

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law, interest on the Series 2019 CFC Bonds is exempt from income taxation by the Commonwealth of Kentucky and all political subdivisions thereof, and the Series 2019 CFC Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. INTEREST ON THE SERIES 2019 CFC BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. For a more complete discussion of the tax aspects, see “TAX TREATMENT” herein.

\$103,130,000

KENTON COUNTY (KENTUCKY) AIRPORT BOARD
Cincinnati/Northern Kentucky International Airport
Senior Customer Facility Charge Taxable Revenue Bonds
(Consolidated Ground Transportation Facility)
Series 2019



Dated: Date of Delivery

Due: January 1 as shown on the inside cover

The Series 2019 CFC Bonds. The Kenton County Airport Board’s Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the “Series 2019 CFC Bonds”) will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Individual purchases and sales of the Series 2019 CFC Bonds may be made in book-entry-form (without certificates) only in denominations of \$5,000 and integral multiples thereof. Principal of, premium, if any, and interest on the Series 2019 CFC Bonds will be paid by U.S. Bank National Association, a national banking association, as bond registrar and paying agent (the “Paying Agent”) for the Series 2019 CFC Bonds. So long as the Series 2019 CFC Bonds are held by DTC, the principal and redemption price of and interest on the Series 2019 CFC Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal, redemption price and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2019 CFC Bonds, as more fully described herein. See “APPENDIX G—BOOK-ENTRY-ONLY SYSTEM.”

Maturity and Interest Payment Dates. The Series 2019 CFC 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 CFC Bonds will be payable on January 1 and July 1, commencing July 1, 2019.

Redemption. The Series 2019 CFC Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity, as more fully described herein. See “THE SERIES 2019 CFC BONDS—Redemption Provisions.”

Purpose. The Series 2019 CFC Bonds are being issued to (a) finance a portion of the costs and expenses of financing, designing and constructing the Series 2019 CFC Project (as defined herein) at Cincinnati/Northern Kentucky International Airport (the “Airport”), (b) fund all of the CFC Senior Debt Service Reserve Fund Requirement (as defined herein); (c) fund all of the CFC Coverage Fund Requirement (as defined herein); and (d) pay the costs of issuance of the Series 2019 CFC Bonds. See “THE 2019 PROJECT”, “PLAN OF FINANCE” and “ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS” herein.

Security/Limited Obligations. The Series 2019 CFC Bonds are special limited obligations of the Kenton County Airport Board (the “Board”), payable solely from and secured by a pledge of the Trust Estate (as defined herein), which includes, among other things, (a) Customer Facility Charges (as defined herein) collected by the rental car companies operating both on-Airport and off-Airport and any Annual Requirement Deficiency (as defined herein) paid by the rental car companies operating under the RAC Agreements (as defined herein), each remitted to U.S. Bank National Association, as trustee (the “Trustee”) under the Master CFC Trust Indenture, dated as of March 1, 2019, between the Board and the Trustee (the “Indenture”), as assignee of the Board, (b) Pledged Funds (as defined herein), and (c) Pledged Revenues (as defined herein). *No revenues of the Board, other than the Customer Facility Charges and the Annual Requirement Deficiency are pledged to the payment of the Series 2019 CFC Bonds. NEITHER THE SERIES 2019 CFC PROJECT NOR ANY OTHER PROPERTIES OF THE AIRPORT ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2019 CFC BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE BOARD, THE COUNTY OF KENTON, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISIONS OR AGENCY OF THE COMMONWEALTH OF KENTUCKY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2019 CFC BONDS. SEE “SOURCES OF PAYMENT AND SECURITY.”*

The purchase and ownership of the Series 2019 CFC 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 CFC Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, 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 CFC Bonds are offered when, as and if issued by the Board, subject to the approval of validity by Squire Patton Boggs (US) LLP, Bond Counsel, and to 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 CFC Bonds in book-entry form will be made through the facilities of DTC on or about March 20, 2019.

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

\$103,130,000

**Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Senior Customer Facility Charge Taxable Revenue Bonds
(Consolidated Ground Transportation Facility) Series 2019**

\$33,435,000 Serial Bonds

<u>Maturity (01/01)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2022	\$2,080,000	3.080%	100.00	3.080%	491034AA2
2023	2,145,000	3.134	100.00	3.134	491034AB0
2024	2,210,000	3.234	100.00	3.234	491034AC8
2025	2,285,000	3.333	100.00	3.333	491034AD6
2026	2,360,000	3.483	100.00	3.483	491034AE4
2027	2,440,000	3.576	100.00	3.576	491034AF1
2028	2,530,000	3.726	100.00	3.726	491034AG9
2029	2,625,000	3.826	100.00	3.826	491034AH7
2030	2,725,000	3.926	100.00	3.926	491034AJ3
2031	2,830,000	4.026	100.00	4.026	491034AK0
2032	2,945,000	4.126	100.00	4.126	491034AL8
2033	3,065,000	4.226	100.00	4.226	491034AM6
2034	3,195,000	4.326	100.00	4.326	491034AN4

**\$18,235,000, 4.489% Term Bonds Due January 1, 2039, Price 100.00, Yield 4.489%,
CUSIP[†] No. 491034AP9**

**\$51,460,000, 4.689% Term Bonds Due January 1, 2049, Price 100.00, Yield 4.689%,
CUSIP[†] No. 491034AQ7**

[†] 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. Copyright © 2019 CUSIP Global Services. All rights reserved. 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 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 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 Bonds.

Kenton County (Kentucky) Airport Board

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Paul T. Verst, Vice Chair

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Bryan Carlisle

Kathy F. Collins

Mike L. Drysdale

Kay Geiger

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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 Auditor

Blue & Co., LLC

Airport Consultant

LeighFisher, Inc.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

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

This Official Statement is being used in connection with the sale of the Series 2019 CFC 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. See “INTRODUCTION—Forward-Looking Statements” and “FORWARD-LOOKING STATEMENTS” herein.

No dealer, broker, salesperson or other person has been authorized by the Board to give any information or to make any representations 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 CFC 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 CFC 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 CFC BONDS. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE SERIES 2019 CFC BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2019 CFC BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE SERIES 2019 CFC BONDS ARE RELEASED FOR SALE, AND THE SERIES 2019 CFC BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2019 CFC BONDS INTO INVESTMENT ACCOUNTS.

THE SERIES 2019 CFC 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 INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2019 CFC 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 CFC Bonds will be special limited obligations of the Board payable from and secured by a pledge of the Trust Estate (as defined herein), which includes, among other things (a) Customer Facility Charges (as defined herein) collected by the rental car companies operating both on-Airport and off-Airport (the “RACs”) and any Annual Requirement Deficiency (as defined herein) paid by the RACs operating under the RAC Agreements (as defined herein), each remitted to U.S. Bank National Association, as trustee (the “Trustee”), under the Master CFC Trust Indenture, dated as of March 1, 2019, between the Board and the Trustee (the “Indenture”), as assignee of the Board, (b) Pledged Funds (as defined herein), and (c) Pledged Revenues (as defined herein). The Series 2019 CFC Bonds will be dated as of the date of delivery. See “THE SERIES 2019 CFC BONDS – General” and “SOURCES OF PAYMENT AND SECURITY.”
Cincinnati/Northern Kentucky International Airport	The Cincinnati/Northern Kentucky International Airport (the “Airport”) is an air transportation facility for scheduled carriers serving the 15-county Cincinnati Metropolitan Statistical Area. The Airport is located on approximately 7,500 acres in the northeastern corner of Boone County, Kentucky, approximately 13 miles southwest of downtown Cincinnati, across the Ohio River in Kentucky. See “THE AIRPORT.”
Authority for Issuance	The Series 2019 CFC Bonds are being issued under the authority of Chapter 183 and Chapter 58 of the Kentucky Revised Statutes, are authorized by the authorizing resolution adopted by the Board on January 22, 2019 (the “Resolution”) and are being issued pursuant to the Indenture.
Purpose of the Issue	To (i) finance a portion of the costs of designing and constructing the Series 2019 CFC Project (as defined herein) at the Airport (ii) fund all of the CFC Senior Debt Service Reserve Fund Requirement (as defined herein), (iii) fund all of the CFC Coverage Fund Requirement (as defined herein), and (iv) pay the costs of issuance of the Series 2019 CFC 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 CFC Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2019.

Redemption

The Series 2019 CFC Bonds maturing on or after January 1, 2030 are subject to redemption prior to maturity, at the option of the Board, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after January 1, 2029 at a redemption price equal to 100% of the principal amount of the Series 2019 CFC Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The Series 2019 CFC Bonds maturing on January 1, 2039 and January 1, 2049 are subject to mandatory sinking fund redemption prior to maturity in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on the dates set forth herein.

The Series 2019 CFC Bonds are subject to extraordinary mandatory redemption at the direction of the Board, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Series 2019 CFC Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, in the event the Series 2019 CFC Project is damaged, taken or condemned, under the circumstances as further described herein.

See “THE SERIES 2019 CFC BONDS - Redemption Provisions.”

Paying Agent

Principal of, premium, if any, and interest on the Series 2019 CFC Bonds will initially be paid by the Trustee, as Paying Agent.

Security for Payment

Pursuant to the Indenture, the Series 2019 CFC Bonds will be payable from and secured by a pledge of the Trust Estate, which includes, among other things (a) Customer Facility Charges collected by the RACs and any Annual Requirement Deficiency paid by the RACs operating under the RAC Agreements, each remitted to the Trustee, under the Indenture, as assignee of the Board, (b) Pledged Funds, and (c) Pledged Revenues. See “SOURCES OF PAYMENT AND SECURITY.”

CFC Senior Debt Service Reserve Fund

The Indenture establishes a CFC Senior Debt Service Reserve Fund. The CFC Senior Debt Service Reserve Fund will, at the time of delivery of the Series 2019 CFC Bonds, be funded from a portion of the proceeds of the Series 2019 CFC Bonds in an amount equal to the CFC Senior Debt Service Reserve Fund Requirement. See “SOURCES OF PAYMENT AND SECURITY - CFC Senior Reserve Fund.”

CFC Coverage Fund

The Indenture establishes a CFC Coverage Fund. The CFC Coverage Fund will, at the time of delivery of the Series 2019 CFC Bonds, be funded from a portion of the proceeds of the Series 2019 CFC Bonds in an amount equal to the CFC Coverage Fund Requirement. See “SOURCES OF PAYMENT AND SECURITY - CFC Coverage Fund.”

Rate Covenant

Under the Indenture, the Board has covenanted as long as any of the Series 2019 CFC Bonds remain Outstanding (as defined herein), to cause the Customer Facility Charges to be calculated, established and imposed as provided in the Bond Resolution (as defined herein). Based on estimated Customer Facility Charges collections prepared by or for the Board from time to time, unless prohibited by law, the Customer Facility Charges shall be adjusted and/or the Annual Requirement Deficiency shall be collected pursuant to the RAC Agreements (as defined herein) (provided it is in the Board’s sole discretion to do either or both) to the extent necessary to generate Pledged Revenues, along with amounts then on deposit in the CFC Coverage Fund, in each Fiscal Year (a) in an amount equal to at least 1.25x the Current Annual Debt Service Requirement (as defined herein) in such Fiscal Year (as defined herein) on the Senior Bonds (as defined herein) then Outstanding (as defined herein), and (b) in an amount sufficient to replenish any shortfalls in the amounts required to be maintained in either the CFC Coverage Fund or the CFC Senior Debt Service Reserve Fund within twelve (12) months after the month in which any amounts are withdrawn from either of such Funds for transfer to the CFC Senior Debt Service Fund pursuant to the Indenture (the “Rate Covenant”).

In the event that the Rate Covenant is not met in a Fiscal Year, such violation shall not be a default under the Indenture and shall not give rise to a declaration of an Event of Default (unless the principal of, premium, if any, on, interest on the Bonds is not paid in such Fiscal Year) if, the Board takes appropriate corrective actions (including collecting and/or increasing the Annual Requirement Deficiency for the next succeeding Fiscal Year) so that the Rate Covenant shall be met in the next succeeding Fiscal Year; provided, however, that if the Rate Covenant is not met in the next succeeding Fiscal Year, an Event of Default may be declared. Upon request, the Board will provide the Trustee with a certification that the Board is taking appropriate corrective actions so that the Rate Covenant will be met in the next succeeding Fiscal Year. See “SOURCES OF PAYMENT AND SECURITY—Rate Covenant.”

Additional Senior Bonds

Additional Senior Bonds may be issued only upon satisfaction of the conditions set forth in the Indenture. See “SOURCES OF PAYMENT AND SECURITY– Additional Senior Bonds.”

Series 2019 Revenue Bonds

Simultaneous with the issuance of the Series 2019 CFC Bonds, the Board is issuing the Series 2019 Revenue Bonds to pay costs of the Series 2019 Revenue Project (as defined herein) at the Airport. The Series 2019 Revenue Bonds are not issued under or secured pursuant to the Indenture securing the Series 2019 CFC Bonds.

**No Acceleration;
No Cross Default**

The Indenture does not provide for any rights of acceleration with respect to the Series 2019 CFC 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 Indenture.

**Investment
Considerations**

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

Tax Status

The interest on the Series 2019 CFC Bonds is not excluded from gross income for federal income tax purposes. See “TAX TREATMENT” herein.

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 “A3” with a stable outlook, respectively, to the Series 2019 CFC Bonds. For a discussion of these ratings, see the section herein captioned “RATINGS.”

Information

Information regarding the Series 2019 CFC 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 Trustee, 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 (“EMMA”) online repository system.

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OFFICIAL STATEMENT

\$103,130,000

**Kenton County (Kentucky) Airport Board
Cincinnati/Northern Kentucky International Airport
Senior Customer Facility Charge Taxable Revenue Bonds
(Consolidated Ground Transportation Facility)
Series 2019**

INTRODUCTION

General

The Kenton County Airport Board (the “Board” or “KCAB”) has prepared this Official Statement in connection with the issuance and sale of its \$103,130,000 Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the “Series 2019 CFC Bonds”). This Official Statement provides certain information regarding the purpose, terms and sources of payment of and security for the Series 2019 CFC Bonds and certain information regarding the Board and the Cincinnati/Northern Kentucky International Airport (the “Airport”). Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.”

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 the construction of a Consolidated Ground Transportation Facility (as defined herein) and other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure, which will be financed by the Series 2019 CFC Bonds, together with the Main Terminal Roadway Improvement Project (as defined herein), which will be financed by the Series 2019 Revenue Bonds (as defined herein), and other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure. Simultaneously with the issuance of the Series 2019 CFC Bonds, the Board expects to issue the Cincinnati/Northern Kentucky International Airport Revenue Bonds, Series 2019 (the “Series 2019 Revenue Bonds”) pursuant to 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 Bond Resolution”). See “THE 2019 PROJECT.”

Purpose

Proceeds of the Series 2019 CFC Bonds, along with certain other available moneys, will be used to (a) finance a portion of the costs and expenses of financing, designing and constructing the Series 2019 CFC Project (as defined herein), which includes the Consolidated Rental Car Facility (the “CONRAC”) and the Ground Transportation Center (the “GTC”) (each as further described herein), (b) fund all of the CFC Senior Debt Service Reserve Fund Requirement; (c) fund all of the CFC Coverage Fund Requirement; and (d) pay the costs of issuance of the Series 2019 CFC Bonds. See “SOURCES OF PAYMENT AND SECURITY” and “THE 2019 PROJECT.”

Authority for Issuance

The Series 2019 CFC Bonds are being issued pursuant to the Master CFC Trust Indenture, dated as of March 1, 2019 (the “Indenture”), by and between the Board and U.S. Bank National Association, as trustee (the “Trustee”), the Act, and certain other provisions of Kentucky law. The Board authorized the issuance of the Series 2019 CFC Bonds pursuant to an authorizing resolution adopted by the Board on January 22, 2019 (the “Resolution”). See “THE SERIES 2019 CFC BONDS.”

Security and Source of Payment

The Series 2019 CFC Bonds are special limited obligations of the Board, payable solely from and secured by a pledge of the Trust Estate (as defined herein), which includes, among other things, (a) Customer Facility Charges (the “Customer Facility Charges” or the “CFCs”) collected by the rental car companies operating both on-Airport and off-Airport (the “RACs”) and any Annual Requirement Deficiency paid by the RACs operating under the Rental Car Concession Agreement (the “RAC Concession Agreement”) and the Consolidated Rental Car Facility Agreement (the “CONRAC Agreement”), each between the RAC and the Board (collectively, the “RAC Agreements”), and remitted to the Trustee, as assignee of the Board, (b) Pledged Funds, and (c) Pledged Revenues. No revenues of the Board, other than the CFCs and any Annual Requirement Deficiency, are pledged to the payment of the Series 2019 CFC Bonds. Neither the Series 2019 CFC Project nor any other properties of the Airport are subject to any mortgage or other lien for the benefit of the owners of the Series 2019 CFC Bonds, and neither the full faith and credit nor the taxing power of the Board, Kenton County, Kentucky (the “County”), the Commonwealth of Kentucky (the “Commonwealth”) or any political subdivisions or agency of the Commonwealth is pledged to the payment of the principal of or interest on the Series 2019 CFC Bonds. See “SOURCES OF PAYMENT AND SECURITY.”

Rental Car Agreements

In September 2018, the Board issued a request for proposal (“RFP”) for qualified RACs to conduct automobile rental business from the CONRAC being constructed as part of the Consolidated Ground Transportation Facility. In order to conduct its automobile rental business from the CONRAC, under the RFP the RACs were required to enter into the RAC Agreements. In November 2018, the Board approved entering into the RAC Agreements with the following four RACs: 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. The RAC Agreements set forth provisions in connection with the construction of, leasing of space in, use of and operation of the CONRAC. Pursuant to the RAC Agreements, the Board has agreed to construct the Consolidated Ground Transportation Facility and the RACs who have signed the RAC Agreements have agreed to collect CFCs and remit the

CFCs to the Board to the Trustee. The RACs who have signed the RAC Agreements also have agreed to pay an Annual Requirement Deficiency (as defined herein) if required. See “SOURCES OF PAYMENT AND SECURITY,” “THE 2019 PROJECT– Rental Car (“RAC”) Agreements” and “APPENDIX C – RENTAL CAR (“RAC”) AGREEMENTS.”

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 CFC 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; a description of car rental activity at the Airport; the Airport Consultant’s projections for car rental 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 assumes 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,” “REPORT OF THE AIRPORT CONSULTANT” “CERTAIN INVESTMENT CONSIDERATIONS—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 CFC Bonds to provide annually certain financial information and operating data concerning the Board and the Airport, including rental car activity at the Airport, and to provide notices of certain enumerated events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See “CONTINUING DISCLOSURE UNDERTAKING” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Investment Considerations

The purchase and ownership of the Series 2019 CFC Bonds involves investment risks. Prospective purchasers of the Series 2019 CFC Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2019 CFC 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 RACs, 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 CFC Bonds, the Indenture, the RAC 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 CFC 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 CFC Bonds.

THE SERIES 2019 CFC BONDS

General

The Series 2019 CFC Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2019 CFC Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing on July 1, 2019. Interest due and payable on the Series 2019 CFC Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company (“DTC”) is in effect).

Each Series 2019 CFC Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is prior to June 15, 2019, in which case such Series 2019 CFC Bond will bear interest from its date of delivery, or (ii) such date of authentication is an Interest Payment Date to which interest on the Series 2019 CFC Bond has been paid in full or duly provided for, in which case interest shall be computed from such date of authentication. If interest on the Series 2019 CFC Bonds is in default, Series 2019 CFC Bonds issued in exchange for Series 2019 CFC Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2019 CFC Bonds surrendered. The Series 2019 CFC Bonds will be issued in denominations of \$5,000 or integral multiples thereof.

Book-Entry-Only

The Series 2019 CFC Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2019 CFC Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Series 2019 CFC Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2019 CFC Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Series 2019 CFC Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 CFC Bonds, principal and redemption price of and interest on the Series 2019 CFC Bonds will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, for subsequent disbursement to the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Redemption Provisions

Optional Redemption.

Redemption at Par On or After January 1, 2029. The Series 2019 CFC Bonds maturing on or after January 1, 2030 are subject to redemption prior to maturity, at the option of the Board, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after January 1, 2029 at a redemption price equal to 100% of the principal amount of the Series 2019 CFC Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.

The Series 2019 CFC Bonds maturing on January 1, 2039 and January 1, 2049 (the “Series 2019 CFC Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on January 1 of the following years and in the following principal amounts:

Term Bonds maturing on January 1, 2039

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2035	\$3,335,000
2036	3,485,000
2037	3,640,000
2038	3,800,000
2039†	3,975,000

† Final Maturity Date

Term Bonds maturing on January 1, 2049

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2040	\$4,150,000
2041	4,345,000
2042	4,550,000
2043	4,765,000
2044	4,985,000
2045	5,220,000
2046	5,465,000
2047	5,720,000
2048	5,990,000
2049†	6,270,000

† Final Maturity Date

Offset to Mandatory Sinking Fund Redemption. At the option of the Board, to be exercised by delivery of a written certificate to the Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the applicable Series 2019 CFC Term Bonds, it may (a) deliver to the Trustee for cancellation corresponding Series 2019 CFC Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Board or (b) specify a principal amount of such Series 2019 CFC Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Trustee at the request of the Board and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2019 CFC Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Board to pay the principal of such Series 2019 CFC Term Bond on such mandatory sinking fund redemption date.

See “SOURCES OF PAYMENT AND SECURITY—Application of CFC Senior Debt Service Fund; Additional Deposits to Senior Debt Service Fund” for a description of the deposits that are made to the Series 2019 CFC Debt Service Account to pay the principal of the Series 2019 CFC Term Bonds on the applicable mandatory sinking fund redemption dates.

Extraordinary Mandatory Redemption of the Series 2019 CFC Bonds. In the event the Series 2019 CFC Project, or any portion thereof, is damaged, taken or condemned and the Available Amounts are insufficient to restore and repair the Series 2019 CFC Project to its Pre-Existing Condition, the Series 2019 CFC Bonds are subject to extraordinary mandatory redemption at the direction of the Board, in

whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Series 2019 CFC Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from Available Amounts and such other amounts permitted or required to be applied to such redemption under the Indenture. See “INSURANCE—Casualty and Condemnation” and “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Casualty and Condemnation.”

Notices of Redemption to Holders; Conditional Notice of Optional Redemption The Trustee will give notice of redemption, in the name of the Board, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days before each redemption date and send such notice of redemption by first class mail (or with respect to Series 2019 CFC Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Series 2019 CFC Bond to be redeemed; each such notice will be sent to the owner’s registered address, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption.

Such notice shall state that redemption of the Series 2019 CFC Bonds is conditioned upon the deposit with the Trustee of sufficient funds on or prior to the date selected for redemption to retire the Series 2019 CFC Bonds to be redeemed, and that if sufficient funds are not so available on the date selected for redemption, such call for redemption shall be revoked.

