxy record date, as such term is used under this subcaption, is not, and has no relation to, the "Record Date" as defined in the Resolution and used in this Official Statement.

DTC will act as securities depository for the Series 2019 Revenue Bonds. The Series 2019 Revenue Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Revenue Bond certificate will be issued for each maturity of the Series 2019 Revenue Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019 Revenue Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Revenue Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Revenue Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Revenue 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 2019 Revenue Bonds, except in the event that use of the book-entry system for the Series 2019 Revenue Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Revenue 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 2019

Revenue 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 2019 Revenue Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Revenue Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2019 Revenue Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Revenue Bonds, such as redemptions, defaults, and proposed amendments to the Series 2019 Revenue Bond documents. For example, Beneficial Owners of the Series 2019 Revenue Bonds may wish to ascertain that the nominee holding the Series 2019 Revenue Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Revenue Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2019 Revenue Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Revenue Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Revenue Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2019 Revenue Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Board, or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Revenue Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2019 Revenue Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2019 Revenue Bonds will be printed and delivered to DTC.

For every transfer and exchange of the Series 2019 Revenue Bonds, the Paying Agent, DTC and the Participants may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

The Board and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 2019 Revenue Bonds, (ii) the delivery to any Participant or any other person, other than an owner, of any notice with respect to the Series 2019 Revenue Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an owner, of any amount with respect to principal of or interest on the Series 2019 Revenue Bonds.

Effect on Series 2019 Revenue Bonds of Discontinuance of Book-Entry System. The following two paragraphs apply to the Series 2019 Revenue Bonds only when they are not in the book-entry system:

The Series 2019 Revenue Bonds will be issuable as fully registered bonds in denominations that are integral multiples of $5,000. Exchanges and transfers will be made without charge to the Registered Owners, except that in each case the Paying Agent may require the payment by the Registered Owner requesting exchange or transfer of any tax or governmental charge required to be paid with respect thereto.

Principal of and interest on the Series 2019 Revenue Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the Paying Agent. Interest on the Series 2019 Revenue Bonds will be payable by check mailed to the persons in whose names they are registered at the close of business on the Record Date next preceding each Interest Payment Date. The Record Date for the Series 2019 Revenue Bonds will be the December 15 and June 15 prior to each January 1 and July 1, respectively. At the request of any Registered Owner of not less than $1,000,000 principal amount of the Series 2019 Revenue Bonds, all payments to such Registered Owner with respect to such Series 2019 Revenue Bonds shall be made by wire transfer to any address in the continental United States on the applicable Payment Date, if such Registered Owner provides the Paying Agent with written notice of such wire transfer address prior to the applicable Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice).

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APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Kenton County Airport Board (the "Board") in connection with its issuance of its $32,935,000 Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019 (the "Series 2019 Revenue Bonds"), which have been duly authorized by the General Bond Resolution adopted by the Board on May 16, 2016 (the "General Bond Resolution"), and the Series 2019 Resolution adopted by the Board on January 22, 2019 (the "Series 2019 Resolution," and collectively referred to herein with the General Bond Resolution as the "Resolution").

In consideration of the issuance of the Series 2019 Revenue Bonds by the Board and the purchase of such Series 2019 Revenue Bonds by the beneficial owners thereof, the Board covenants and agrees as follows:

1. PURPOSE OF THIS UNDERTAKING. This Undertaking is executed and delivered by the Board as of the date set forth below, for the benefit of the beneficial owners of the Series 2019 Revenue Bonds and to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below).

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires. All capitalized terms not defined herein shall be defined and have the meaning as set forth in the Resolution.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Airline Parties" means the companies that are signatories to the Airport Use Agreements, and any additional companies that executes an agreement with the Board substantially the same as the Airport Use Agreements.

"Airport" means the Cincinnati/Northern Kentucky International Airport.

"Airport Obligations" means all obligations payable from Revenues, issued and outstanding pursuant to the General Bond Resolution.

"Airport Use Agreements" means the Airport Use Agreements between the Board and the Airline Parties.

"Annual Financial Information" means the financial information and operating data described in Exhibit I.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the Airport prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time and according to the standard as described in Exhibit I.

"Commonwealth" means the Commonwealth of Kentucky.

"EMMA" means the Electronic Municipal Market Access system established by the MSRB.