Effect of Redemption. All Series 2019 CFC Bonds properly called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been duly deposited with the Trustee and, thereafter, the Holders of such Series 2019 CFC Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Series 2019 CFC Bond for any portion not redeemed..

Selection of Series 2019 CFC Bonds for Redemption; Series 2019 CFC Bonds Redeemed in Part. With respect to Series 2019 CFC Bonds subject to redemption, if less than all of such Series 2019 CFC Bonds shall be called for redemption, the particular Series 2019 CFC Bonds or portions thereof to be redeemed shall be selected by the Trustee on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2019 CFC Bonds are held in the book-entry only form, the selection for redemption of such Series 2019 CFC Bonds will be made in accordance with the operational arrangements of DTC then in effect. The Board shall not provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of the Series 2019 CFC Bonds on such basis. If the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2019 CFC Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the Series 2019 CFC Bonds are not held in the book-entry only form and less than all of the Series 2019 CFC Bonds are to be redeemed, the Series 2019 CFC Bonds to be redeemed shall be selected by the Trustee on a pro rata pass-through distribution of principal basis among all of the Holders of the Series 2019 CFC Bonds based on the principal amount of Series 2019 CDC Bonds owned by such Holders.

Upon surrender of a Series 2019 CFC Bond to be redeemed, in part only, the Trustee will authenticate for the Holder a new Series 2019 CFC Bond or Series 2019 CFC Bonds of the same maturity date and interest rate equal in principal amount to the unredeemed portion of the Series 2019 CFC Bond surrendered.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption (on a pro rata pass-through distribution of principal basis), from the applicable Series 2019 CFC Term Bonds subject to such redemption, an aggregate principal amount of such applicable Series 2019 CFC Term Bonds equal to the amount for such year as set forth in the table under “Mandatory Sinking Fund Redemption” above and will call such Series 2019 CFC Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

SOURCES OF PAYMENT AND SECURITY

General

The Series 2019 CFC Bonds will be issued under and pursuant to the Indenture. Pursuant to the Indenture, the Board may issue additional bonds on a parity with the Series 2019 CFC Bonds (“Additional Senior Bonds”) upon the satisfaction of certain conditions. See “—Additional Senior Bonds” below. The Series 2019 CFC Bonds and any Additional Senior Bonds (collectively, the “Senior Bonds”) will be equally and ratably secured by a first lien on and pledge of the Trust Estate. See “—Pledge of Trust Estate” below. The Indenture also authorizes the issuance of Subordinate Bonds; none of which have been issued heretofore. Subordinate Bonds, if issued, will have a junior and subordinate lien on and pledge of the Trust Estate, subject to the prior lien and pledge of the Senior Bonds. Subject to the provisions of the Indenture, neither the Act nor the Indenture limits the total amount of Senior Bonds or Subordinate Bonds that may be issued and Outstanding at any one time.

The summary of the security and sources of payment for the Series 2019 CFC Bonds set forth herein is qualified in its entirety by and reference is hereby made to Appendix B hereto and the Indenture, which set forth in further detail provisions relating to the security for the Series 2019 CFC Bonds.

Special Limited Obligations

The Series 2019 CFC Bonds are special limited obligations of the Board, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, (a) Customer Facility Charges collected by the RACs and any Annual Requirement Deficiency paid by the RACs operating under the RAC Agreements, each remitted to the Trustee, as assignee of the Board, (b) Pledged Funds, and (c) Pledged Revenues.

No revenues of the Board, other than the Customer Facility Charges and any Annual Requirement Deficiency, are pledged to the payment of the Series 2019 CFC Bonds. Neither the Series 2019 Bond Project nor any other properties of the Airport are subject to any mortgage or other lien for the benefit of the owners of the Series 2019 CFC Bonds, and neither the full faith and credit nor the taxing power of the Board, the County, the Commonwealth or any political subdivisions or agency of the Commonwealth is pledged to the payment of the principal of or interest on the Series 2019 CFC Bonds.

Pledge of Trust Estate

Pursuant to the Indenture, the principal of and interest on the Series 2019 CFC Bonds will be secured by a pledge of, and first lien on all rights, title and interest of the Board in the Trust Estate. “Trust Estate” is defined under the Indenture as all Pledged Revenues and Pledged Funds. Pledged Revenues means the aggregate of (a) all Customer Facility Charges received or receivable by the Board, (b) any Annual Requirement Deficiency received pursuant to the CONRAC Agreement, and (c) excluding

any investment income derived from the CFC Construction Fund and the CFC Project Fund, all investment income of every kind derived from amounts credited to the Pledged Funds. Pledged Funds means (i) any amounts on deposit from time to time in the CFC Revenue Fund, the CFC Senior Debt Service Fund, the CFC Senior Debt Service Reserve Fund, the CFC Coverage Fund, the CFC Renewal and Replacement Fund, and the CFC Stabilization Fund, (ii) any amounts, other than investment income, on deposit in the CFC Construction Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a CFC Project, and (iii) any amounts, other than investment income, on deposit in the CFC Project Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a CFC Project. The CFC Administrative Costs Fund, the CFC Surplus Fund, and the Series 2019 CFC Costs of Issuance Account are specifically excluded from Pledged Funds. See “APPENDIX B – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.”

“Customer Facility Charges” and “CFCs” is defined in the Indenture to mean a per day fee payable by Customers, collected, accounted for, and remitted by a Company to the Board, at a level established by the Board pursuant to the CFC Ordinance (as defined herein). See “APPENDIX B – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.”

“Annual Requirement Deficiency” has the meaning given such term in the RAC Agreements. See “APPENDIX C – RENTAL CAR (“RAC”) AGREEMENTS.”

Customer Facility Charges

CFCs Imposed by the Board. Pursuant to Ordinance 2005-01 of the Board adopted on October 17, 2005, as amended and restated from time to time (the “CFC Ordinance”), the collection of CFCs began on April 1, 2006 and thereafter have been collected on a monthly basis at rates as amended over time. CFCs are currently being collected at a rate of \$7.50 per rental car transaction day. The obligation to remit and pay CFCs is imposed on off-airport RACs and on-airport RACs. The Board has reserved the right to audit the CFCs owed under the CFC Ordinance. The CFCs may be used to pay, or reimburse the Board for the costs associated with the planning, design, acquisition, construction, equipping, maintenance and operation of the Consolidated Ground Transportation Facility as well as the payment of debt service and/or coverage on the Series 2019 CFC Bonds. See “SOURCES OF PAYMENT AND SECURITY.”

The Series 2019 CFC Bonds are not an indebtedness or other liability of the RACs and the RACs are not liable for any payments relating to the Series 2019 CFC Bonds, other than the payment of any Annual Requirement Deficiency under the RAC Agreements (See “THE 2019 PROJECT – Rental Car Agreements – Annual Requirement Deficiency”) and the timely remittance of the CFC proceeds collected by the RACs from their respective Customers and remitted to the Trustee for the benefit of the Board.

Flow of Funds

The application of CFCs is governed by the Indenture, the RAC Agreements and the Act. Pursuant to the Indenture and the RAC Agreements, all CFCs will be payable by the RACs to the Trustee, as assignee of the Board. Pursuant to the CFC Ordinance and the RAC Agreements, any Annual Requirement Deficiency paid by the RACs which are party to the RAC Agreements will be payable to the Trustee, as assignee of the Board. From and after the issuance of the Series 2019 CFC Bonds, the Board shall deposit, or cause to be deposited, no later than the 20th day of each month, to the credit of the CFC Revenue Fund all the CFCs and any Annual Requirement Deficiency collected during the preceding month. On the 25th day of each month (the “Draw Down Date”), the Trustee will transfer moneys then

on deposit in the CFC Revenue Fund to the following Funds and Accounts in the following order of priority:

FIRST, to the CFC Senior Debt Service Fund to pay principal and interest on the Senior Bonds;

SECOND, to the CFC Senior Debt Service Reserve Fund to satisfy, to the extent necessary, the CFC Senior Debt Service Reserve Fund Requirement;

THIRD, to the CFC Coverage Fund to satisfy, to the extent necessary, the CFC Coverage Fund Requirement;

FOURTH, to the CFC Administrative Costs Fund to satisfy the CFC Administrative Costs Fund Requirement;

FIFTH, if any Subordinate Bonds are outstanding, to the CFC Subordinate Debt Service Fund and the CFC Subordinate Debt Service Reserve Fund, as established in a Supplemental Indenture;

SIXTH, prior to receipt of written notice from the Board that Substantial Completion has occurred, to the CFC Project Fund to be used for purposes of funding Costs of the CFC Project, and after receipt of written notice from the Board that Substantial Completion has occurred, the remaining balance in the CFC Project Fund shall be transferred as described below;

SEVENTH, to the CFC Renewal and Replacement Fund to satisfy the CFC Renewal and Replacement Fund Requirement;

EIGHTH, to the CFC Stabilization Fund; and

NINTH, the balance to the Board for deposit into the CFC Surplus Fund to be used by the Board for any lawful purpose of the Board as permitted by the CFC Ordinance.

Application of CFC Senior Debt Service Fund; Additional Deposits to Senior Debt Service Fund

Application of CFC Senior Debt Service Fund. On the 25th day of each month following the issuance and delivery of the Series 2019 CFC Bonds there shall be deposited into the CFC Senior Debt Service Fund an amount equal to one-sixth (1/6th) of the amount necessary to pay all interest due and payable on the next Interest Payment Date and one-twelfth (1/12th) of the amount necessary to pay all principal due and payable on the next Principal Payment Date; and prior to each Interest Payment Date or Principal Payment Date, there shall be deposited from Pledged Funds any additional amounts necessary to increase the balance in the CFC Senior Debt Service Fund to be sufficient to make such payments on such Interest Payment Date or Principal Payment Date. Such additional amounts, if necessary, shall be transferred by the Trustee first from the CFC Stabilization Fund, second from the CFC Coverage Fund, third from the CFC Renewal and Replacement Fund, and fourth from the CFC Senior Debt Service Reserve Fund. Moneys deposited to the credit of the CFC Senior Debt Service Fund shall be used solely for the purpose of paying principal of (either at maturity or prior redemption) and interest on the Senior Bonds, or reimbursing credit providers for amounts advanced for such purpose.

CFC Senior Debt Service Reserve Fund

Pursuant to the Indenture, the Trustee will establish the Senior Debt Service Reserve Fund to secure the Series 2019 CFC Bonds and any Additional Senior Bonds issued by the Board. The Board shall satisfy the CFC Senior Debt Service Reserve Fund Requirement at the time of the issuance of each Series of Senior Bonds and the CFC Senior Debt Service Reserve Fund shall be replenished as set forth below. In the event the balance in the CFC Senior Debt Service Reserve Fund shall be less than the CFC Senior Debt Service Reserve Fund Requirement, then on the 25th day of each month, after making all prior required transfers from the CFC Revenue Fund as provided in the Indenture, there shall be transferred from the CFC Revenue Fund to the CFC Senior Debt Service Reserve Fund, to the extent available in the CFC Revenue Fund, an amount equal to the CFC Senior Debt Service Reserve Fund Requirement minus amounts already on deposit in the CFC Senior Debt Service Reserve Fund. Subject to the terms of the Indenture, at any time that there are insufficient funds available in the CFC Senior Debt Service Fund to make any required payment of interest on or principal of the Senior Bonds, including the Series 2019 CFC Bonds, or to reimburse any credit providers for amounts advanced for such purpose, there shall be transferred from the CFC Senior Debt Service Reserve Fund to the CFC Senior Debt Service Fund such amounts as may be necessary for such purpose. Amounts in the CFC Senior Debt Service Reserve Fund shall be applied as provided herein, and may, at the direction of an Authorized Officer of the Board, be applied to the final payment of principal and interest on any Outstanding Senior Bonds, including the Series 2019 CFC Bonds. Further, amounts in the CFC Senior Debt Service Reserve Fund, to the extent they are in excess of the CFC Senior Debt Service Reserve Fund Requirement, may be transferred, at the direction of an Authorized Officer of the Board at any time to the CFC Revenue Fund.

CFC Coverage Fund

Pursuant to the Indenture, the Trustee will establish the CFC Coverage Fund. From the proceeds of each Series of Bonds, there shall be deposited to the credit of the CFC Coverage Fund an amount equal to the initial CFC Coverage Fund Requirement for all Senior Bonds then Outstanding less any amounts already then on deposit therein. On the 25th day of each month, after making all prior transfers from the CFC Revenue Fund as provided in the Indenture, there shall be transferred from the CFC Revenue Fund to the CFC Coverage Fund, to the extent available in the CFC Revenue Fund, an amount equal to the CFC Coverage Fund Requirement minus amounts already then on deposit in the CFC Coverage Fund. Subject to the Indenture, amounts in the CFC Coverage Fund shall be transferred to the CFC Senior Debt Service Fund to the extent required to pay principal and/or interest on Senior Bonds, including the Series 2019 CFC Bonds, as the same become due and payable.

CFC Administrative Costs Fund

Pursuant to the Indenture, the Trustee will establish the CFC Administrative Costs Fund. On the 25th day of each month, after making all prior transfers from the CFC Revenue Fund as provided in the Indenture, there shall be transferred from the CFC Revenue Fund to the CFC Administrative Costs Fund an amount equal to one-twelfth (1/12th) of the CFC Administrative Costs Fund Requirement as determined by the Board, for the ensuing Fiscal Year. Funds on deposit in the CFC Administrative Costs Fund shall be applied by the Trustee to pay its fees and any other administrative fees required or contemplated by this Indenture but only as directed by an Authorized Officer of the Board.

CFC Project Fund

Pursuant to the Indenture, the Trustee will establish the CFC Project Fund. Customer Facility Charges collected by the Board prior to the issuance of the Series 2019 CFC Bonds shall be deposited into the CFC Project Fund. Prior to Substantial Completion, and after making all prior transfers from the CFC Revenue Fund as provided in the Indenture, funds on deposit in the CFC Project Fund shall be used by the Board, in its discretion, to pay the Costs of the CFC Project on a pay-as-you go basis. Upon Substantial Completion the uncommitted balance remaining in the CFC Project Fund shall be transferred as described in the Indenture.

CFC Renewal and Replacement Fund

Pursuant to the Indenture, the Trustee will establish the CFC Renewal and Replacement Fund. On the 25th day of each month, after making all prior transfers from the CFC Revenue Fund as provided in the Indenture, there shall be transferred from the CFC Revenue Fund to the CFC Renewal and Replacement Fund an amount equal to one-twelfth (1/12th) of the CFC Renewal and Replacement Fund Requirement. Funds on deposit in the CFC Renewal and Replacement Fund shall be used by the Board, in its discretion, to pay the costs of the maintenance, repair, expansion or replacement of, as the case may be, the CFC Project. Subject to the Indenture, amounts in the CFC Renewal and Replacement Fund shall be transferred to the CFC Senior Debt Service Fund to the extent required to pay principal and/or interest on Senior Bonds, including the Series 2019 CFC Bonds, as the same become due and payable.

CFC Stabilization Fund

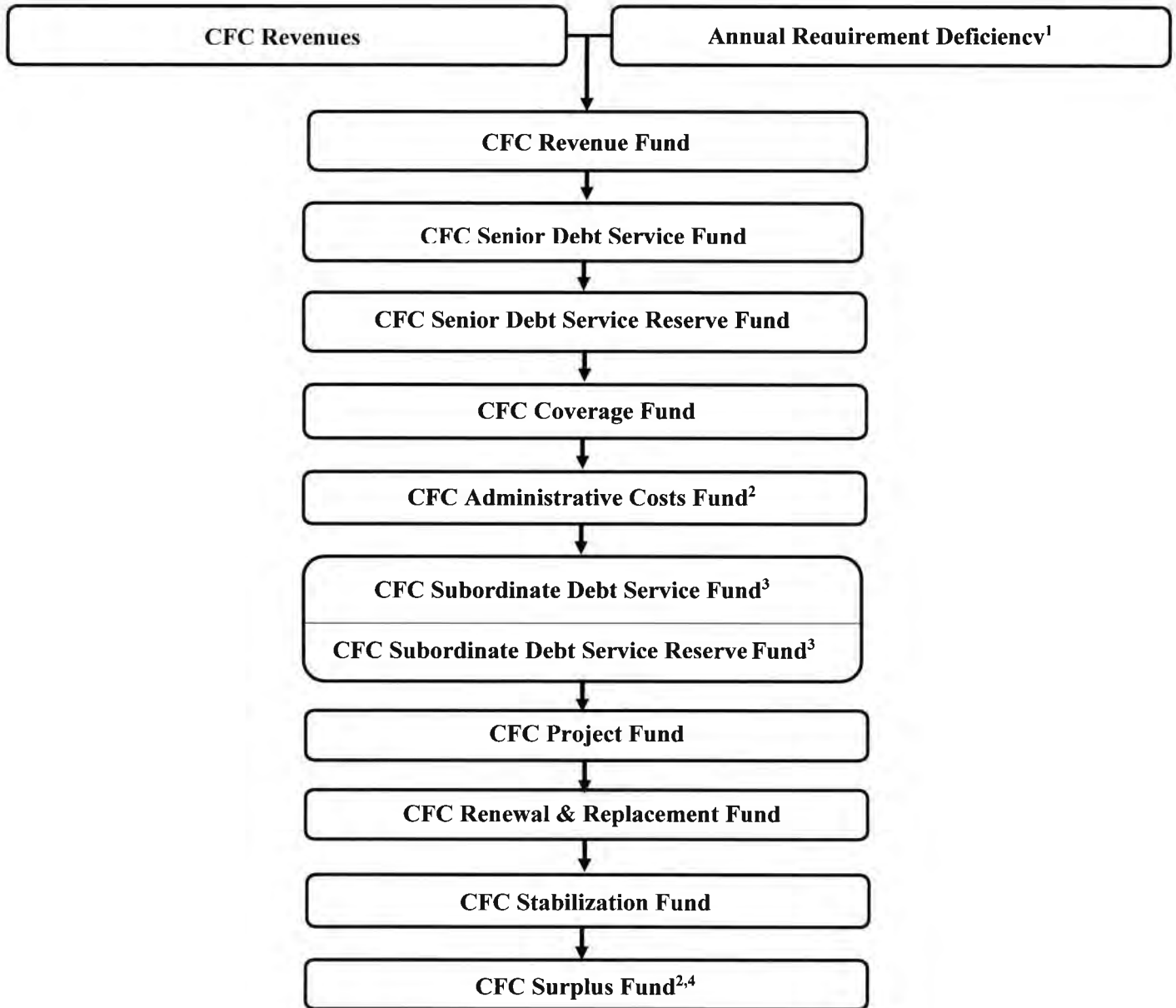
Pursuant to the Indenture, the Trustee will establish the CFC Stabilization Fund. On the 25th day of each month, after making all prior transfers from the CFC Revenue Fund as provided in the Indenture, there shall be transferred from the CFC Revenue Fund to the CFC Stabilization Fund the remaining available funds in the CFC Revenue Fund. Funds on deposit in the CFC Stabilization Fund shall be transferred to the CFC Senior Debt Service Fund, to the extent required, to pay principal of and/or interest on the Senior Bonds, including the Series 2019 CFC Bonds, as the same become due and payable. To the extent that the balance in the CFC Stabilization Fund exceeds \$10,000,000, the Board may direct the Trustee to release and transfer the amount in excess of \$10,000,000 from the CFC Stabilization Fund to the Board for deposit into the CFC Surplus Fund.

CFC Surplus Fund

Pursuant to the Indenture, the Board will establish the CFC Surplus Fund, which will be maintained with the Board and kept separate and apart from all other funds of the Board. After making all prior transfers from the CFC Revenue Fund as provided in the Indenture, the Board may, at its option, apply amounts transferred to the Board for deposit into the CFC Surplus Fund for any lawful purpose as permitted by the CFC Ordinance.

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



¹ The Annual Requirement Deficiency payments will be deposited into the CFC Revenue Fund when necessary to satisfy the Rate Covenant.

² Not considered Pledged Funds under the Indenture.

³ The CFC Subordinate Debt Service Fund and CFC Subordinate Debt Service Reserve Fund will be funded only if Subordinate Debt is outstanding under the Indenture.

⁴ Board held Account.

CFC Insurance and Condemnation Proceeds Account

Pursuant to the Indenture, the Trustee will establish the CFC Insurance and Condemnation Proceeds Account in the CFC Construction Fund. In the event that any proceeds of casualty insurance policies or condemnation awards are delivered to the Trustee pursuant to the Indenture for the purpose of financing the repair, reconstruction, restoration or replacement of the CFC Project, the Trustee shall establish the CFC Insurance and Condemnation Proceeds Account in the CFC Construction Fund and deposit such funds into the CFC Insurance and Condemnation Proceeds Account and shall disburse such funds as provided in the Indenture. Any amounts remaining after the completion of any such restoration and provision for all costs thereof (as the same are certified by the Board to the Trustee) shall be deposited into the CFC Senior Debt Service Fund and applied to the payment of principal of or interest on the Series 2019 CFC Bonds next coming due.

Rate Covenant

Under the Indenture, the Board has covenanted for as long as any of the Bonds (including the Series 2019 CFC Bonds) remain Outstanding, to cause the Customer Facility Charges to be calculated, established and imposed as provided in the CFC Ordinance. Based on estimated CFC collections prepared by or for the Board from time to time, unless prohibited by law, the Customer Facility Charges shall be adjusted and/or the Annual Requirement Deficiency shall be collected pursuant to the RAC Agreements (provided it is in the Board's sole discretion to do either or both) and deposited into the CFC Revenue Fund to the extent necessary to generate Pledged Revenues, along with amounts then on deposit in the CFC Coverage Fund, in each Fiscal Year (a) in an amount equal to at least 1.25x the Current Annual Debt Service Requirement in such Fiscal Year on the Senior Bonds then Outstanding, and (b) in an amount sufficient to replenish any shortfalls in the amounts required to be maintained in either the CFC Coverage Fund or the CFC Senior Debt Service Reserve Fund within twelve (12) months after the month in which any amounts are withdrawn from either of such Funds for transfer to the CFC Senior Debt Service Fund pursuant to the Indenture (the "Rate Covenant"). In the event that the Rate Covenant is not met in a Fiscal Year, such violation shall not be a default under the Indenture and shall not give rise to a declaration of an Event of Default (unless the principal of, premium, if any, or interest on the Bonds is not paid in such Fiscal Year) if, the Board takes appropriate corrective actions (including collecting and/or increasing the Annual Requirement Deficiency for the next succeeding Fiscal Year) so that the Rate Covenant shall be met in the next succeeding Fiscal Year; provided, however, that if the Rate Covenant is not met in the next succeeding Fiscal Year, an Event of Default may be declared. Upon request, the Board will provide the Trustee with a certification that the Board is taking appropriate corrective actions so that the Rate Covenant will be met in the next succeeding Fiscal Year. See "APPENDIX C – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – The Indenture – Rate Covenant."

Additional Senior Bonds

Purposes for Additional Senior Bonds. Pursuant to the provisions of the Indenture, Additional Senior Bonds may be issued for the purposes of paying all or a portion of the costs and expenses of financing, designing, and constructing the CFC Project not fully funded with proceeds of the Series 2019 CFC Bonds, funding all or a portion of the CFC Senior Debt Service Reserve Fund Requirement, funding all or a portion of the CFC Coverage Fund Requirement, and paying the costs of issuance relating to such Series of Additional Senior Bonds.

Requirements for Issuing Additional Senior Bonds. Additional Senior Bonds may be issued under the Indenture, payable from, and secured by a first lien on and pledge of the Trust Estate, on a parity with the Series 2019 CFC Bonds from time to time issued for the purpose of paying all or a portion

of the costs and expenses of financing or refinancing, designing, and constructing the CFC Project not fully funded with proceeds of the Series 2019 CFC Bonds, funding all or a portion of the CFC Senior Debt Service Reserve Fund Requirement, funding all or a portion of the CFC Coverage Fund Requirement, and paying the costs of issuance relating to such Series of Additional Senior Bonds; provided, however, unless such Additional Senior Bonds are (i) Completion Senior Bonds or (ii) Refunding Senior Bonds that comply with the Indenture, no such Additional Senior Bonds shall be issued unless all of the following requirements are satisfied:

(a) The Board and Trustee shall execute a Supplemental Indenture providing for the issuance of such Additional Senior Bonds and providing the means by which the CFC Coverage Fund Requirement and the CFC Senior Debt Service Reserve Fund Requirement will each be satisfied upon the issuance of the proposed Series of Additional Senior Bonds.

(b) An Authorized Officer of the Board shall execute a certificate stating that the Board has the right to issue Additional Senior Bonds and the Board is still receiving the CFCs.

(c) Either:

(i) An Authorized Officer of the Board certifies that the Pledged Revenues (excluding amounts then on deposit in the CFC Coverage Fund) for the prior Fiscal Year or any twelve consecutive months out of the eighteen months prior to the authorization by the Board of the proposed Series of Additional Senior Bonds (the “Senior Bonds Test Period”) was equal to at least 1.25x the Maximum Annual Debt Service Requirement on the Senior Bonds that will be Outstanding after the issuance of such series of Additional Senior Bonds; or

(ii) The Airport Consultant certifies that the Pledged Revenues, including any projected increases in the CFCs estimated to be received in the five consecutive Fiscal Years immediately following the issuance of the proposed Series of Additional Senior Bonds (excluding amounts required to be on deposit in the CFC Coverage Fund during such five years), will in each such Fiscal Year not be less than 1.25x the Maximum Annual Debt Service Requirement in such Fiscal Year on all Senior Bonds that will be Outstanding after the issuance of such Additional Senior Bonds.

In the event the Board increases the level of the CFCs and such increase was not in effect during all or a portion of the Senior Bonds Test Period described above, then for the purposes of determining whether there are sufficient Pledged Revenues to meet the coverage test specified in the Indenture, the Authorized Officer of the Board shall adjust the amount of Pledged Revenues which were received during the Senior Bonds Test Period to take into account the additional amount of Pledged Revenues such increase would have generated if it had been in effect for the entire Senior Bonds Test Period; provided, however, that such adjustment shall only be made if the increase in the CFCs is in effect on the date of the certification of the Authorized Officer of the Board described in the Indenture is made.

In making the certifications above, the Airport Consultant may assume that appropriate agreements are in place between the Board and the various RACs to collect the CFCs.

See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Authorization and Issuance of Additional Senior Bonds—Refunding Senior Bonds” and “—Completion Senior Bonds” for a description of the conditions that must be satisfied prior to the issuance of Refunding Senior Bonds and Completion Senior Bonds.

Permitted Investments

Moneys in all Funds and Accounts held by the Trustee under the Indenture may be invested and reinvested as directed by the Board in Investment Securities, subject to the restrictions set forth in the Indenture, and subject to restrictions imposed upon the Board.

Events of Default and Remedies

Events of Default under the Indenture and related remedies are described in “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Events of Default and Remedies.” The Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Indenture, including proceedings to enforce the obligations of the Board under the Indenture. See “CERTAIN INVESTMENT CONSIDERATIONS—Enforceability of Remedies” and “—Limitation on Amounts Available Upon the Occurrence of an Event of Default.”

THE 2019 PROJECT

The 2019 Project

The 2019 Project (the “2019 Project”) consists of the construction of a Consolidated Ground Transportation Facility and other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure (also referred to herein collectively as the “Series 2019 CFC Project”), which will be financed by the Series 2019 CFC Bonds, together with the Main Terminal Roadway Improvement Project and other enabling work, such as demolition, site preparation, utilities, and relocation of existing infrastructure (also referred to herein collectively as the “Series 2019 Revenue Project”), which will be financed by the Series 2019 Revenue Bonds, as described below:

(1) 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 CONRAC and the Ground Transportation Center (the “GTC”), as described below (collectively, the “Consolidated Ground Transportation Facility”).

(A) The Consolidated Rental Car Facility (CONRAC). The CONRAC is being constructed pursuant to the Consolidated Rental Car Facility Agreement, between the RACs party thereto 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”); and
- 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 from the main terminal.

(2) 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.

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 Indenture.

Hereinafter, the Main Terminal Roadway Improvement Project may be referred to as the Series 2019 Revenue Project. The Series 2019 Revenue Bonds are being issued simultaneously with the issuance of the 2019 CFC Bonds to pay the costs of the Series 2019 Revenue Project. The Series 2019 Revenue Bonds are being issued pursuant to the General Bond Resolution, and as further supplemented by the Series 2019 Bond Resolution.

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



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 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 the Program Manager, an employee of the Board 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:

Phase 1 – Roadways/Utilities. 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 2019 CFC Bonds, with 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 of funding 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 Project¹

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

Rental Car (“RAC”) Agreements

See “APPENDIX C—RENTAL CAR (“RAC”) AGREEMENTS” for copies of the RAC Agreements, excluding the Exhibits.

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.

General. There are currently 10 on-Airport rental car operators (Hertz, Budget, Avis, Enterprise, Payless, Zipcar, Dollar, Thrifty, Alamo and National), which are owned by a total of three companies, and no off-Airport rental car operators at the Airport. The Board has been operating under one-year license agreements with each of these operators that are renewable on a year-to-year basis. In September 2018, the Board issued an RFP for qualified companies to conduct automobile rental business from the CONRAC being constructed as part of the Consolidated Ground Transportation Facility. In order to conduct its automobile rental business from the CONRAC, under the RFP the companies were required to enter into a RAC Concession Agreement and a CONRAC Agreement (hereinafter collectively referred to as the “RAC Agreements”). In November 2018, the Board approved entering into the RAC Concession Agreement and CONRAC 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.

The RAC Agreements have been executed by the RACs which are parties thereto, and such RAC Agreements are being held by the Board. These RAC Agreements will be executed by the Board on or prior to the date of issuance of the Series 2019 CFC Bonds. The terms of the RAC Concession Agreement and the CONRAC Agreement will expire 10 and 30 years, respectively, 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 party thereto access to the CONRAC to commence construction of their tenant improvements (the “Rent Commencement Date”).

The RAC Agreements set forth provisions in connection with the construction and leasing of space in, and use of and operation of the CONRAC. Pursuant to the RAC Agreements, the Board has agreed to construct the Consolidated Ground Transportation Facility and the RACs which are party thereto have agreed to collect CFCs and remit the CFCs to the Board to the location as designated by the Board. The RACs which are party to the RAC Agreements also have agreed to pay any Annual Requirement Deficiency if required. See “SOURCE OF PAYMENT AND SECURITY – Rate Covenant (Annual Requirement Deficiency and Rate Covenant).”

RAC Concession Agreement. The RAC Concession Agreement requires that each rental car company enter into a CONRAC Agreement. Any term not defined in this subsection “—*RAC Concession Agreement*” shall have the meaning set forth in the RAC Concession Agreement. See “APPENDIX C-1 RENTAL CAR (“RAC”) AGREEMENTS - RAC CONCESSION AGREEMENT” Under the RAC Concession Agreement each of the RACs which are party thereto lease Exclusive Premises in the Ready Return Area, QTA, and CSB. In addition to the Exclusive Premises, each RAC party to a RAC Concession Agreement is granted a non-exclusive right to use RAC Common Areas, RAC Common Equipment, and Public Space within the CONRAC.

Pursuant to the RAC Concession Agreement, each of the RACs which are party thereto will pay the Board a monthly concession fee equal to the greater of (a) a minimum monthly guarantee set forth in the RAC Concession Agreement or (b) 10% of the monthly gross receipts of such RAC. The concession fees collected under the RAC Concession Agreements are not pledged nor will they be used to make any payments on the Series 2019 CFC Bonds.

The Exclusive Premises leased by a RAC under the RAC Concession Agreement may be subject to reallocation by the Board after the fifth year of the RAC Concession Agreement if there is a change in market share percentage among the RACs which are party to the RAC Concession Agreement from the first year of the term of the RAC Concession Agreement as compared to the fifth year of the term. If a

RAC party ceases to operate, the Board reserves the right to enter into a RAC Concession Agreement and CONRAC Agreement with a replacement RAC, or such space may be reallocated among the remaining RACs which are then party to the RAC Concession Agreement; provided that the remaining RACs are not obligated to take such additional space, but must remain financially obligated for such additional space as provided in the CONRAC Agreement, as described below.

In connection with its Exclusive Premises pursuant to the RAC Concession Agreement a RAC must adhere to all of the requirements of the CONRAC Agreement. Provisions such as damage or destruction, assignment and subleasing, condemnation, default and termination provisions from the CONRAC Agreement are incorporated by reference into the RAC Concession Agreement.

The RAC Concession Agreement contains a cross default provision providing that any breach or default of the CONRAC Agreement constitutes a breach or default of the RAC Concession Agreement.

CONRAC Agreement. The CONRAC Agreement sets forth provisions for the construction, use and operation of the CONRAC as summarized below and as more fully set forth in the CONRAC Agreement. See “APPENDIX C-2 -- RENTAL CAR (“RAC”) AGREEMENTS - CONRAC AGREEMENT”. Any term not defined in this subsection “—CONRAC Agreement” shall have the meaning set forth in the CONRAC Agreement. See “APPENDIX C-2 -- RENTAL CAR (“RAC”) AGREEMENTS - CONRAC AGREEMENT.”

Construction of the 2019 Project. Upon receipt of the Series 2019 CFC Bond proceeds, the Board has agreed to complete construction of the 2019 CFC Project. The RACs which have entered into the CONRAC Agreement are responsible for all Tenant Improvements.

Commencement of Operations. The RACs which are party to the CONRAC Agreement are to commence business operations from the CONRAC upon the Rent Commencement Date. There are liquidated damages imposed for each day thereafter that a RAC which is party to the CONRAC Agreement does not commence its business operations.

Rent. The RACs which are party to the CONRAC Agreement are responsible for the monthly payment to the Board of Ground Rent, which is calculated based on the specific RAC’s proportionate share of the Exclusive Premises. RACs which are party to the CONRAC Agreement also pay to the Board a monthly O&M Fee for the Exclusive Premises in the CSB. RACs which are party to the CONRAC Agreement are also subject to the payment of Facility Rent if the Series 2019 CFC Bonds are paid in full prior to the end of the term of the CONRAC Agreement from sources other than CFC Revenue.

Annual Requirement Deficiency. In the event that the CFC collections (including interest earnings) are determined or estimated by the Board in any year, to be insufficient to satisfy the Debt Service of the CFC Bonds and funding of reserves to meet the rate covenants thereunder, together with all required deposits required thereof, or the Mandatory Eligible Costs as set forth in the CONRAC Agreement (an “Annual Shortfall”), the Board has reserved the ability to charge an Annual Requirement Deficiency upon each RAC who has entered into the CONRAC Agreement in order to meet such requirements (the “Annual Requirement Deficiency”). A RAC which is party to the CONRAC Agreement shall pay the Annual Requirement Deficiency to the Trustee on or before the date designated by the Board without any abatement deduction or set-off whatsoever. RACs which are party to the CONRAC Agreement are prohibited from recovering any Annual Requirement Deficiency through any fee or any other means from its Customers. If a RAC which is party to the CONRAC Agreement defaults in making an Annual Requirement Deficiency payment, the remaining RACs which are party to the

CONRAC Agreement are required to pay the defaulting RAC's Annual Requirement Deficiency proportionally based on the amount of Exclusive Premises leased by the remaining RACs subject to the CONRAC Agreement.

Joint and Several Liability. In the event that a RAC is in default under the CONRAC Agreement in the payment of Ground Rent or the Annual Requirement Deficiency, the remaining RACs party to the CONRAC Agreement are liable for the full amount of Ground Rent and/or the Annual Requirement Deficiency.

Utilities. Each RAC which is party to the CONRAC Agreement is responsible for connecting its Exclusive Premises to utility lines and for the payment of utility services for its exclusive premises (other than Exclusive Premises in the CSB).

Taxes. The RACs which are party to the CONRAC Agreement are responsible for all taxes, assessments, and levies, of every kind and nature, including licenses, and permit fees.

Operating Agreement The RACs which are party to the CONRAC Agreement are to create and enter into an Operating Agreement to establish a Consortium which is to provide for, among other things, (i) the assignment of maintenance and repair for the Consortium's areas of responsibility; (ii) the establishment of a Maintenance Operating Manual for the CONRAC; (iii) the hiring of a Manager; (iv) the allocation of responsibility to the Manager for all obligations of the Manager set forth under the CONRAC Agreement; and (v) the allocation and assumption of liability for sums due and payable by the RACs under the CONRAC Agreement. The Operating Agreement requires approval by the Board.

Maintenance and Repair Obligations. A maintenance responsibility chart, attached as an exhibit to the CONRAC Agreement, allocates maintenance, operation, repair and replacement responsibility among the Board, the RACs which are party to the CONRAC Agreement and the Manager for the CONRAC primary structure, interior components, mechanicals, signage, IT, utilities, janitorial services, roadways (including snow removal), and other miscellaneous areas and items. If the Manager defaults in its maintenance obligations, the RACs which are party to the CONRAC Agreement are jointly and severally liable for the performance of the Manager. The Board's maintenance, repair and replacement obligations are subject to reimbursement from Excess CFCs or the Renewal and Replacement Fund or from the RACs which are party to the CONRAC Agreement if there are not sufficient Excess CFCs or funds available in the Renewal and Replacement Fund. The Board has no obligation to reimburse the RACs which are party to the CONRAC Agreement for operation, maintenance and repair expenses, unless a repair constitutes a Major Repair and certain conditions are met including the existence of sufficient funds in the Renewal and Replacement Fund to pay for the Major Repair after the payment of Mandatory Eligible Costs. See "APPENDIX C-2 – RENTAL CAR ("RAC") AGREEMENTS – CONRAC AGREEMENT - Sections 5.4(b) & (c)."

A "Major Repair" means any repair or replacement of the CONRAC that: (a) extends the useful life of a particular capital asset in or part of the CONRAC by more than three years and costs more than \$250,000.00 (to be adjusted by the Consumer Price Index); (b) replaces a particular capital asset in or part of the CONRAC that is otherwise at the end of its useful life with a total value in excess of \$250,000.00 (to be adjusted by the Consumer Price Index); or (c) is expected to cost, under bona fide estimates of the repair costs prepared by the Board, more than \$250,000.00 (to be adjusted by the Consumer Price Index).

Property Insurance. The Board will maintain property insurance at full replacement value on the building and structure of the CONRAC.

Damage and Destruction. If the Exclusive Premises are totally destroyed by storm, fire or other casualty, or damaged to the extent that, in the Board's reasonable opinion, the damage cannot be restored, the Board shall have the right to terminate the RAC Agreements effective as of the date of such destruction or damage. If the Board does not elect to terminate, the CONRAC Agreement shall remain in full force and the Board shall promptly commence to diligently restore the shell and core portions of the Exclusive Premises. Rents but not any other payments due under the CONRAC Agreement shall be reduced or abated on a pro rata basis during such period. RACs which are party to the CONRAC Agreement are responsible for restoring Tenant Improvements. The CONRAC Agreement provides that while the CFC Bonds remain outstanding, the terms and provisions of the CFC Bond Documents shall govern and control the CONRAC Agreement in the event of damage or destruction to the exclusive premises.

Sublease and Assignment. RACs which are party to the CONRAC Agreement are not permitted to sublease or assign without the prior written consent of the Board. The Board has agreed not to withhold its consent unreasonably to a sublease or assignment to a related party of a RAC which is party to the CONRAC Agreement.

Condemnation Proceedings. In the event that all of the Exclusive Premises are sought to be taken by the exercise of the power of eminent domain or a portion of the Exclusive Premises are taken by eminent domain and the remainder of the Exclusive Premises are not capable of being restored to a condition as may be reasonably required to fulfill the intent and purpose of the CONRAC Agreement the CONRAC Agreement shall terminate effective upon the date that the condemning authority legally acquires the right of possession to the exclusive premises. In the event the CONRAC Agreement is not terminated, the RACs which are party thereto shall continue to perform and observe all of obligations; provided that if the total square footage of any of the Exclusive Premises is reduced by more than five percent (5%) due to any partial taking, the Board shall make an adjustment to the Ground Rent, effective on the date such space is taken by the condemning authority.

Board Termination Rights. For the occurrence of events that give rise to an "Event of Default" on the part of a RAC which is party to the CONRAC Agreement, see Section 10.1 of the CONRAC Agreement attached as Appendix C-2 – Rental Car ("RAC") Agreements – CONRAC Agreement. If an Event of Default occurs, the Board may exercise any one or more remedies provided for in the CONRAC Agreement. See "APPENDIX C-2 – RENTAL CAR ("RAC") AGREEMENTS – CONRAC AGREEMENT - Sections 10.2, 10.2, 10.3, and 10.4."

Cross Default Provision. In the event that a RAC's CONRAC Agreement is terminated it likewise terminates the RAC's Concession Agreement.

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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 \$169,663,000 for the Series 2019 CFC Project and approximately \$35,300,000 for the Series 2019 Revenue Project) and will be financed with the sources and for the uses set forth below:

2019 Project Funding Sources¹

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

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 Board funds will be deposited in the CFC Project Fund upon the issuance of the 2019 CFC Bonds.

PLAN OF FINANCE

Proceeds of the Series 2019 CFC Bonds will be used by the Board to (a) finance a portion of the costs of the development and construction of the Series 2019 CFC Project at the Airport, (b) fund all of the CFC Senior Debt Service Reserve Fund Requirement; (c) fund all of the CFC Coverage Fund Requirement; and (d) pay the costs of issuance of the Series 2019 CFC Bonds.

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Application of Series 2019 CFC Bond Proceeds

The following table sets forth the estimated application of the proceeds of the Series 2019 CFC Bonds.

	<u>Series 2019 CFC Bonds</u>
<i>Sources</i>	
Principal Amount	\$103,130,000.00
<i>Uses</i>	
Deposit to Series 2019 CFC Construction Account	\$ 94,000,000.00
Deposit to CFC Senior Debt Service Reserve Fund	6,567,133.66
Deposit to CFC Coverage Fund	1,641,783.42
Deposit to Series 2019 Cost of Issuance Account ¹	<u>921,082.92</u>
<i>Total Uses</i>	\$103,130,000.00

¹ Includes Underwriters' discount, legal and other costs of issuance.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 2019 CFC Bonds.

Debt Service Requirements for the Series 2019 CFC Bonds

Series 2019 CFC Bonds			
Bond Year (Ended Jan. 1)	Series 2019 Principal	Series 2019 Interest	Total Debt Service
2020		\$ 3,500,614.79	\$ 3,500,614.79
2021		4,484,773.40	4,484,773.40
2022	\$ 2,080,000.00	4,484,773.40	6,564,773.40
2023	2,145,000.00	4,420,709.40	6,565,709.40
2024	2,210,000.00	4,353,485.10	6,563,485.10
2025	2,285,000.00	4,282,013.70	6,567,013.70
2026	2,360,000.00	4,205,854.66	6,565,854.66
2027	2,440,000.00	4,123,655.86	6,563,655.86
2028	2,530,000.00	4,036,401.46	6,566,401.46
2029	2,625,000.00	3,942,133.66	6,567,133.66
2030	2,725,000.00	3,841,701.16	6,566,701.16
2031	2,830,000.00	3,734,717.66	6,564,717.66
2032	2,945,000.00	3,620,781.86	6,565,781.86
2033	3,065,000.00	3,499,271.16	6,564,271.16
2034	3,195,000.00	3,369,744.26	6,564,744.26
2035	3,335,000.00	3,231,528.56	6,566,528.56
2036	3,485,000.00	3,081,820.40	6,566,820.40
2037	3,640,000.00	2,925,378.76	6,565,378.76
2038	3,800,000.00	2,761,979.16	6,561,979.16
2039	3,975,000.00	2,591,397.16	6,566,397.16
2040	4,150,000.00	2,412,959.40	6,562,959.40
2041	4,345,000.00	2,218,365.90	6,563,365.90
2042	4,550,000.00	2,014,628.86	6,564,628.86
2043	4,765,000.00	1,801,279.36	6,566,279.36
2044	4,985,000.00	1,577,848.50	6,562,848.50
2045	5,220,000.00	1,344,101.86	6,564,101.86
2046	5,465,000.00	1,099,336.06	6,564,336.06
2047	5,720,000.00	843,082.20	6,563,082.20
2048	5,990,000.00	574,871.40	6,564,871.40
2049	<u>6,270,000.00</u>	<u>294,000.30</u>	<u>6,564,000.30</u>
Total	\$103,130,000.00	\$88,673,209.41	\$191,803,209.41

BOARD ORGANIZATION AND AIRPORT MANAGEMENT

Statutory Authority

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 CFC 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

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

<i>Paul F. Ritter</i> Mr. Ritter is Senior Vice President and Chief Legal Officer at CTI Clinical Trial & Consulting Services.	July 1, 2020
<i>Lisa Sauer</i> Ms. Sauer is Vice President, Product Supply, Global Home Products and External Supply Solutions at Procter & Gamble.	June 30, 2021
<i>Todd M. Schneider</i> Mr. Schneider is President and Chief Operating Officer – Rental Division at Cintas Corporation.	July 1, 2020
<i>William M. Schuler</i> Mr. Schuler is Retired President and Chief Executive Officer, Senior Advisor, at Castellini Group of Companies.	June 30, 2022
<i>Chad L. Summe</i> Mr. Summe is 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.