"Material Event" means the occurrence of any of the events, with respect to the Series 2019 Revenue Bonds, set forth in Exhibit II.

"Material Events Disclosure" means dissemination, of a notice of a Material Event as set forth in Section 5.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Series 2019 Revenue Bonds.

"Rule" means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

"SEC" means the Securities Exchange Commission.

"SEC Reports" means reports and other information required to be filed pursuant to Sections 13(a), 14 or 15(d) of the 1934 Act.

"Undertaking" means the obligations of the Board pursuant to this Continuing Disclosure Undertaking.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Series 2019 Revenue Bonds are as set forth in Exhibit III. The Official Statement relating to the Series 2019 Revenue Bonds dated March 5, 2019 is referred to herein as the "Final Official Statement."

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Undertaking, the Board hereby covenants that it will disseminate its Annual Financial

Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. The MSRB requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer by generated because operations to which it is related have been materially changed or discontinued, the Board shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Undertaking, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. EVENTS NOTIFICATION; MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Undertaking, the Board hereby covenants that it will disseminate in a timely manner (not in excess of ten (10) business days after the occurrence of a Material Event) a Material Events Disclosure to the MSRB through EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. The MSRB requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2019 Revenue Bonds or defeasance of any Series 2019 Revenue Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Resolution.

6. DUTY TO UPDATE PROCEDURES. The Board shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rule each time it is required to file information with EMMA.

7. CONSEQUENCES OF FAILURE OF THE BOARD TO PROVIDE INFORMATION. The Board shall give notice in a timely manner (not in excess of ten (10) business days) to the MSRB through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Board to comply with any provision of this Undertaking, the beneficial owner of any Series 2019 Revenue Bond may seek mandamus or specific performance by court order to cause the Board to comply with its obligations under this Undertaking. Any court action to enforce this Undertaking must be initiated in the Fiscal Court of Kenton County, Kentucky. A default under this Undertaking shall not be deemed a default under the Series 2019 Revenue Bonds or the Resolution, and the sole remedy under this

Undertaking in the event of any failure of the Board to comply with this Undertaking shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Undertaking, the Board, pursuant to authorization granted in the Resolution, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

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

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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2019 Revenue Bonds, as determined by parties unaffiliated with the Board (such as the Paying Agent or bond counsel), or by approving vote of the beneficial owners of the Series 2019 Revenue Bonds pursuant to the terms of the Resolution at the time of the amendment; or

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

In the event that the SEC or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Board shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Undertaking.

9. TERMINATION OF UNDERTAKING. The obligations of the Board under this Undertaking shall remain in effect only for such period that the Series 2019 Revenue Bonds are outstanding in accordance with their terms and the Board remains an Obligated Person with respect to the Series 2019 Revenue Bonds within the meaning of the Rule. The obligation of the Board to provide the information and notices of the events described above shall terminate, if and when the Board no longer remains such an Obligated Person. If any person, other than the Board, becomes an Obligated Person relating to the Series 2019 Revenue Bonds, the Board shall engage in reasonable efforts to require such Obligated Person to comply with all provisions of this Undertaking applicable to such Obligated Person.

10. DISSEMINATION AGENT. The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

11. ADDITIONAL INFORMATION. Nothing in this Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other

information in any Annual Financial Information Disclosure or Material Event Disclosure, in addition to that which is required by this Undertaking. If the Board chooses to include any other information in any Annual Financial Information Disclosure or Material Event Disclosure in addition to that which is specifically required by this Undertaking, the Board shall have no obligation under this Undertaking to update such other information or include it in any future Annual Financial Information Disclosure or Material Event Disclosure.

12. BENEFICIARIES. This Undertaking has been executed to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Board and the beneficial owners of the Series 2019 Revenue Bonds and shall create no rights in any other person or entity.

13. ASSIGNMENT. The Board shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the Board under this Undertaking or to execute an Undertaking under the Rule.

14. CURRENT COMPLIANCE. The Board is in compliance in all material respects with undertakings previously entered into by it pursuant to the Rule, except insofar as any of the following paragraphs describing material non-compliance.

The Board failed to file material event notices in a timely manner with respect to certain underlying rating upgrades. Specifically, the Board filed with EMMA on November 21, 2014 a notice with respect to an underlying rating upgrade by Fitch on July 1, 2013 and filed with EMMA on April 11, 2016 a notice with respect to an underlying rating upgrade by Moody's on March 24, 2016.