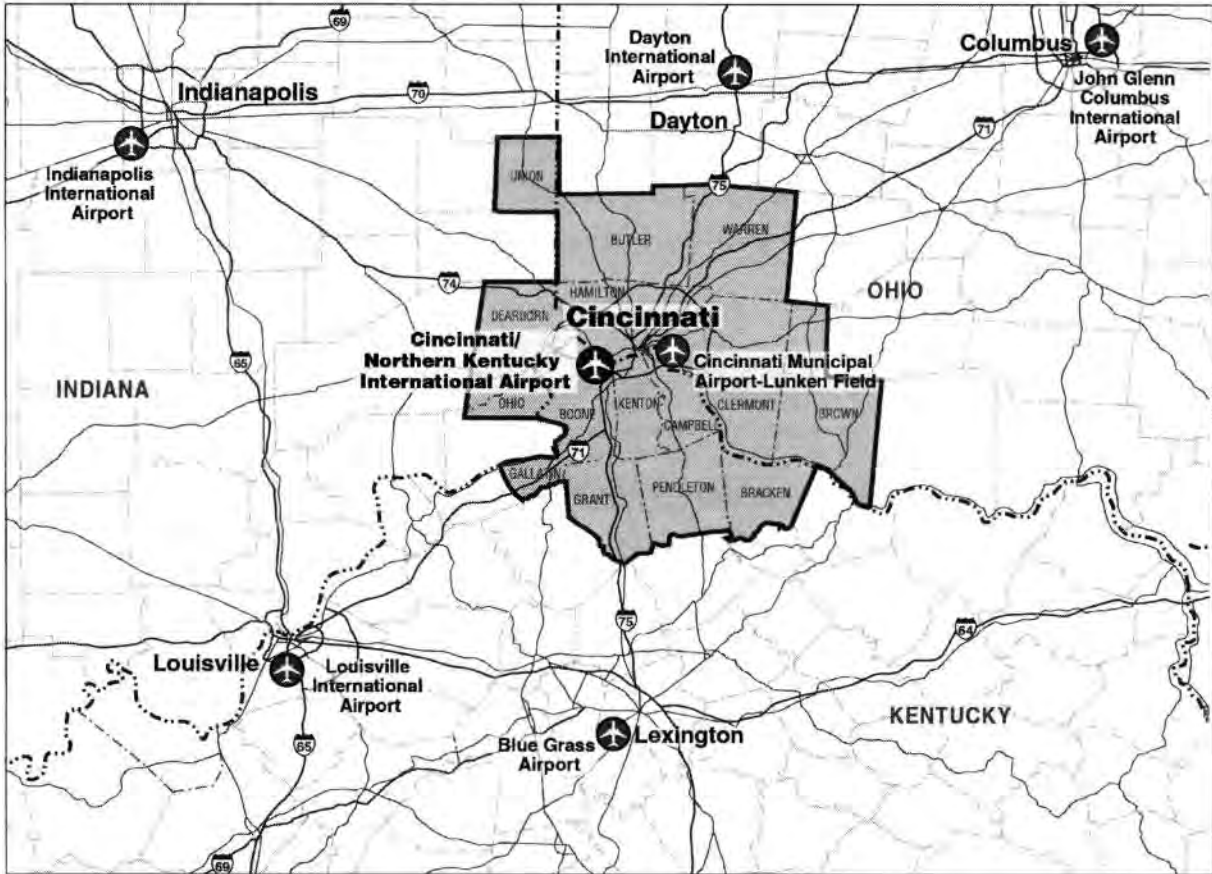
Brian Cobb, Chief Innovation Officer, joined the Airport as Vice President of Customer Experience in 2010 and was appointed to the newly created Chief Innovation Officer position in January, 2018. Mr. Cobb is a graduate of Embry-Riddle Aeronautical University, with a Bachelor's degree in Aeronautical 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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- LEGEND**
- Airport service region
 - State boundary
 - County boundary
 - Commercial passenger service 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

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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.

HISTORICAL POPULATION (000s)

	<u>MSA</u>	<u>United States</u>
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.

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

Prepared by: LeighFisher, Inc.

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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)

	<u>MSA</u>	<u>United States</u>
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

	<u>MSA</u>	<u>United States</u>
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)

	<u>MSA</u>	<u>United States</u>
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.

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).

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LARGEST EMPLOYERS

Cincinnati Tri-State Area

June 2017

<u>Rank</u>	<u>Company</u>	<u>Employment</u>	<u>Type of business</u>
1	Kroger Co. <i>(a)</i>	21,300	Grocer/retail
2	Cincinnati Children's Hospital Cincinnati/Northern Kentucky International	15,400	Health care
3	Airport	12,700 <i>(b)</i>	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. <i>(a)</i>	10,000	Consumer products
10	St. Elizabeth Healthcare	8,400	Health care
11	Fifth Third Bank <i>(a)</i>	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.

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

	<u>CVG</u>	<u>DAY</u>	<u>LEX</u>	<u>SDF</u>	<u>CMH</u>	<u>IND</u>
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	<u>382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194</u>	<u>241</u>
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	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>3</u>
Total	143	48	34	77	141	143
Airports served nonstop (a)						
Domestic	47	16	15	28	34	41
International	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
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. 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 AIRLINES¹

ALL-CARGO CARRIERS

Air Canada
 Allegiant Airlines
 American Airlines
 Delta Air Lines
 Frontier Airlines
 Southwest Airlines
 United Airlines

Amazon Air²
 DHL²
 Federal Express

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 Analysts database, *as of* 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)		Average daily enplaned originating passengers				Average one-way fare		
			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	EWJ,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			
<u>Year</u>	<u>Airport</u>	<u>DHL</u>	<u>Amazon</u>
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:

<u>Calendar Year</u>	<u>Total Enplanements</u>	<u>Originating Enplanements</u>	<u>Connecting Enplanements</u>	<u>Originating Percentage</u>
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

¹ For the nine months ended September 30 in such year.
Source: Kenton County Airport Board.

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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)

<u>Airline (a)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>9 Months YTD</u>	
						<u>2017</u>	<u>2018</u>
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	10,860	15,261	21,012	26,902	29,419	21,971	24,361
Canada							
WOW (b)	-	-	-	-	-	-	16,941
All Other	<u>28,554</u>	<u>30,940</u>	<u>42,800</u>	<u>33,583</u>	<u>28,833</u>	<u>24,025</u>	<u>24,032</u>
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	0.4	0.5	0.7	0.8	0.7	0.8	0.7
Canada							
WOW (b)	-	-	-	-	-	-	0.5
All Other	<u>1.0</u>	<u>1.0</u>	<u>1.4</u>	<u>1.0</u>	<u>0.7</u>	<u>0.8</u>	<u>0.7</u>
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.

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

Airline ⁽¹⁾	Landed Weight by Airline (Calendar Year)					9 months YTD 2017		9 months YTD 2018	
	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
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 ⁽¹⁾	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%

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 within this section have the meanings set forth in the respective agreements, copies of which may be obtained from the Board.

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:

<u>Net Remaining Revenues (NRRs)</u>	<u>Airfield</u>	<u>Terminal</u>
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:

<u>Signatory Airline</u>	<u>Concourse A Gates</u> ¹
Allegiant Air	2
American Airlines	5
Frontier Airlines	2
Southwest Airlines	2
United Airlines	4

¹Signatory 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 Series 2019 Bond 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

See “THE 2019 PROJECT – Rental Car (“RAC”) Agreements” herein and “APPENDIX C – RENTAL CAR (“RAC”) AGREEMENTS” hereto.

CAPITAL PLANS

The Board funds capital projects through proceeds from the issuance of bonds, receipt of federal and state grants, the collection of Passenger Facility Charges (a per enplaned passengers charge that may be imposed under federal law subject to various regulatory requirements), the collection of CFCs, third party funds and internally generated funds. The estimated cost of the Board’s 2019-2024 capital improvement program (the “CIP”) totals \$477.0 million, with the 2019 Project representing \$205.0 million of this cost. It is currently anticipated that the remaining portions of the CIP will be funded through a combination of federal and state grants, Passenger Facility Charges, third party funds and internally generated funds.

In compliance with requirements to receive grants under the federal Airport Improvement Program administered by the FAA, the Board must have an update to date Airport Master Plan prepared in accordance with FAA requirements. The goal of the Airport Master Plan process is to develop a plan that will serve as guide for development to efficiently serve future aviation needs, while preserving the Airport’s flexibility to respond to changing aviation conditions. In 2017, the Airport commenced work on a Master Plan Update (the “MPU Study”), and it is anticipated that this update will be completed and approved by the FAA in the first half of 2019. The Board’s 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.

CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS

Rental Car Operations at the Airport

There are currently 10 on-Airport rental car operators (Hertz, Budget, Avis, Payless, Enterprise, Zipcar, Dollar, Thrifty, Alamo and National), which are owned by a total of three companies, and no off-Airport rental car operators at the Airport. For the first nine months of 2018, 100% of the rental car market at the Airport was controlled by three RACs and their 10 brands: EAN Holdings, LLC operating the Enterprise Rent-A-Car, Alamo Rent a Car and National Car Rental brands; Avis/Budget Car Rental LLC operating the Avis Rent a Car, Budget Rent a Car, Payless Car Rental and Zipcar brands; and The Hertz Company operating the Hertz, Thrifty Car Rental and Dollar Rent A Car brands. The Board has been operating under one-year license agreements with each of the rental car operators that are renewable on a year-to-year basis. Upon completion of the 2019 Project the RACs will be operating from the CONRAC pursuant to the RAC Agreements. Upon moving to the CONRAC a new rental car operator, Tom Wood Rental Kentucky, Inc. operating as Sixt rent a car, will commence operations at the Airport. See “THE 2019 PROJECT-The 2019 Project and Rental Car (“RAC”) Agreements.”

The following table sets forth the market share of the RACs for the nine months ended September 30, 2018.

Cincinnati/Northern Kentucky International Airport Market Share of Rental Car Brands Nine Months ended September 30, 2018

<u>Corporate Entity</u>	<u>Rental Car Brands</u>	<u>Nine Months Ended September 30, 2018 Share by Gross Revenues</u>
EAN Holdings, LLC	Enterprise Rent-A-Car, Alamo Rent a Car and National Car Rental	47%
Avis/Budget Rental LLC	Avis Rent a Car, Budget Rent a Car, Payless Car Rental and Zipcar	27
The Hertz Company	Hertz, Thrifty Car Rental and Dollar Rent A Car	26

Source: Kenton County Airport Board Cincinnati/Northern Kentucky International Airport

For a further description of current rental car operations at the Airport, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Historical Rental Car Demand and CFC Collections at the Airport

The following table sets forth the number of visiting O&D enplaned passengers, the total rental car transaction days, the total rental car transaction days subject to the CFC and the total amount of CFCs received by the Airport for Fiscal Years 2008 through 2017, as well as a year over year comparison of six months ended June 30, 2017 and 2018.

Fiscal Year	Visiting O&D Enplaned Passengers^{1,2}	Total Transactions^{1,2}	Total Rental Car Transaction Days^{3,4}	Total CFCs Received by the Airport^{1,2,4}
2008	934	304	1,047	\$3,928
2009	948	307	1,037	3,887
2010	919	311	1,069	4,008
2011	857	308	1,091	4,090
2012	805	313	1,148	4,181
2013	814	320	1,148	4,306
2014	874	328	1,164	4,363
2015	1,010	356	1,292	5,745
2016	1,196	376	1,367	6,726
2017	1,348	428	1,461	8,768
<u>Six Months ended June 30</u>				
2017	587	196	672	4,031
2018	717	222	740	5,520

¹ In thousands

² Source: Kenton County Airport Board

³ Source: Kenton County Airport Board and rental car company records

⁴ The Airport began collecting CFCs in April 2006. From April 2006 until January 2015, the Airport collected a CFC at a rate of \$3.75 per transaction day. From January 2015 until November 2016, the CFC increased to \$4.75 per transaction day and from November 2016 until January 2018, the CFC collected by the Airport increased to \$6.00 per transaction day. The current CFC collected by the Airport as of January 2018 is \$7.50 per transaction day.

REPORT OF THE AIRPORT CONSULTANT

General

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 CFC 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 of the Airport Consultant 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 CFC 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 CFCs collected 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 CFC 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 forecasted financial information contained herein, 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 forecasted financial information, nor have they expressed any opinion or any form of assurance on such information or its achievability.

Projected CFC Collections and Debt Service Coverage

The following table sets forth the projected CFC rate, CFC collections, interest earnings on the Senior Reserve Fund and the CFC Surplus Fund, debt service requirements for the Series 2019 CFC Bonds and the debt service coverage on the Series 2019 CFC Bonds, as forecast by the Airport Consultant, for the Fiscal Years 2019 through 2024.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Board's management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the rental car business at the Airport. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Board as of the date of this Official Statement, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under "CERTAIN INVESTMENT CONSIDERATIONS." Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the rental car business at the Airport or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

**Cincinnati/Northern Kentucky International Airport
 Projected Debt Service Coverage on the Series 2019 CFC Bonds
 (Years ending December 31; in thousands except rate and coverage ratio)**

Fiscal Year	CFC Rate	CFCs Collected	Interest Earnings¹	Total CFCs Collected and Interest Earnings	Series 2019 CFC Debt Service Requirements²	Total Debt Service Coverage³
2019	\$7.50	\$11,598	\$247	\$11,845	\$4,331	2.74x
2020	7.50	11,759	274	12,033	5,395	2.23x
2021	7.50	11,944	303	12,247	7,290	1.68x
2022	7.50	12,088	754	12,842	7,288	1.76x
2023	7.50	12,207	561	12,768	7,287	1.75x
2024	7.50	12,363	546	12,909	7,288	1.77x

¹ Earnings on investments in the CFC Debt Service Fund, CFC Debt Service Reserve Fund, CFC Rolling Coverage Fund, Renewal and Replacement Fund and Stabilization Fund; excludes interest on CFC Construction Fund and CFC Project Fund.

² Series 2019 CFC Debt Service Requirements has not been updated to reflect the final pricing of the Series 2019 CFC Bonds.

³ Excludes CFC Coverage Fund; however, calculation in the Indenture permits inclusion of the amount on deposit in the CFC Coverage Fund at the beginning of each year, equal to 25% of Maximum Annual Debt Service.

Sources: Kenton County Airport Board and LeighFisher, Inc.

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INSURANCE

Pursuant to the Indenture, subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(a) the Board shall procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance (as defined below) with respect to the CFC Project 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; and

(b) an Authorized Officer of the Board shall place on file with the Board, annually within six (6) months after the close of each Fiscal Year a certificate of the Authorized Officer of the Board containing a summary of the insurance.

Notwithstanding the foregoing, the Board shall be entitled to provide the coverage required by the Indenture through Qualified Self Insurance, provided that the requirements set forth in the Indenture 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 shall be established in accordance with law, shall 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 shall be reviewed at least once every 12 months by an Authorized Officer of the Board who shall deliver to the Board a report on the adequacy of the reserves established thereunder. If the Authorized Officer of the Board determines that such reserves are inadequate, they shall make a recommendation as to the amount of reserves that should be established and maintained, and the Board shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from an Authorized Officer of the Board that a lower amount is reasonable to provide adequate protection to the Board. The Trustee shall not be under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Board, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur.

(c) The Net Proceeds paid in satisfaction of any claim made under policies providing the coverage required shall be applied as provided in the Indenture.

Casualty and Condemnation

In the event that the CFC Project, or any portion thereof is damaged, taken or condemned, the net proceeds of insurance (including without limitation self-insurance) or condemnation award shall be applied as set forth in this Indenture. If the proceeds of an insurance or condemnation award with respect to the CFC Project, net of the reasonable costs, fees and expenses incurred by the Board in the collection of such proceeds or award and any proceeds paid to a RAC (the "Net Insurance Proceeds") are less than \$5,000,000, the Net Insurance Proceeds shall be paid directly to the Board and shall be applied by the Board promptly to the costs of restoring the CFC Project. Any Net Insurance Proceeds remaining after

the restoration of the CFC Project shall be deposited to the CFC Debt Service Fund and applied to the payment of principal of or interest on the Series 2019 CFC Bonds.

If the Net Insurance Proceeds are equal to or greater than \$5,000,000, the Net Insurance Proceeds shall be paid to the Trustee and deposited to the CFC Insurance and Condemnation Proceeds Account in the CFC Construction Fund, and disbursed in the same manner and subject to the same conditions and limitations relating to the disbursement of funds from the CFC Construction Fund. In the event that the Net Insurance Proceeds are insufficient to restore and repair the CFC Project as nearly as is reasonably possible to the condition it was in immediately prior to a casualty in the case of any casualty or to a condition, in the case of any Taking, which permits the CFC Project's use in the manner for which the CFC Project was originally constructed (the "Pre-Existing Condition"), the Board shall take one or more of the following actions and use a combination of any of the following sources (including the Net Insurance Proceeds) to restore and repair to its Pre-Existing Condition: (i) subject to certain provisions of the Indenture, issue Additional Senior Bonds or Subordinate Bonds the proceeds of which will be used to restore and repair the CFC Project to its Pre-Existing Condition, (ii) use any amounts on deposit in the CFC Renewal and Replacement Fund and the CFC Surplus Fund to restore and repair the CFC Project to its Pre-Existing Condition, and/or (iii) continue to require the RACs to collect Customer Facility Charges and pay the Annual Requirement Deficiency and remit such Customer Facility Charges and the Annual Requirement Deficiency to the Trustee, as assignee of the Board, and use such Customer Facility Charges and the Annual Requirement Deficiency to restore and repair the CFC Project to its Pre-Existing Condition. The Net Insurance Proceeds, along with the amounts described in clauses (i) through (iii) in the previous sentence are collectively referred to in this Indenture as "Available Amounts."

Following a casualty loss or taking at or affecting the CFC Project and if the Available Amounts made available for repair or restoration are sufficient for such purpose, the Board shall cause the repair and restoration of the CFC Project to substantially its Pre-Existing Condition, and the Board shall cause the commencement of such restoration or repair as soon as is reasonably possible after the casualty loss or Taking and at all times thereafter the diligent prosecution thereof to completion. In the event any Available Amounts remain after the repair and restoration of the CFC Project to its Pre-Existing Condition, the Trustee shall deposit such Available Amounts to the CFC Debt Service Fund and apply to the payment of principal of or interest on the Series 2019 CFC Bonds next coming due.

In the event the Available Amounts are insufficient to restore and repair the CFC Project to its Pre-Existing Condition, all Available Amounts and such other amounts on deposit in the CFC Debt Service Fund, the CFC Debt Service Reserve Fund, and the CFC Coverage Fund, shall be used to redeem the Series 2019 CFC Bonds pursuant to the Indenture hereof and any Additional Senior Bonds or Subordinate Bonds, as the case may be, pursuant to the terms of the applicable Supplemental Indenture.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series 2019 CFC Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The Board's ability to derive CFCs sufficient to pay debt service on the Series 2019 CFC Bonds, depends on various factors, most of which are not subject to the control of the Board. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2019 CFC Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2019 CFC Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

The Series 2019 CFC Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the investment considerations and merits of an investment in the Series 2019 CFC Bonds and confer with their own legal and financial advisors before considering a purchase of the Series 2019 CFC Bonds.

Series 2019 CFC Bonds Are Special Limited Obligations

The Series 2019 CFC Bonds are special limited obligations of the Board, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things (a) Customer Facility Charges collected by the RACs and any Annual Requirement Deficiency paid by the RACs operating under the RAC Agreements and remitted to the Trustee, as assignee of the Board, (b) Pledged Funds, and (c) Pledged Revenues. ***No revenues of the Board, other than the Customer Facility Charges and the Annual Requirement Deficiency, are pledged to the payment of the Series 2019 CFC Bonds.*** Neither the Series 2019 CFC Project nor any other properties of the Airport are subject to any mortgage or other lien for the benefit of the owners of the Series 2019 CFC Bonds, and neither the full faith and credit nor the taxing power of the Board, the County, the Commonwealth or any political subdivisions or agency of the Commonwealth is pledged to the payment of the principal of or interest on the Series 2019 CFC Bonds.

Factors Affecting Collection of Customer Facility Charges

The payment of the Series 2019 CFC Bonds is dependent on the generation of sufficient CFCs in each Fiscal Year. CFCs are contingent upon, and the amount generated will be impacted by, a variety of factors, including: timely completion of the construction of and the opening of the CONRAC; aviation activity and the rental of motor vehicles at the Airport; the airlines' service and route networks; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; levels of air fares and car rental rates at the Airport; the capacity of the national air traffic control system; the capacity at the Airport and the CONRAC. See the discussion below of factors affecting aviation demand at the Airport under "—Certain Airline Industry Investment Considerations."

Construction and Operation of the 2019 Project

Construction Risks. The Board's ability to complete the construction of the 2019 Project within budget and on schedule may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) material and/or labor shortages; (d) unforeseen site conditions; (e) adverse weather conditions and other force majeure events; (f) contractor defaults and litigation; (g) labor disputes; (h) environmental issues; and (i) unavailability of other funding sources. No assurance can be made that the 2019 Project will not cost more than the current budget. Any schedule delays or cost increases could result in the need to issue Additional Bonds. There can be no assurances that significant increases in costs over the amounts projected by the Board will not materially adversely affect the amount of Pledged Revenues available to pay debt service on the Series 2019 CFC Bonds.

Under the Construction Contract, the 2019 Project has a stipulated lump sum GMP of \$172,517,865. The GMP represents a fixed amount, rather than an estimated amount based upon item prices and estimated quantities, for which the Construction Contractor makes a firm commitment to complete the 2019 Project, though the 2019 Project budget also includes contingency amounts for certain types of unforeseen conditions. The GMP covers all components of the 2019 Project, excluding certain enabling projects and certain tenant improvement work to be accomplished as a responsibility of

respective RACs under the RAC Agreements. All construction work is fully backed by payment and performance bonds, with contract provisions providing for payment of any surety bond proceeds to the Trustee if necessary to ensure completion of the 2019 Project. See “THE 2019 PROJECT—Project Budget,” “— Construction Contractor,” and “— The 2019 Construction Contract.” The Construction Contract, including the GMP, is potentially subject to adjustment for a variety of circumstances, including changes in scope, changes in the law, errors in information provided on behalf of the Board, delays on the part of the Board, and when the Board expedites the time to complete previously agreed upon tasks.

Damage and Destruction; Insufficient Moneys to Redeem All Series 2019 CFC Bonds. Pursuant to the Indenture, the Board will covenant to procure and maintain commercial insurance, or alternatively, provide Qualified Self-Insurance, if applicable, with respect to the CFC Project (including the Consolidated Ground Transportation Facility). However, there can be no assurance that the Consolidated Ground Transportation Facility will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the Consolidated Ground Transportation Facility is not available for use will not exceed the coverage of such insurance policies. As described under “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Casualty and Condemnation,” if insurance proceeds are not sufficient to restore the CFC Project to its pre-existing condition, the Board is required to issue Additional Bonds, use amounts on deposit in the CFC Renewal and Replacement Fund and the CFC Surplus Fund, and continue to collect and use CFCs and any Annual Requirement Deficiency (collectively, together with any available insurance proceeds, “Available Amounts”), to restore the CFC Project to its pre-existing condition. If Available Amounts are not sufficient to restore the Consolidated Ground Transportation Facility to its pre-existing condition, the Board will be required to redeem all or a portion of the Series 2019 CFC Bonds as described under “THE SERIES 2019 CFC BONDS—Redemption Provisions—Extraordinary Mandatory Redemption of the Series 2019 CFC Bonds.” In the event of an Extraordinary Mandatory Redemption, sufficient moneys may not be available to redeem all of the Outstanding Series 2019 CFC Bonds.

Additionally, in the event the Airport or a material portion of the Airport or Airport facilities (including the CONRAC) is destroyed, resulting in material interference with the normal business operations of a RAC party to the RAC Agreements or substantial diminution of RAC’s gross revenues at the Airport for a period in excess of 60 consecutive days, such RAC may terminate its RAC Agreements. See “APPENDIX C – RENTAL CAR (“RAC”) AGREEMENTS” and “—Effect of a Rental Car Company Termination of the Rental Car Lease Agreement” below.

Events of Force Majeure and Other Delays. Construction and operation of the 2019 Project are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

Unavailability of, or Delay in, Anticipated Funding Sources for Construction of the Series 2019 CFC Project. As described herein, the Board anticipates that funding for the Series 2019 CFC Project will be provided by a portion of the proceeds of the Series 2019 CFC Bonds, CFCs previously collected by the RACs and remitted to the Board and CFCs to be collected by the RACs during construction of the Series 2019 CFC Project and remitted to the Trustee, as assignee of the Board. See “PLAN OF FINANCE,” “ESTIMATED 2019 PROJECT SOURCES USES OF FUNDS” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for a description of the financing plan

for the 2019 Project, including the Series 2019 CFC Project. In the event that CFCs projected to be collected during construction of the Series 2019 CFC Project and used to pay costs of the Series 2019 CFC Project are less than projected, the Annual Requirement Deficiency cannot be collected from the RACs which are party to the RAC Agreements, and the Board is not able to issue or sell Additional Bonds, the completion of the Series 2019 CFC Project could be substantially delayed, and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the amount of Project Revenues available to pay debt service on the Series 2019 CFC Bonds.

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, car rental 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 CFC 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 CFCs 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 CFC 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 CFC 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 CFC forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability.

Ability to Meet the Rate Covenant

As described above under "SOURCES OF PAYMENT AND SECURITY—Rate Covenant" the Board has covenanted under the Indenture to meet the Rate Covenant each Fiscal Year. If there is a shortfall of CFCs collected during a Fiscal Year to meet the Rate Covenant during such Fiscal Year, pursuant to the RAC Agreements, the RACs party to the RAC Agreements are required to pay the Annual Requirement Deficiency. See "—Certain Rental Car Industry Investment Considerations—Effect of Rental Car Company Bankruptcy or Financial Difficulty" below.

The obligation of the RACs which are party to the CONRAC Agreement to pay the Annual Requirement Deficiency does not commence until the first 12-month period following the commencement

of rent under the CONRAC Agreement, which is the Rent Commencement Date. If there is a shortfall of CFCs collected during a Fiscal Year prior to the first 12-month period following the commencement of rent under the CONRAC Agreement, the RACs would have no obligation to pay the Annual Requirement Deficiency for such year.

Restrictions Imposed on Authority to Collect CFCs

No assurance can be given that the Board's ability to impose CFCs will not be affected by future legislation or by future legal challenges so as to reduce CFC revenues available to the Board. To the extent that the Board's ability to impose CFCs was reduced or eliminated, or the Board decided to decrease the amount of CFCs it collects from customers of the RACs, the Annual Requirement Deficiency that the RACs which are party to the RAC Agreements are required to pay would increase pursuant to the terms of the RAC Agreements. The Board cannot predict what, if any, effect increasing the amount of the Annual Requirement Deficiency due from the RACs which are party to the RAC Agreements would have on such RACs. See "— Certain Rental Car Industry Investment Considerations" below.

Off-Airport Rental Car Companies Do Not Pay Annual Requirement Deficiency

Off-airport RACs are not required to pay the Annual Requirement Deficiency. If a significant number of RACs were to leave the CONRAC and begin operating off-airport rental car businesses, the amount of CFCs and any Annual Requirement Deficiency available to pay debt service on the Series 2019 CFC Bonds could decrease substantially and the ability of the Board to make timely payment of the principal of and interest on the Series 2019 CFC Bonds may be materially adversely affected.

Effect of a Rental Car Company Termination of the Rental Car Lease Agreement.

As set forth in "APPENDIX C-RENTAL CAR ("RAC") AGREEMENTS," a RAC has the right to terminate the CONRAC Agreement and RAC Concession Agreement upon the occurrence of certain events that would interfere with the RAC's normal business operations. In the event that one or more of such events were to occur and a RAC or RACs were to terminate such agreements, the RAC(s) so terminating would be required to either cease operations at the Airport or become an Off-Airport RAC. In the event one or more RACs ceased to serve the Airport, while rental car demand may not be affected, CFC collections could be affected until the remaining RACs are able to increase their capacity to accommodate additional customers. In addition, Off-Airport RACs are not required to pay an Annual Requirement Deficiency.

Upon the occurrence of one or more of the events permitting a RAC to terminate the CONRAC Agreement and RAC Concession Agreement, it is possible that all RACs could terminate and cease serving the Airport with no further obligation for an Annual Requirement Deficiency. In such circumstances, the Board would be expected to renegotiate agreements acceptable to one or more RACs to serve the demand for rental cars at the Airport. In that event, the rental car demand may not be affected, but CFC collections could be affected until one or more RACs is in a place with sufficient capacity to accommodate additional customers.

For the reasons described above, the termination by one or more RACs of their respective RAC Agreements upon the occurrence of one or more events permitting termination could have an adverse effect on the level of collection of CFCs and the number of RACs responsible for paying an Annual Requirement Deficiency.

Term of RAC Concession Agreement Different Than Term of CONRAC Agreement

The RAC Concession Agreement and the CONRAC Agreement will expire 10 years and 30 years, respectively, after the Rent Commencement Date. See “THE 2019 PROJECT—Rental Car (“RAC”) Agreements.” At the expiration of the RAC Concession Agreement, the RACs will be required to bid for a new concession agreement. If a RAC is not successful in rebidding, such RAC will be required to vacate the CONRAC. See “Effect of Rental Car Company Termination of Rental Car Agreements” above for discussion of some of the effects of a RAC or RACs ceasing to operate from the CONRAC at the Airport.

Enforceability of Remedies

The rights of the owners of the Series 2019 CFC Bonds and the enforceability of the Board’s obligation to make payments on the Series 2019 CFC Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel and the Board’s general counsel as to the enforceability of the Board’s obligations will be qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See “APPENDIX D—PROPOSED FORM OF BOND COUNSEL’S OPINION.”

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2019 CFC Bonds. There can be no assurance that there will not be any change in, interpretation of or addition to the applicable laws, nor that provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Board or the RACs.

Limitation on Amounts Available Upon the Occurrence of an Event of Default; No Acceleration; No Cross-Default

Other than the pledge of the Trust Estate granted under the Indenture, no mortgage or security interest has been granted or lien created in the CONRAC or the other components of the Series 2019 CFC Project or any properties of the RACs or the Board to secure the remittance of CFCs or payment of the Series 2019 CFC Bonds. See “—Certain Rental Car Industry Investment Considerations—Effect of Rental Car Company Bankruptcy or Financial Difficulty” below. ***No revenues of the Board, other than the Customer Facility Charges and the Annual Requirement Deficiency, are pledged to the payment of the Series 2019 CFC Bonds.***

Upon the occurrence of an Event of Default, the Bondholders will have several remedies that they will be allowed to pursue. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Events of Default and Remedies.” There shall be no rights of acceleration with respect to the Series 2019 CFC Bonds. An Event of Default with respect to one Series of Bonds shall 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.

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

Regulations and Restrictions on Airport Facilities and Operations

The operations and facilities of the Airport are affected by a variety of federal and state statutory and regulatory restrictions and limitations including, without limitation, contractual agreements including the Airline Use Agreement, and extensive federal legislation and regulations applicable to all airports in the United States. Regulatory development and changes could adversely affect the number of passengers, flights and facilities which in turn could substantially affect CFC collections.

Certain Rental Car Industry Investment Considerations

Effect of Rental Car Company Bankruptcy or Financial Difficulty. In the event a bankruptcy case is filed with respect to a RAC that is party to the RAC Agreements, a bankruptcy trustee or the RAC as debtor-in-possession could reject the CONRAC Agreement and/or RAC Concession Agreement, in which event such agreement(s) would be terminated and such RAC would be required to vacate the CONRAC. In such circumstances, while rental car demand would not be affected, CFC collections could be affected until other RACs are able to increase their capacity to accommodate additional customers.

Additionally, in the event a bankruptcy case is filed with respect to a RAC, notwithstanding the fact that CFCs collected by a RAC are not income, revenue or any other asset of the RAC, but rather are subject at all times to a first lien for the repayment of the Series 2019 CFC Bonds and are being held in trust by the RACs for the benefit of the Board, CFCs collected by a RAC, but not yet remitted to the Trustee prior to the filing of the bankruptcy petition, may be included in the bankruptcy estate, resulting in the Board having a general creditor claim for payment of such amounts or otherwise render them uncollectible by the Board. Regardless of any specific adverse determinations in a RAC bankruptcy proceeding, the fact of a RAC bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 CFC Bonds.

The ability of the Board to meet the Rate Covenant each Fiscal Year is dependent upon CFCs collected by the RACs and remitted to the Trustee, as assignee of the Board. Certain of the RACs are limited liability companies or private corporations and information regarding the business operations, assets and financial strength of the RACs is not readily available. The financial performance of the RACs throughout the term of the Series 2019 CFC Bonds is dependent on numerous factors which are not possible to assess or predict.

The CONRAC Agreement contains obligations of the RACs party thereto to pay a proportionate share of the Annual Requirement Deficiency of a defaulting RAC. In the event that a RAC is in default under the CONRAC Agreement in the payment of Ground Rent or the Annual Requirement Deficiency, the remaining RACs party to the CONRAC Agreement have joint and several liability for the full amount of the Ground Rent and/or Annual Requirement Deficiency. In the event a bankruptcy case is filed with respect to a RAC party to the RAC Agreements, a bankruptcy trustee or such RAC as debtor-in-possession could reject its RAC Agreements, in which event such agreement(s) would be terminated and the obligation of such RAC to pay a proportionate share of the Ground Rent and/or the Annual Requirement Deficiency of any defaulting RACs would not be enforceable.

The enforceability of the RAC Agreements and collection of the Annual Requirement Deficiency may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. Such matters could make provisions of the RAC Agreements unenforceable.

Concentration of RACs Operating at the Airport. RAC Agreements are expected to be entered into with the four RACs representing eleven rental car brands. Three of these RACs represent ten brands that generated 100.0% of the gross revenue from rental car activities at the Airport in Fiscal Year 2017. The fourth RAC to be operating from the CONRAC and its rental car brand is new to the Airport market. The concentration of the actual and projected rental car activity at the Airport in a small number of corporate entities increases the risk of factors that may impact the operations and activities of the RACs. The termination of a RAC Agreement, bankruptcy or financial difficulty, or cessation of operations of a RAC could have an adverse impact on the amounts of CFCs available to pay the principal of and interest on the Series 2019 CFC Bonds.

Factors Affecting Rental Car Activity.

Rental Car Activity. As described in the Report of the Airport Consultant, rental car demand at the Airport, and therefore the number of rental car transaction days to which the CFC applies, is highly correlated to passenger demand. The Airport Consultant also concludes, based on historical rental car data and based on the assumptions set forth in the Report of the Airport Consultant, that the number of rental car transaction days at the Airport is primarily a function of the number of visiting O&D passengers. Other factors found by the Airport Consultant to affect rental car demand at the Airport include: the price of renting a car, as measured by the average daily rental rate; market segmentation (business/leisure); rental car costs as a component of total travel costs; convenience; the availability of alternative forms of ground transportation; and certain extraordinary events. For a full discussion of these and other factors affecting rental car activity, see “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

A significant component of renting a car at most major U.S. airports is the growing list of add-on fees and taxes, including CFCs, and unbundled rental car operating costs such as tire recycling fees and facility maintenance costs. To the extent add-on fees and taxes, including CFCs, increase, rental car demand could decrease as potential customers opt for alternative modes of transportation that they perceive to be more cost effective than renting a car, thus reducing the total amount of CFCs collected. The Board is unable to predict what impact, if any, the imposition or increase of such add-on fees and taxes, including CFCs, could have on rental car demand at the Airport. See “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Competition and Alternative Modes of Ground Transportation. There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the CONRAC. These alternate forms that compete with on-airport rental cars include taxis, buses, shuttle services, public transportation and limousines. Various forms of car-sharing and on-demand vehicle services, generally provided by transportation network companies (“TNCs”) have become increasingly prevalent and popular with the public and may offer competition that could reduce the demand for car rentals at the Airport. For a further description of these alternate modes of transportation and their impact on rental car demand, see of “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Certain Airline Industry Investment Considerations

Factors Affecting the Airline Industry.

General. The Series 2019 CFC Bonds will be payable solely from Pledged Revenues and certain funds and accounts held by the Trustee and the Board under the Indenture. The ability to pay debt service on the Series 2019 CFC Bonds will depend on the receipt of sufficient Pledged Revenues, including

CFCs. The Board's ability to generate Pledged Revenues depends upon many factors which may be affected by airline operations at the Airport, many of which are not subject to the control of the Board. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the number of rental car transactions at the Airport, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; natural disasters; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; airline bankruptcies; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport; and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at the Airport do not meet forecast levels, a corresponding reduction could occur in forecasted rental car transaction days and CFCs.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at the Airport and could have a more pronounced effect in the future.

Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market. See also "—Aviation Security Concerns" below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. During September 2008, significant and dramatic changes occurred in the U.S. and global financial markets. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by a period of weak economic growth. It is not known at this time whether future economic events will impact the performance of the air transportation industry.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (formerly known as the Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but 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 (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

International Conflict and the Threat of Terrorism. The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The Board cannot predict the likelihood of

future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Board or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market. Many factors have combined to alter consumer travel patterns over the past two decades. The threat of terrorism against the United States remains elevated. In response, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive, especially during economic downturns. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Leisure travelers have come to expect relatively low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to travel substitutes such as tele- and video-conferencing.

Geopolitical Risks. The political turmoil in the Middle East and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse effects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full impact of these possibilities cannot be predicted.

Financial Condition of Airlines Serving the Airport and Airline Bankruptcy. The financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic, including visiting traffic resulting in rental car activity, and therefore of the ability of the Board to generate CFCs from rental car operations at the Airport.

While the airline industry has reported sound financial results in recent years, several airlines that currently operate at the Airport, including, among others, American Airlines, Delta, Frontier Airlines and United Airlines, have in the past filed for and reorganized under bankruptcy protection. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on airline traffic at the Airport and a resulting adverse impact on rental car activity at the Airport and the collection of CFCs.

Delta Air Lines – the Airport’s Largest Carrier. 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. 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.

Airline Mergers and Acquisitions. 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; in 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc.; and in 2016, Alaska Air Group acquired Virgin America, and a single operating certificate was issued by the FAA in 2018.

Aviation Security Concerns. Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks and increased threat levels declared by the Department of Homeland Security may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of 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.

Worldwide Health Concerns. Travel restrictions, as well as other public health measures, may be imposed to limit the spread of communicable diseases which may arise. 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.” In 2003, there was an outbreak of a serious strain of bird flu in Asia and Canada called “Severe Acute Respiratory Syndrome” or SARS, and in 2014, an outbreak of Ebola in West Africa and the discovery of a patient and health care workers infected with Ebola in the United States raised concerns about the spread of communicable disease through air travel. 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 Pledged 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.

Competing Airports.

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.

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 EPA. In 2007, several states petitioned 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 greenhouse gas 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, on-air traffic at the Airport or air traffic and rental car operations at the Airport. The effects, however, could be material.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2019 CFC Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2019 CFC Bonds should be prepared, if necessary, to hold their Series 2019 CFC Bonds until their respective maturity dates.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements.

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.

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Board's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Board's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Board's independent auditors assume no responsibility for its content.

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 CFC Bonds, the collection, pledge or application of any moneys provided for the payment or security of the Series 2019 CFC Bonds, or contesting or questioning the proceedings and authority under which the Series 2019 CFC Bonds have been authorized and are to be issued or delivered, or the validity of the Series 2019 CFC 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 CFC 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 D. 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. All of the fees of Bond Counsel and Underwriters' Counsel with respect to the issuance of the Series 2019 CFC Bonds are contingent upon the issuance and delivery of the Series 2019 CFC Bonds.

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.

RENTAL CAR COMPANY INFORMATION

Certain of the RACs or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the Securities and

Exchange Commission (the “SEC”). All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. 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.

The Board undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC as discussed in the preceding paragraph, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

See also “CERTAIN INVESTMENT CONSIDERATIONS” for discussions regarding the financial condition of the RACs and the effects of bankruptcies of the RACs on the ability of the Board to pay principal of and interest on the Series 2019 CFC Bonds.

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 CFC Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the SEC under the Securities Exchange Act, as amended (the “Exchange Act”). The MSRB has designated its electronic Municipal Market Access System, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below. 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 Indenture, and beneficial owners of the Series 2019 CFC 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 CFC Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019 CFC 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:

(1) With respect to the Board, financial and statistical data of the Airport relating to (a) Enplaned Passengers by Airline, (b) Market Share of Rental Car Brands, (c) Historical Rental Car Demand and CFC Collections, and (d) Debt Service Coverage, generally consistent with that contained in the Official Statement. 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.

(2) 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 the Undertaking. As of the date of the Undertaking, there are no Obligated Persons, other than the Board.

(3) With respect to any Obligated Person other than the Board, if such Obligated Person files SEC Reports (as defined in the Undertaking), 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.

“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.

“Obligated Person” means the Board and each RAC or other entity using the CONRAC under a RAC Agreement or other agreement extending for more than one year from the date in question, which includes bond debt service as part of the calculation of rental payments or other payments thereunder, under which RAC Agreement or other agreement, such RAC or other entity has paid amounts in the form of an Annual Requirement Deficiency or similar payments equal to at least 20% of the debt service on the Series 2019 CFC Bonds for each of the prior two Fiscal Years of the Board. At the time of issuance of the Series 2019 CFC Bonds, the Board is the only Obligated Person.

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 fiscal year ended 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 (as described below) with respect to the Series 2019 CFC Bonds. The “Material Events,” certain of which may not be applicable to the Series 2019 CFC 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 proceedings of an Obligated Person;*
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
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 the 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 CFC Bonds 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.

* 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.

Amendment; Waiver

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

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

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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2019 CFC Bonds, as determined by parties unaffiliated with the Board (such as the Trustee 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 CFC Bonds under the Indenture. 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, interest on the Series 2019 CFC Bonds is exempt from income taxation by the Commonwealth and all political subdivisions thereof and the Series 2019 CFC 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 CFC Bonds. **INTEREST ON THE SERIES 2019 CFC BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. THE LEGAL DEFEASANCE OF THE SERIES 2019 CFC BONDS MAY RESULT IN A DEEMED SALE OR EXCHANGE OF THE SERIES 2019 CFC BONDS UNDER CERTAIN CIRCUMSTANCES; OWNERS OF THE SERIES 2019 CFC BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF SUCH AN EVENT. PROSPECTIVE PURCHASERS OF THE SERIES 2019 CFC BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2019 CFC BONDS.**

The following discussion is generally limited to “U.S. owners,” meaning beneficial owners of Series 2019 CFC Bonds that for United States federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), and certain estates or trusts with specific connections to the United States. ***Partnerships holding Series 2019 CFC Bonds, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of an investment in the Series 2019 CFC Bonds (including their status as U.S. owners).***

Prospective purchasers of the Series 2019 CFC 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 CFC 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.

Payment of Interest

In general, interest paid or accrued on the Series 2019 CFC Bonds, including qualified stated interest on Discount Series 2019 CFC Bonds (as defined below), if any, will be treated as ordinary income to U.S. owners. A U.S. owner using the accrual method of accounting for U.S. federal income tax purposes must include interest paid or accrued on the Series 2019 CFC Bonds in ordinary income as the interest accrues, while a U.S. owner using the cash receipts and disbursements method of accounting for U.S. federal income tax purposes must include interest in ordinary income when payments are received or constructively received by the owner.

Information Reporting and Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on Series 2019 CFC Bonds and the proceeds of the sale of Series 2019 CFC Bonds to non-corporate

holders of the Series 2019 CFC Bonds, and “backup withholding,” currently at a rate of 24%, will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of Series 2019 CFC Bonds that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Medicare Tax Affecting U.S. Owners

A U.S. owner that is an individual or estate, or a trust not included in a special class of trusts that is exempt from such tax, is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. owner’s “net investment income” for the taxable year and (2) the excess of the U.S. owner’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual’s circumstances). A U.S. owner’s net investment income generally includes interest income on, and net gains from the disposition of, Series 2019 CFC Bonds, unless such interest income or net gains are derived in the ordinary course of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust, should consult its tax advisor regarding the applicability of the Medicare tax.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30% withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA status and (ii) investment funds and non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied.

Under applicable Treasury regulations, the FATCA withholding tax of 30% will generally be imposed, subject to certain exceptions, on payments of (i) interest on Series 2019 CFC Bonds and (ii) gross proceeds from the sale or other disposition of Series 2019 CFC Bonds on or after January 1, 2019, where such payments are made to persons described in the immediately preceding paragraph.

In the case of payments made to a “foreign financial institution” (generally including an investment fund), as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a “FATCA Agreement”) or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an “IGA”), in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any “substantial” U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity) or identifies its “substantial” U.S. owners.

If Series 2019 CFC Bonds are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold the 30% FATCA tax on payments of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests or

(ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in **“Information Reporting and Backup Withholding”** also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on Series 2019 CFC Bonds as a result of a failure by an investor (or by an institution through which an investor holds the Series 2019 CFC Bonds) to comply with FATCA, none of the Board, any paying agent or any other person would, pursuant to the terms of the Series 2019 CFC Bonds, be required to pay additional amounts with respect to any Series 2019 CFC Bond as a result of the deduction or withholding of such tax. *Non-U.S. owners should consult their tax advisors regarding the application of FATCA to the ownership and disposition of Series 2019 CFC Bonds.*

RATINGS

Fitch Ratings and Moody’s Investors Service, Inc., have assigned ratings of “A-” with a stable outlook and “A3” with a stable outlook, respectively, to the Series 2019 CFC Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, 33 Whitehall Street, New York, New York 10004; and Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Series 2019 CFC Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019 CFC Bonds.