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

15. OTHER OBLIGATED PERSONS. If any person, other than the Board, becomes an Obligated Person relating to the Series 2019 Revenue Bonds, the Board shall engage in reasonable efforts to require such Obligated Person to comply with Sections 4 and 5 applicable to such Obligated Person. The Board has no obligation to file or disseminate any SEC Reports of an Obligated Person and has no responsibility for the accuracy, completeness or, except as provided in the preceding sentence, the timeliness of an Obligated Person's compliance with Sections 4 or 5. The Board need not engage in any litigation to compel such Obligated Person to comply with the disclosure obligations under Sections 4 or 5.

16. GOVERNING LAW. This Undertaking shall be governed by the laws of the Commonwealth, without giving effect to the conflict of laws provisions thereof.

IN WITNESS WHEREOF, the party hereto has caused this Continuing Disclosure Undertaking in connection with the Series 2019 Revenue Bonds, to be executed by its duly authorized representative as of the date below written.

KENTON COUNTY AIRPORT
BOARD

By ______________________________
Sheila R. Hammons
Chief Financial Officer

Date: March 20, 2019

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

Annual Financial Information means the financial information and operating data as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to the MSRB through EMMA, or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement shall have been submitted by the Board to the MSRB. The Board shall clearly identify each such item of information included by reference.

I. Annual Financial Information:

(a) Financial information and operating data (exclusive of Audited Financial Statements) which shall include information generally consistent with the following information:

(i) with respect to the Board, financial and statistical data of the Airport relating to (a) Enplaned Passengers by Airline, (b) Landed Weight by Airline (c) Debt Service Coverage, (d) Historical Cost Per Enplanement and (e) Historical Air Cargo (in tons), generally consistent with that contained in the Official Statement; and

Note: If any of the information described above is published by a third party and is no longer publicly available, the Board shall include a statement to that effect as part of its Annual Financial Information for the year in which such lack of availability arises.

(ii) with respect to each Obligated Person other than the Board, the Board will include in its Annual Financial Information the identity of such Obligated Person and a statement that such entity is an Obligated Person as of the year of filing with respect to this Undertaking.

(iii) with respect to any Obligated Person other than the Board, if such Obligated Person files SEC Reports, the Board will include in its Annual Financial Information a statement that such SEC Reports may be viewed on the SEC's website or replacement website.

Note: As of the date of this Undertaking, there are no Obligated Persons, other than the Board. The Board has no obligation to file or disseminate any SEC Reports and has no responsibility for the accuracy, completeness or the timeliness of the filings of any SEC Report.

(b) The Board's Annual Financial Information (exclusive of Audited Financial Statements) will be provided to the MSRB through EMMA not more than 270 days after the last day of the Board's fiscal year, which is currently December 31, commencing with the Board's fiscal year ending December 31, 2018.

(c) Audited Financial Statements as described in Part II are expected to be filed at the same time as the Annual Financial Information described in this Part I. If Audited Financial

Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be filed when available.

II. Audited Financial Statements:

(a) Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

(b) Audited Financial Statements will be provided to the MSRB through EMMA within thirty (30) days after their availability to the Board.

EXHIBIT II

MATERIAL EVENT NOTIFICATION AND DISCLOSURE

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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 security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;[1]
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;[2]
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee, or the change of the name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

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[1] Any scheduled redemption of 2019 Revenue Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a specified event within the meaning of the Rule.

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

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

EXHIBIT III

CUSIP NUMBERS

$32,935,000
KENTON COUNTY (KENTUCKY) AIRPORT BOARD
CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT
AIRPORT REVENUE BONDS, SERIES 2019

Year of Maturity	**CUSIP+**
2022	491026UW8
2023	491026UX6
2024	491026UY4
2025	491026UZ1
2026	491026VA5
2027	491026VB3
2028	491026VC1
2029	491026VD9
2030	491026VE7
2031	491026VF4
2032	491026VG2
2033	491026VH0
2034	491026VJ6
2035	491026VK3
2036	491026VL1
2037	491026VM9
2038	491026VN7
2039	491026VP2
2044	491026VQ0
2049	491026VR8

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