UNDERWRITING

The Underwriters, represented by Merrill Lynch, Pierce, Fenner & Smith Incorporated, have agreed, jointly and severally, to purchase the Series 2019 CFC 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 CFC Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2019 CFC Bonds if any Series 2019 CFC Bonds are purchased. The Underwriters have agreed to purchase the Series 2019 CFC Bonds at an aggregate purchase price of \$102,708,116.12 (reflecting the par amount of the Series 2019 CFC Bonds less an underwriters’ discount of \$421,883.88).

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

The Series 2019 CFC Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Series 2019 CFC 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 CFC 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 CFC 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 Board with respect to the pledge of the Trust Estate, which includes Pledged Revenues and Pledged Funds. 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.

All references to the Act, the Indenture, the RAC Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Information regarding the Series 2019 CFC Bonds is available by contacting the Cincinnati/Northern Kentucky International Airport at P.O. Box 752000, Cincinnati, Ohio 45275-2000, (859) 767-3177. This Official Statement will be posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") online repository system. This Official Statement is not to be construed as a contract or agreement between the Board and the owners of any of the Series 2019 CFC Bonds.

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

KENTON COUNTY AIRPORT BOARD

By: 

/s/ Sheila R. Hammons
Chief Financial Officer

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APPENDIX A
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

SENIOR CUSTOMER FACILITY CHARGE TAXABLE REVENUE BONDS
(CONSOLIDATED GROUND TRANSPORTATION FACILITY) SERIES 2019

Prepared for

Kenton County Airport Board, Kentucky

Prepared by
Leigh Fisher
Cincinnati, Ohio

February 19, 2019

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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 Senior Customer Facility Charge Taxable Revenue
Bonds, (Consolidated Ground Transportation Facility) Series 2019**

Dear Ms. McGraw:

We are pleased to submit this Report of the Airport Consultant (Report) on certain aspects of the proposed issuance of Senior Customer Facility Charge Taxable Revenue Bonds, (Consolidated Ground Transportation Facility) Series 2019 (the Series 2019 CFC Bonds). The Series 2019 CFC 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 CFC Bonds are being used to fund a Consolidated Ground Transportation Facility at the Airport. The Series 2019 CFC Bonds are being issued under the authority of Chapter 183 of the Kentucky Revised Statutes (the Act), and are authorized by the 2019 Master CFC Trust Indenture adopted by the Board (the CFC Trust Indenture).^{**}

The Series 2019 CFC Bonds will be special limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Trust Estate which includes, among other things, (a) Customer Facility Charges and Annual Requirement Deficiency (each as defined herein), (b) Pledged Funds (as defined herein), (c) Pledged Revenues (as defined herein), and (d) certain funds and accounts held by the Trustee under the CFC Trust Indenture. No revenues of the Board, other than the Customer Facility Charges and the Annual Requirement Deficiency, are pledged to the payment of the Series 2019 CFC Bonds. The Bonds shall not be general obligations of the Board. The Holders of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by any other revenues generally available to the Board or 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 CFC Bonds. The proposed Series 2019 CFC Bonds are the only series of CFC bonds the Board plans to issue during 2019 through 2024 (the Forecast Period).^{***}

^{*}Capitalized terms not otherwise defined in this Report have the meanings given in the CFC Trust Indenture, the RAC Agreements, or the Official Statement to which this Report is attached.

^{**}The CFC Trust Indenture was approved by the Board on January 22, 2019.

^{***}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, an emergency generator and trash bins; (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 be comprised 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 drawing of the 2019 Project and which shows the components of the Series 2019 CFC Bond Project and the Series 2019 Revenue Bond Project.



PLAN OF FINANCE – SERIES 2019 CFC BOND PROJECT

The Series 2019 CFC Bond Project includes the CONRAC and the GTC. The Board intends to issue the Series 2019 CFC Bonds, in the par amount of \$104,795,000.* Proceeds from the Series 2019 CFC Bonds are expected to be used for the following purposes:

- Funding portions of the 2019 CFC Bond Project (the CONRAC and the GTC),
- Funding the debt service reserve fund and coverage fund for the Series 2019 CFC Bonds,
- Funding the costs of issuing the Series 2019 CFC Bonds, including underwriters' discount and financing, legal, and other costs.

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. In addition to the Series 2019 CFC Bonds, the Series 2019 Revenue Bonds are to be issued to fund the Main Terminal Roadway Improvement Project. The Series 2019 Revenue Bonds are being issued simultaneously with the Series 2019 CFC Bonds to pay the costs of the Series 2019 Revenue 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.

LEGAL FRAMEWORK

CFC Ordinance

Pursuant to Ordinance 2005-01 of the Board adopted on October 17, 2005, as amended and restated from time to time, the collection of CFCs began on April 1, 2006, and thereafter have been collected on a monthly basis at rates as amended over time. CFCs are currently being collected at a rate of \$7.50 per rental car transaction day. The obligation to remit and pay CFCs is imposed on off-airport RACs and on-airport RACs. The Board has reserved the right to audit the CFCs owed under the CFC Ordinance. The CFCs may be used to pay, or reimburse the Board for, the costs associated with the planning design, acquisition, construction, equipping, maintenance and operation of the Consolidated Ground Transportation Facility as well as the payment of debt service and/or coverage for the Series 2019 CFC Bonds.

The Series 2019 CFC Bonds are not an indebtedness or other liability of the RACs and the RACs are not liable for any payments relating to the Series 2019 CFC Bonds, other than the payment of the Annual Requirement Deficiency under the Rental Car Agreements and the timely remittance of the CFC proceeds collected by the RACs from their respective Customers to the Trustee for the benefit of the Board.

* Preliminary and subject to change.

CFC Trust Indenture

Customer Facility Charges

"Customer Facility Charge" or "CFC" means a per day fee payable by Customers, collected, accounted for, and remitted by the Company to the Board, as established by the Board pursuant to the CFC Ordinance. "CFC Ordinance" means the Board ordinance adopted on October 17, 2005, as amended and restated by the Board from time to time, that establishes the CFC charges that are collected and remitted to the Board for on-Airport and off-Airport Automobile rentals.

Pledged Funds and Revenues

"Pledged Funds" means (i) any amounts on deposit from time to time in the CFC Revenue Fund, the CFC Senior Debt Service Fund, the CFC Senior Debt Service Reserve Fund, the CFC Coverage Fund, the CFC Renewal and Replacement Fund, and the CFC Stabilization Fund, (ii) any amounts, other than investment income, on deposit in the CFC Construction Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a Project, and (iii) any amount, other than investment income, on deposit in the CFC Project Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a Project. The CFC Administrative Costs Fund, the CFC Surplus Fund, and the Series 2019 CFC Costs of Issuance Account are specifically excluded from Pledged Funds. Further, "Pledged Revenues" means the aggregate of (i) the Customer Facility Charges received by the Board, (ii) the Annual Requirement Deficiency received pursuant to the Consolidated Rental Car Facility Agreement and (iii) excluding any investment income derived from the CFC Construction Fund and the CFC Project Fund, all investment income of every kind derived from amounts credited to the Pledged Funds. "Trust Estate" means the Pledged Revenues and Pledged Funds as described in this paragraph.

Source of Payment for Bonds – Section 4.1

As defined in Section 4.1 of the CFC Trust Indenture, the Series 2019 CFC Bonds are special limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Trust Estate. The Bonds shall not be general obligations of the Board. The Holders of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by any other revenues generally available to the Board or the Airport other than the Trust Estate.

Application of Revenues – Section 4.3-4.4

In Section 4.3 regarding CFC Revenue Fund, the Board covenants that all Pledges Revenues collected during the preceding month shall be deposited to the credit of the CFC Revenue Fund no later than the 20th day of each month. On the 25th day of each month, or in the case of the transfers from the CFC Stabilization Fund to the Board for deposit in the CFC Surplus Fund, as directed by the Board, the Trustee will cause the distribution of funds in the CFC Revenue Fund to be applied and transferred, as more fully set forth below, to the following Funds in the following order of priority:

- i. CFC Senior Debt Service Fund;
- ii. CFC Senior Debt Service Reserve Fund;
- iii. CFC Coverage Fund;
- iv. CFC Administrative Costs Fund;

- v. CFC Subordinate Debt Service Fund and the CFC Subordinate Debt Service Reserve Fund, as established in a Supplemental Indenture;
- vi. CFC Project Fund to be used for purposes of funding Costs of the Project, and upon written notice from the Board that Substantial Completion has occurred, the uncommitted balance in the CFC Project Fund shall be transferred as described in (vii) thorough (ix) below;
- vii. CFC Renewal and Replacement Fund;
- viii. CFC Stabilization Fund to be used as provided in Section 4.10 of the CFC Indenture;
- ix. The balance to the Board for deposit into the CFC Surplus Fund to be used for any lawful purpose of the Board as permitted by the CFC Ordinance.

As stated in Section 4.4(b) of the CFC Indenture, "Prior to each Interest Payment Date or Principal Payment Date, there shall be deposited from Pledged Funds any additional amounts necessary to increase the balance in the CFC Senior Debt Service Fund to be sufficient to make such payments on such Interest Payment Date or Principal Payment Date. Such additional amounts, if necessary, shall be transferred by the Trustee first from the CFC Stabilization Fund, second from the CFC Coverage Fund, third from the CFC Renewal and Replacement Fund, and fourth from the CFC Senior Debt Service Reserve Fund."

Rate Covenant – Section 7.2

According to Section 7.2 of the CFC Indenture:

"The Board shall cause the Customer Facility Charges to be calculated, established and imposed as provided in the CFC Ordinance so long as any Bonds remain Outstanding. Based on estimated CFC collections prepared by or for the Board from time to time, unless prohibited by law, the Customer Facility Charges shall be adjusted and/or the Annual Requirement Deficiency shall be collected pursuant to the RAC Agreements (provided it is in the Board's sole discretion to do either or both) to the extent necessary to generate Pledged Revenues, along with amounts then on deposit in the CFC Coverage Fund, in each Fiscal Year (a) in an amount equal to at least 1.25x the Current Annual Debt Service Requirement in such Fiscal Year on the Senior Bonds then Outstanding, and (b) in an amount sufficient to replenish any shortfalls in the amounts required to be maintained in either the CFC Coverage Fund or the CFC Senior Debt Service Reserve Fund within twelve (12) months after the month in which any amounts are withdrawn from either of such Funds for transfer to the CFC Senior Debt Service Fund pursuant to Section 4.4(b) hereof (the "Rate Covenant")."

RAC Agreements

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 that are renewable on a year-to-year basis. 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 Consolidated Ground Transportation Facility. In order to conduct its automobile rental business from the CONRAC, under 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 Agreement).

In November 2018, the Board approved entering into the RAC Concession Agreement and CONRAC Agreement (collectively the RAC Agreements) 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.

Copies of the RAC Agreements have been executed by the rental car companies and are being held by the Board. These agreements will be executed by the Board and become effective upon issuance of the Series 2019 CFC Bonds. The terms of the RAC Concession Agreement and the CONRAC Agreements will expire 10 and 30 years, respectively, 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 party thereto access to the CONRAC to commence construction of their tenant improvements (the Rent Commencement Date).

The RAC Agreements set forth provisions in connection with the construction of, leasing of space in, use of and operation of the CONRAC. Pursuant to the RAC Agreements, the Board has agreed to construct the Consolidated Ground Transportation Facility and the RACs who have signed the RAC Agreements have agreed to collect CFCs and remit the CFC to the Board to the location as designated by the Board. The RACs who have signed the RAC Agreements also have agreed to pay an Annual Requirement Deficiency if required.

Rental Car Concession Agreements

The RAC Concession Agreement requires that each rental car company enter into a CONRAC Agreement. Under the RAC Concession Agreement each of the RACs leases Exclusive Premises in the Ready Return Area, QTA, and CSB. In addition to the Exclusive Premises, each rental car company that is party to a RAC Concession Agreement is granted a non-exclusive right to use RAC Common Areas, RAC Common Equipment, and Public Space within the CONRAC.

Pursuant to the RAC Concession Agreement, each of the rental car companies will pay the Board a monthly concession fee equal to the greater of (a) a minimum monthly guarantee set forth in the Concession Agreement or (b) 10% of the monthly gross receipts of a RAC. The concession fees collected under the Concession Agreements are not pledged nor will they be used to make any payments on the Series 2019 CFC Bonds.

CONRAC Agreement

The CONRAC Agreement sets forth provisions for the construction, use and operation of the CONRAC as summarized below and as more fully set forth in the CONRAC Agreement.

The RACs are to commence business operations from the CONRAC on the Rent Commencement Date. There are liquidated damages imposed for each day thereafter that a rental car company does not commence its business operations.

The RACs are responsible for the monthly payment to the Board of Ground Rent which is calculated based on a RACs proportionate share of the Exclusive Premises. RACs also pay to Board a monthly O&M Fee for the Exclusive Premises in the CSB. RACs are subject to the payment of Facility Rent, if the Series 2019 CFC Bonds are paid in full prior to the end of the term of the CONRAC Agreement from sources other than CFC Revenue.

In the event that the CFC collections (including interest earnings) are determined or estimated by the Board in any year, to be insufficient to satisfy the Debt Service of the CFC Bonds and funding of reserves to meet the rate covenants thereunder, together with all required deposits required thereof, or the Mandatory Eligible Costs as set forth in the CONRAC Agreement (the Annual Shortfall), the Board has reserved the ability to charge an Annual Requirement Deficiency upon each RAC who has entered into the CONRAC Agreement in order to meet such requirements (the Annual Requirement Deficiency). A RAC which is party to the CONRAC Agreement shall pay the Annual Requirement Deficiency to the Trustee on or before the date designated by the Board without any abatement deduction or set-off whatsoever. RACs which are party to the CONRAC Agreement are prohibited from recovering an Annual Requirement Deficiency through any fee or any other means from its customers. If a RAC which is party to the CONRAC Agreement defaults in making an Annual Requirement Deficiency, the remaining RACs which are party to the CONRAC Agreement are required to pay the defaulting RACs Annual Requirement Deficiency proportionally based on the amount of Exclusive Premises leased by the remaining RACs subject to the CONRAC Agreement.

The RACs party to the CONRAC Agreement are to create and enter into an Operating Agreement to establish a Consortium which is to provide, among other things, for (i) the assignment of maintenance and repair for the Consortium's areas of responsibility; (ii) the establishment of a Maintenance Operating Manual for the CONRAC; (iii) the hiring of a Manager; (iv) the allocation of responsibility to the Manager for all obligations of Manager set forth under the CONRAC Agreement; and (v) the allocation and assumption of liability for sums due and payable by the RACs under the CONRAC Agreement. The Operating Agreement requires approval by the Board.

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 Report entitled "Rental Car Analysis" describes general factors affecting rental car demand nationally and at the Airport, provides analysis of recent trends in rental car and competing transportation modes, a forecast of rental car demand. The section of the Report entitled "Rental Car Financial Analysis" contains forecast debt service, debt service coverage including rate covenant compliance, and stress test financial projections.

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.
- **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.
- **Customer Facility Charge (CFC) Ordinance.** As noted earlier, the Board adopted the CFC Ordinance on October 17, 2005, which has from time to time been amended and restated. The current CFC rate is \$7.50 per transaction day and this rate is assumed throughout the Forecast Period.
- **RAC Agreements.** The Board has entered into RAC Agreements with certain rental car companies. The forecast assumes the RACs who have entered into the RAC Agreement will occupy the CONRAC on and after the Opening Date.
- **Series 2019 CFC Bonds.** The Series 2019 CFC Bonds do not reflect final pricing and assume a principal amount of \$104,795,000, as prepared by the Board and its financial advisor (Frasca & Associates, LLC).

SCOPE OF REPORT

This Report was prepared to evaluate the ability of the Kenton County Airport Board to satisfy the requirements of the Rate Covenant (Section 7.2 of the CFC Trust Indenture) during the Forecast Period. In preparing this Report, we analyzed:

- The status and estimated costs of the Series 2019 CFC 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 CFC Bonds Project, the Current Annual Debt Service Requirements for the proposed Series 2019 CFC 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.
- Historical trends in (1) visiting passengers (i.e., originating passengers who may consider renting a car), (2) rental car transactions (i.e., those actually renting a car), (3) rental car transaction-days, and (4) the CFC rate per transaction-day.*

We also identified key factors upon which the future Customer Facility Charges 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 2 and the table below summarize forecasts of Customer Facility Charges and Pledged Revenues, Current Annual Debt Service Requirements, and debt service coverage, taking into consideration debt service on the proposed Series 2019 CFC Bonds.

The calculation of debt service coverage through the Forecast Period indicates compliance with the Rate Covenant of the CFC Trust Indenture in each year of the Forecast Period.

*As of the date of this Report, information for the current fiscal year 2018 was available for 9 months (through September 30). See the Official Statement for more information.

FORECAST DEBT SERVICE COVERAGE

Kenton County Airport Board

Cincinnati / Northern Kentucky International Airport

(Years ending December 31; in thousands except rates and 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
Originating Visitor Passengers	[A]	1,582	1,618	1,658	1,693	1,725	1,763
Propensity to Rent	[B]	28.75%	28.50%	28.25%	28.00%	27.75%	27.50%
Transactions	[C] = [A] x [B]	455	461	468	474	479	485
Days per Transaction (average)	[D]	3.40	3.40	3.40	3.40	3.40	3.40
Transaction-Days	[E] = [C] x [D]	1,546	1,568	1,593	1,612	1,628	1,648
CFC Rate	[F]	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
CFC Revenues	[G] = [E] x [F]	\$ 11,598	\$ 11,759	\$ 11,944	\$ 12,088	\$ 12,207	\$ 12,363
Compliance with Rate Covenant - Section 7.2							
1. CFC Revenues	[G]	\$ 11,598	\$ 11,759	\$ 11,944	\$ 12,088	\$ 12,207	\$ 12,363
2. Annual Requirement Deficiency (1)	[H]	-	-	-	-	-	-
3. Interest Earnings (2)	[I]	247	274	303	754	561	546
Pledged Revenues	[J] = [G] + [H] + [I]	\$ 11,845	\$ 12,033	\$ 12,247	\$ 12,842	\$ 12,768	\$ 12,909
Amount on Deposit in CFC Coverage Fund	[K]	1,923	1,923	1,923	1,923	1,923	1,923
Pledged Revenues, plus CFC Coverage Fund Balance	[L] = [J] + [K]	\$ 13,768	\$ 13,956	\$ 14,170	\$ 14,765	\$ 14,691	\$ 14,832
Less: Repayments to CFC Coverage Fund (3)	[M]	-	-	-	-	-	-
Less: Repayments to CFC Senior Debt Service Fund (3)	[N]	-	-	-	-	-	-
Funds Available for Debt Service coverage	[O] = [L] - [M] - [N]	\$ 13,768	\$ 13,956	\$ 14,170	\$ 14,765	\$ 14,691	\$ 14,832
Annual Debt Service							
Series 2019 CFC Bonds		\$ 4,331	\$ 5,395	\$ 7,290	\$ 7,288	\$ 7,287	\$ 7,288
Total Annual Debt Service	[P]	\$ 4,331	\$ 5,395	\$ 7,290	\$ 7,288	\$ 7,287	\$ 7,288
Coverage requirement ratio	[Q]	1.25x	1.25x	1.25x	1.25x	1.25x	1.25x
Coverage requirement	[R] = [P] x [Q]	\$ 5,414	\$ 6,744	\$ 9,112	\$ 9,110	\$ 9,109	\$ 9,110
Compliance with Rate Covenant (must be greater than zero)	[S] = [L] - [R]	\$ 8,355	\$ 7,212	\$ 5,057	\$ 5,655	\$ 5,581	\$ 5,722
Debt Service coverage ratio							
Including Coverage Fund (4)	[T] = [L] / [P]	3.18x	2.59x	1.94x	2.03x	2.02x	2.04x
Excluding Coverage Fund	[U] = [J] / [P]	2.74x	2.23x	1.68x	1.76x	1.75x	1.77x
% Growth							
Originating Visitor Passengers		1.7%	2.3%	2.5%	2.1%	1.9%	2.2%
Transactions		0.9%	1.4%	1.6%	1.2%	1.0%	1.3%
CFC Revenues		0.8%	1.4%	1.6%	1.2%	1.0%	1.3%

Sources: Kenton County Airport Board and LeighFisher.

- 1.) Analysis assumes Annual Requirement Deficiency will not be paid as CFC rate and CFC collections are forecast to be sufficient to cover all requirements.
- 2.) Earnings on investments in the CFC Debt Service Fund, CFC Debt Service Reserve Fund, CFC Rolling Coverage Fund, CFC Renewal and Replacement Fund, and CFC Stabilization Fund; excludes interest on CFC Construction Fund and CFC Project Fund.
- 3.) Amounts necessary and sufficient to replenish any shortfalls in amounts required to be maintained in the CFC Coverage Fund and the CFC Senior Debt Service Reserve Fund
- 4.) CFC Trust Indenture coverage calculation includes the amount on deposit in the Coverage Fund at the beginning of each year, equal to 25% of Maximum Annual Debt Service.

ASSUMPTIONS UNDERLYING THE 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 Board with respect to the pledge of the Trust Estate, which includes Pledged Revenues and Pledged Funds. 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

Attachment

**BACKGROUND, ASSUMPTIONS, AND
RATIONALE FOR THE FINANCIAL FORECASTS**

Kenton County Airport Board

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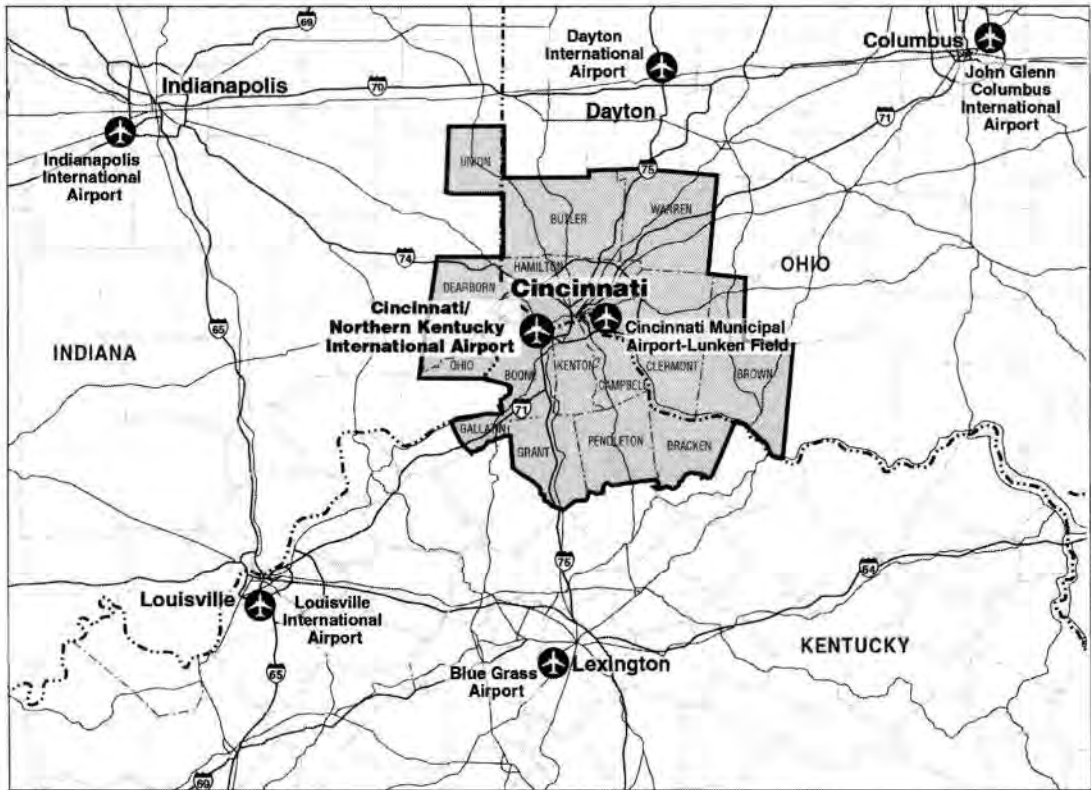
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BASIS FOR AIRLINE PASSENGER DEMAND

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



- LEGEND**
- Airport service region
 - State boundary
 - County boundary
 - Commercial passenger service 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**

Industry	Average annual percent increase (decrease)		2017 percent share (a)	
	2010-2017		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	<u>(0.3)</u>	<u>0.5</u>	<u>1.3</u>	<u>1.9</u>
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

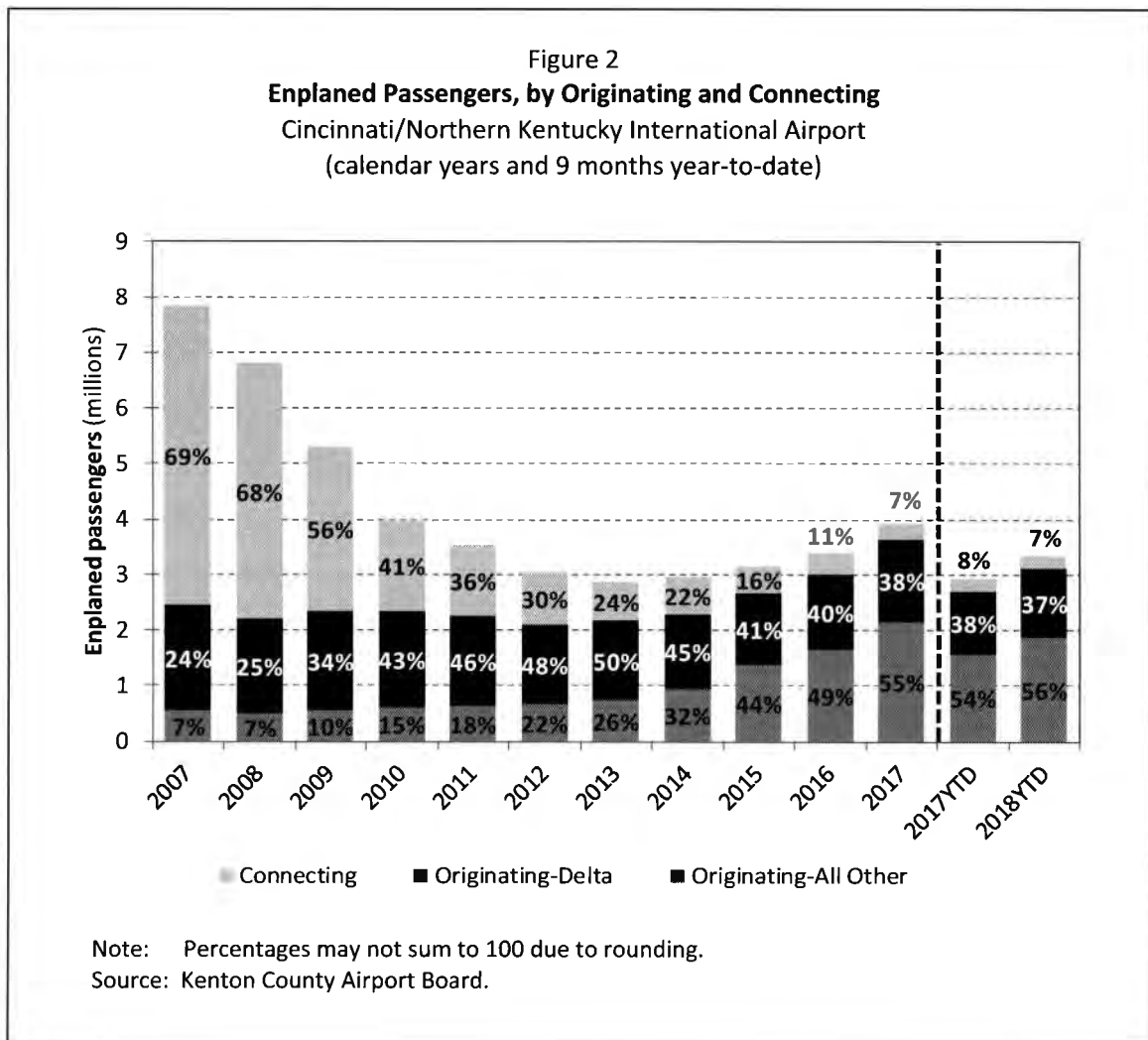
Table 5 lists the airlines serving the Airport as of November 2018.

Table 5 Airlines Serving the Airport Cincinnati/Northern Kentucky International Airport (as of November 2018)	
<u>Scheduled passenger service</u>	<u>All-cargo operators</u>
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.



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.

	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	<u>217</u>	<u>185</u>	<u>402</u>	<u>4.3</u>	<u>2.8</u>	<u>3.5</u>
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)	<u>1,345</u>	<u>2,702</u>	<u>4,047</u>	<u>26.6</u>	<u>41.1</u>	<u>34.8</u>
Subtotal originating	4,339	6,513	10,852	85.8%	99.0%	93.3%
Connecting	<u>715</u>	<u>63</u>	<u>778</u>	<u>14.2</u>	<u>1.0</u>	<u>6.7</u>
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
<i>Percent change</i>	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
<i>Percent change</i>	(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%.

Airline (a)	2013	2014	2015	2016	2017	9 Months YTD	
						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	<u>1.0</u>	<u>1.0</u>	<u>1.4</u>	<u>1.0</u>	<u>0.7</u>	<u>0.8</u>	<u>0.7</u>
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)



LEGEND

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

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

Table 9
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)		Average daily enplaned originating passengers				Average one-way fare		
			Airlines serving	Average daily departing flights	CY 2012	CY 2017	As percent		CY 2012	CY 2017	Percent increase (decrease) 2012-2017
							of total 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.

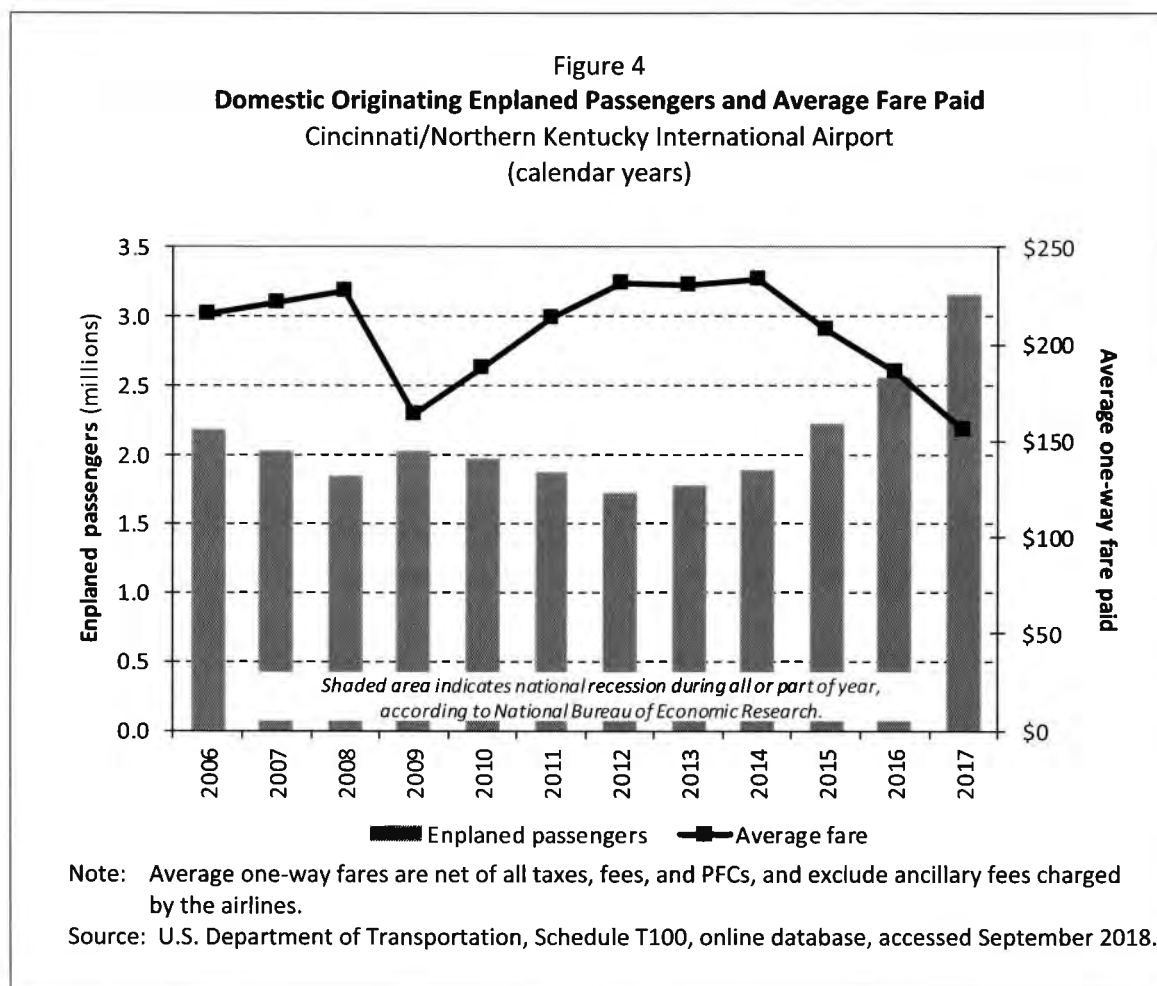
Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, UA=United, WN=Southwest.

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.



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)

Rank	Airport		U.S. Rank			Landed Weight (in millions of pounds)			Percent increase		Average annual increase (decrease)
	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.

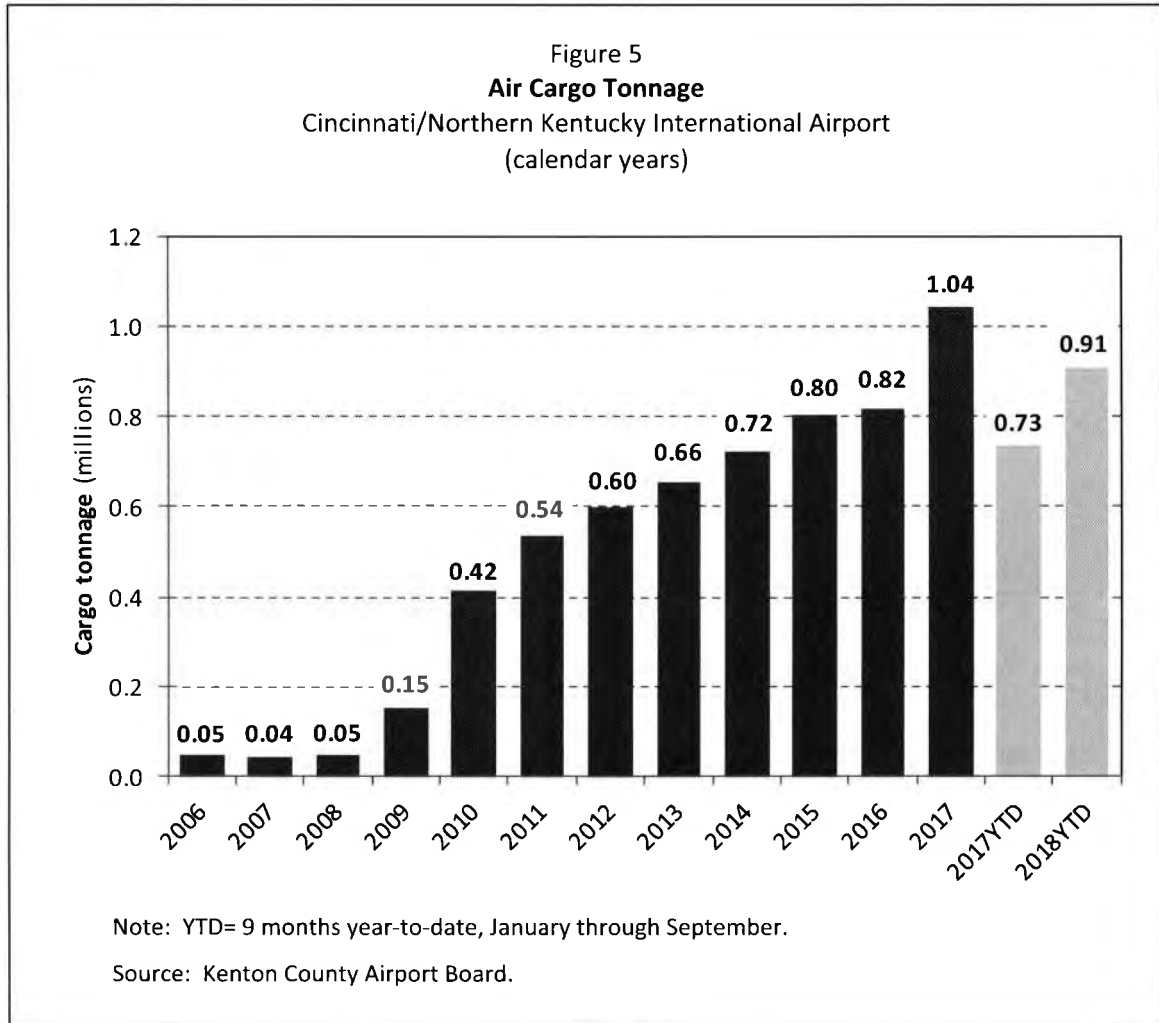


Table 11 shows the historical all-cargo landed weight and total cargo in millions of pounds. In 2017, landed weight increased 33.3% and total cargo increased 27.5%, year over year. Year-to-date data through September 2018 show a 29.3% increase in landed weight and a 23.9% increase in total cargo.

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

Fiscal Year	Landed weight (in millions of pounds)		Total cargo (in millions of pounds)	
	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
<u>YTD (Jan-Sep)</u>				
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)



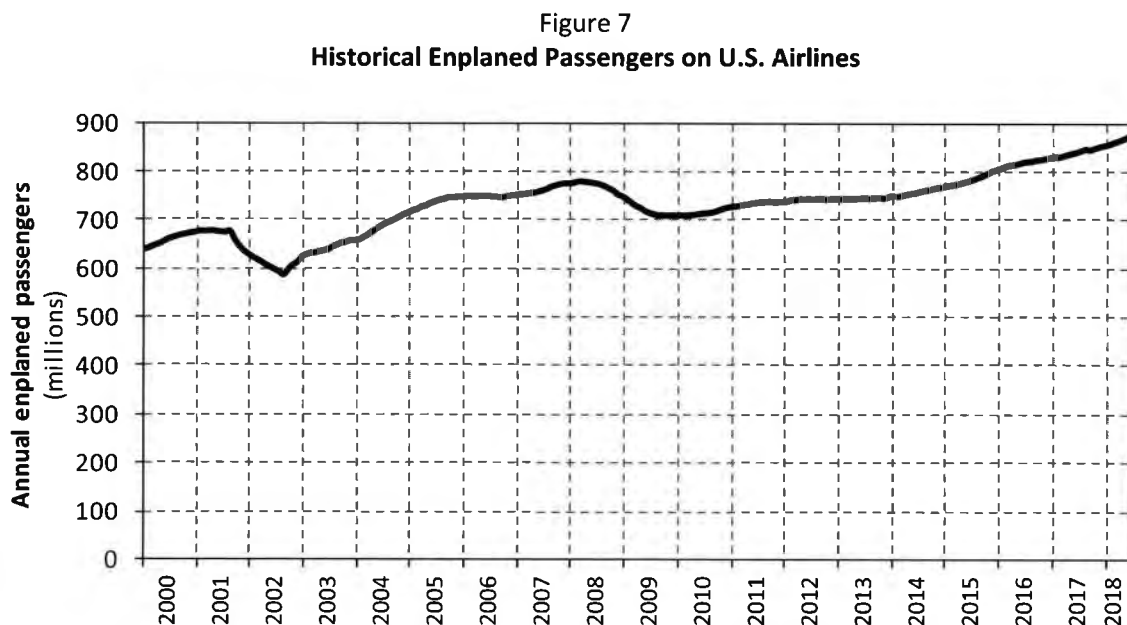
KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

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.



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.

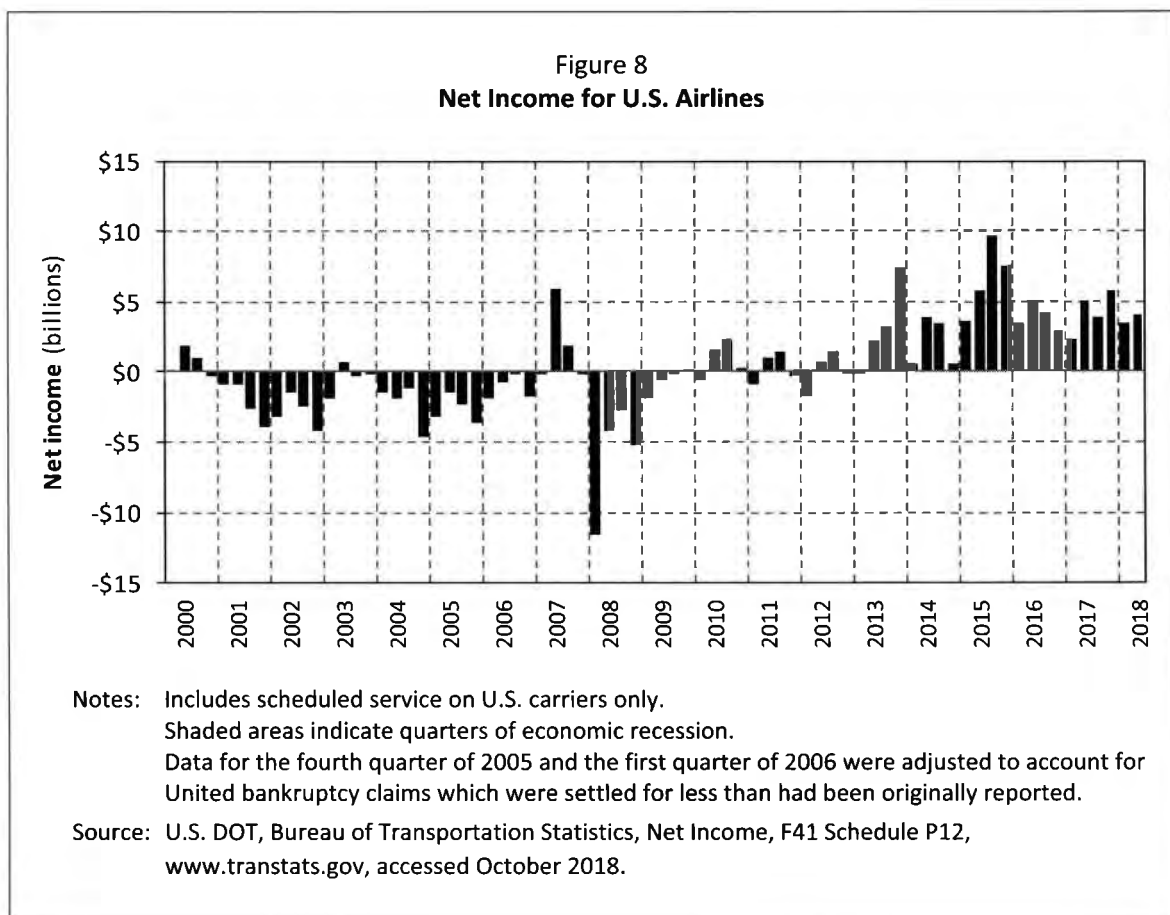
The globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and political relationships all influence passenger traffic at U.S. airports.

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.



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.

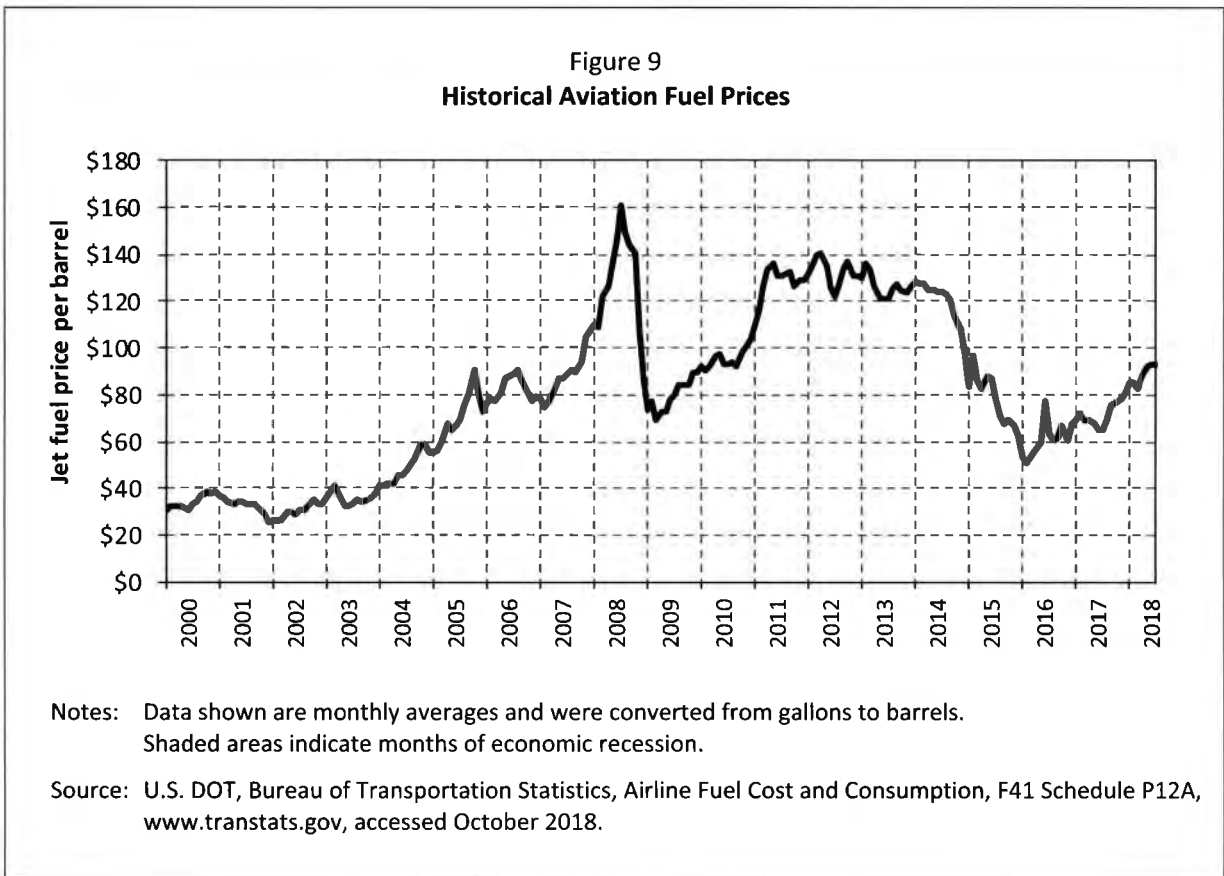
Beginning in 2006, charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than the yield figures indicate.

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.



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.

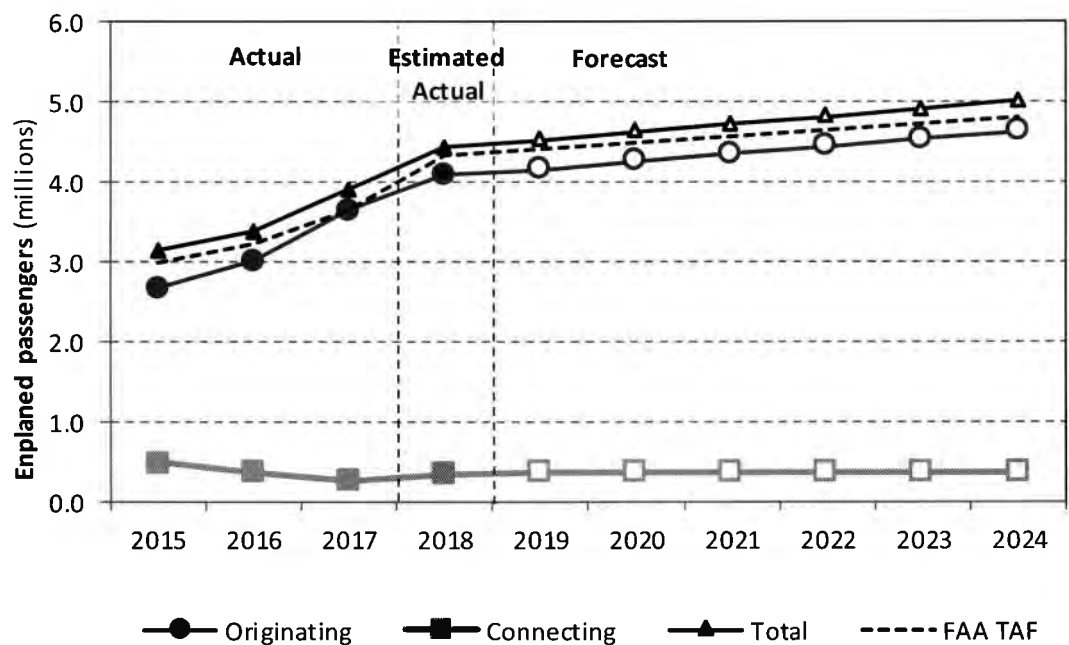
Specific assumptions underlying the air traffic forecasts include:

- 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			Connecting	Total	Originating			Connecting
	Resident	Visitor	Total			Resident	Visitor	Total	
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

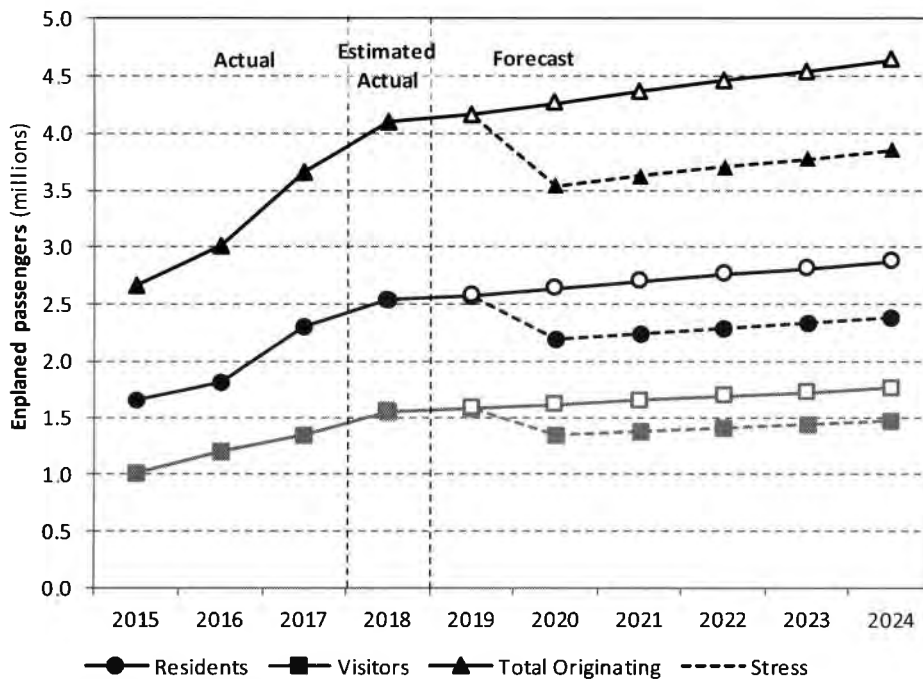
A stress test forecast of passengers was developed to provide the basis for conducting a test of the Airport’s financial results to hypothetical reductions in passenger numbers, such as could occur under conditions of weak economic growth or recession, restricted seat capacity, high airfares, and reduced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



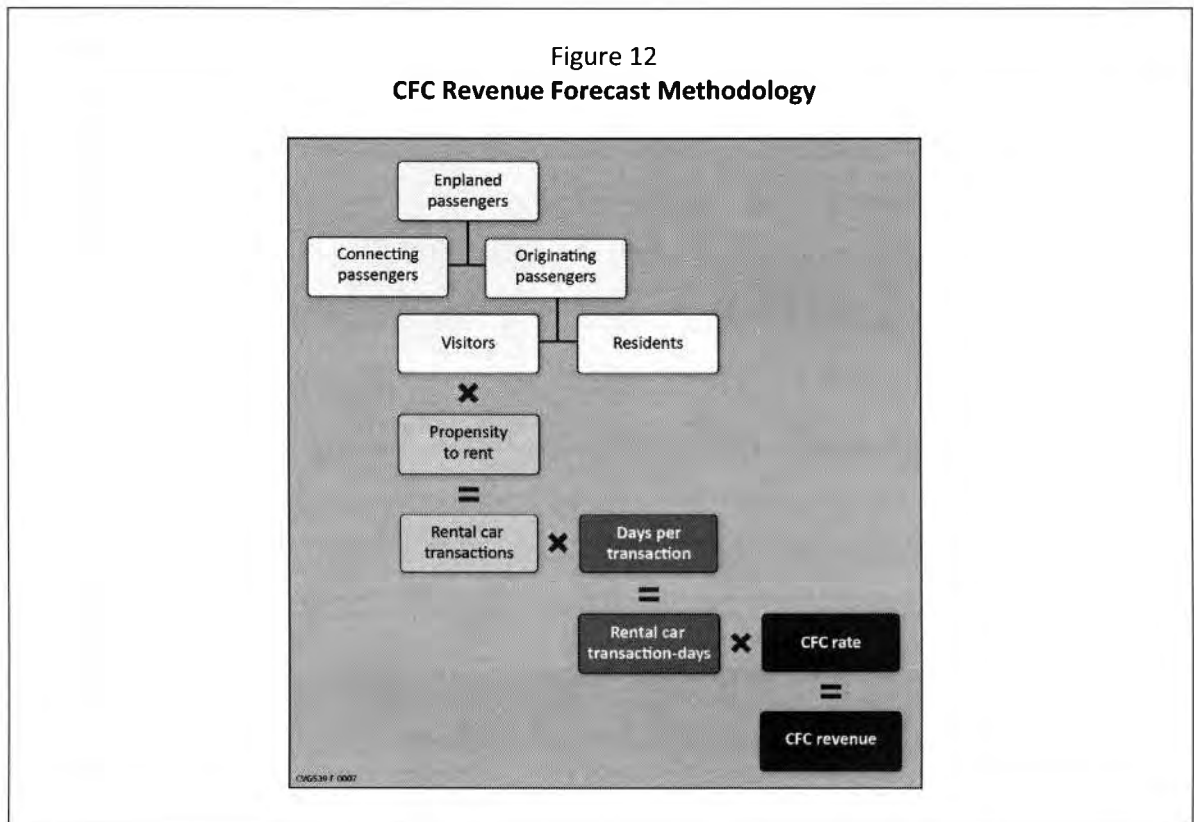
Sources: Kenton County Airport Board; LeighFisher.

RENTAL CAR ANALYSIS

Originating passengers described in the prior section consist of both residents (those beginning flight itineraries at an airport) and visitors (those whose flight itineraries begin elsewhere). There is a correlation between:

- Parking transactions and parking revenues at an airport to trends in resident passengers since a subset of resident passengers are likely to park at the airport.
- Rental car transactions and rental car revenues to visitor passengers, since a subset of visitor passengers are likely to rent cars at the airport.
- Other forms of ground transportation transactions and revenues to total originating passengers (including residents and visitors), since a subset of originating passengers are likely to utilize other forms of ground transportation.

For the purposes of the rental car financial analysis in this Report, the primary variables of consequence to forecasting CFC revenues are: (1) visiting passengers (i.e., originating passengers who may consider renting a car), (2) rental car transactions (i.e., those actually renting a car), (3) rental car transaction-days, and (4) the CFC rate per transaction-day. This section includes a discussion of general factors affecting rental car demand; factors affecting rental car demand at the Airport, analysis of rental car demand, forecast of rental car demand, and a rental car financial analysis. Figure 12 shows our conceptual approach to forecasting CFC transaction days.



GENERAL FACTORS AFFECTING RENTAL CAR DEMAND

This section presents a discussion of general factors that have historically or are expected in the future to affect rental car demand.

For visitor passengers the choice to rent a car versus using other ground transportation options is generally influenced by the following considerations:

- Rental Car Industry Profitability, Pricing, Trends and Consolidation
- Travel Purpose (Business/Leisure)
- Rental Car Costs in Total and as a Component of Total Travel Costs
- Convenience of Airport Rental Car Facilities
- Alternative Ground Transportation Options

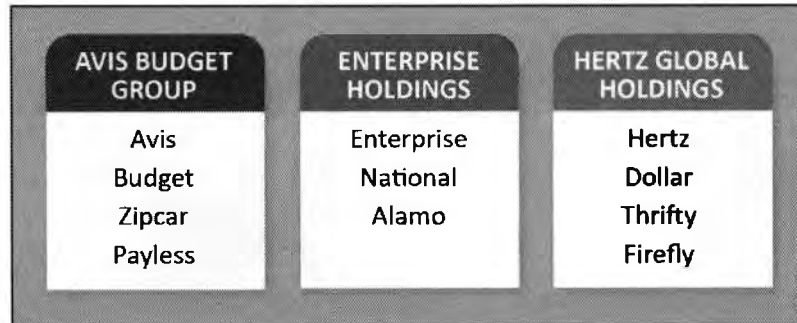
Rental Car Industry Profitability, Pricing, Trends, and Consolidation

From the 1980s to the present, the changes in ownership of the rental car companies have transformed them from essentially car manufacturer-owned entities with a focus on the secondary market to publicly traded or privately held corporations with intense pressure for profitability. As the movement away from car manufacturer ownership to public or private ownership took place, the focus began to shift from pure market share competition to yield management and profitability.

In the past, predominantly business travel providers such as Avis saw their fleet being used heavily from Monday through Thursday, but had lower utilization rates on the weekend, the traditional leisure customer rental days. This is in contrast to predominantly leisure travel providers such as Budget that experienced higher utilization rates on the weekend, for example. When Avis acquired Budget, the companies were able to combine fleets, scaling the fleet more effectively to meet the combined demand of both business and leisure renters, thus maximizing their utilization rates.

Over the past two decades, the movement toward consolidation has significantly changed the rental car industry. Twenty years ago, there were eight major car rental companies, each operating a single brand. Those companies were Hertz, Avis, National, Budget, Alamo, Dollar, Thrifty and, as a major player in the insurance replacement industry, Enterprise. Today there are three major rental car companies, namely Hertz Corporation, Avis Budget Group, and Enterprise Holdings, each operating more than one of the brands listed in Figure 13. Consolidation within the industry, resulting in fewer companies making pricing decisions, as well as the development of more sophisticated yield management practices, has – all other things equal – improved the industry's profitability.

Figure 13
Nationwide Rental Car Brands and Families
 (as of November 2018)



Note: The above figure illustrates how the main rental car brands have consolidated into three major entities. Some markets may have a number of independent operators, such as Advantage, Fox, Ace, Sixt, or U-Save, among others. Sixt was recently selected to operate at CVG with the opening of the new CONRAC.

In addition to the benefits described above, consolidation allows rental car operators to use the same facilities and personnel to maintain the combined fleet for all brands, and to move cars easily between the brands' ready/return lines to meet changing demand patterns.

Travel Purpose (Business/Leisure)

A passenger's reason for travel to an Airport Service Region, as well as their travel plans while in the wider area, directly impact their propensity to rent a vehicle rather than choose an alternate form of transportation. Generally speaking, leisure travelers have a higher propensity to rent a car than business travelers.

Traditionally, the rental car industry has striven for a balance between business and leisure renters. In most rental car markets, it is generally anticipated that business customers rent early in the week – Monday or Tuesday morning, and return after midweek – Thursday or Friday. Rental car companies depend on leisure customers to utilize vehicles over the weekend.

Leisure travelers are generally considered to be more price conscious than business travelers, but the length of rental for leisure travelers is often longer and helps to offset lower prices. Business travelers typically generate higher yields for rental car companies and are less likely than leisure travelers to scale back travel needs during economic downturns.

Rental Car Costs in Total and as a Component of Total Travel Costs

A visitor's air travel budget consists principally of four components: airfare, lodging, meals, and local transportation. Travelers can allocate budget among these components to satisfy their preferences and manage their total costs. Therefore, cost must be considered in conjunction with convenience and other factors. The cost of local transportation varies by travel itinerary and destination. In the

absence of convenient public transportation, renting a car may be less costly than using a taxi or similar service. Public buses may be available at a lower cost, but only with some sacrifice in mobility.

Customer Facility Charges are fees levied on rental car operators by an airport to fund the capital and/or operating expenses of rental car facilities and related infrastructure at an airport. CFCs are usually charged at a stated rate per day, or at a rate per rental. Add-on fees and taxes, including the CFC, local and state taxes, and unbundled rental car operating costs such as tire recycling fees, facility maintenance costs, etc. have become a significant component of the cost of renting a car at most major U.S. airports. Depending on the base rental cost, the CFC level, any caps or restrictions, and the level of other fees and taxes, the CFC may constitute a considerable portion of the total rental cost. This practice of add-on fees and taxes has drawn scrutiny and criticism from travel writers, consumer advocacy groups and other travelers.

Convenience of Airport Rental Car Facilities

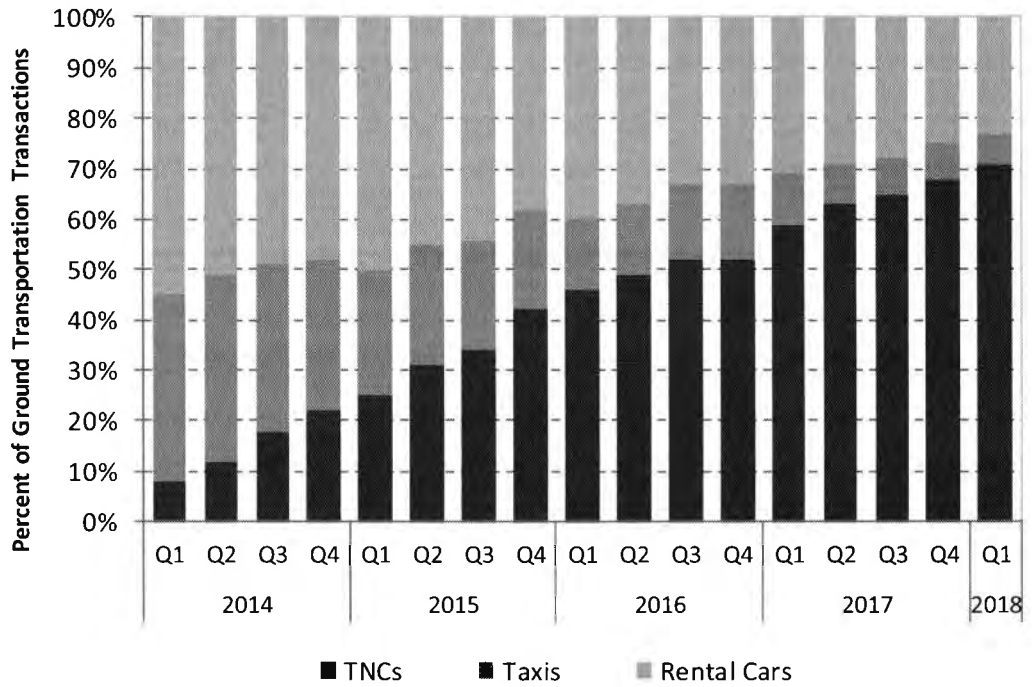
The rental car industry generally supports consolidated facilities since they often enhance the efficiency and cost effectiveness of their operations. Consolidated facilities are now common at large and medium U.S. airports. The convenience of airport rental car facilities impacts rental car demand. For example, close and conveniently located rental car facilities are preferred by the rental car industry and passengers since they may increase a passengers' propensity to rent a car. In contrast, remote or inconveniently located rental car facilities may decrease a passengers' propensity to rent a car.

Alternative Ground Transportation Options

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, increasing from less than 10% in the first quarter of 2014 to more than 70% in the first quarter of 2018, according to nationwide sample data provided by Certify Inc. (see Figure 14).^{*} While the Certify Inc. data only illustrates transactions rather than total dollars spent, and is not airport-specific, it does indicate a national trend towards TNCs and away from traditional modes of ground transportation for business travelers. Some markets have started to mature in terms of TNC use, while others continue to see an increase in market share for TNCs, with reductions to other forms of ground transportation.

^{*}Certify Inc. is a cloud-based travel and expense software company. Certify Inc. data is based on actual expense data from the submitted expense reports of business travelers and excludes leisure travelers. Additionally, Certify Inc. does not publish data on airport parking expense data.

Figure 14
National Trends in Business Ground Transportation Transactions
 (calendar years)



Note: Certify Inc. is a cloud-based travel and expense software company. The Certify Inc. analysis is based on actual expense data from the submitted expense reports of business travelers.

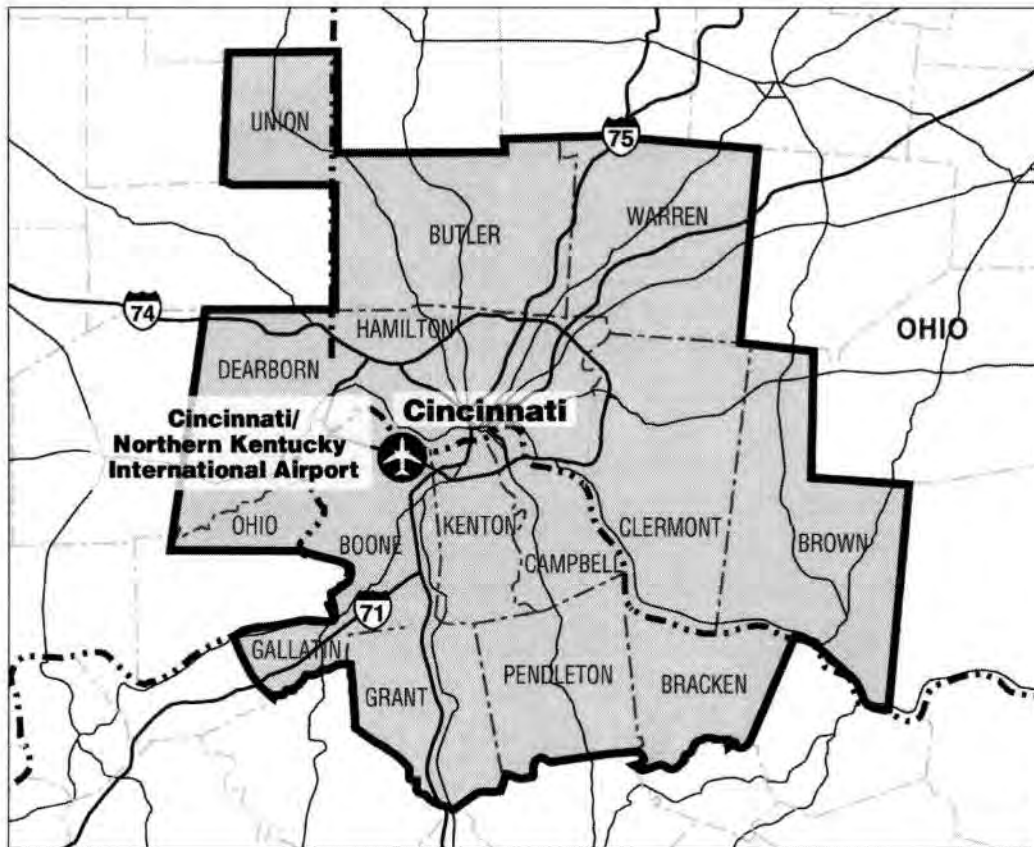
Sources: Certify Inc., Certify Inc., Ride-Hailing Continues to Rise, 2016, and press releases, www.certify.com.

FACTORS AFFECTING RENTAL CAR DEMAND AT THE AIRPORT

Distance of the Airport to Key Destinations in MSA and Size of MSA

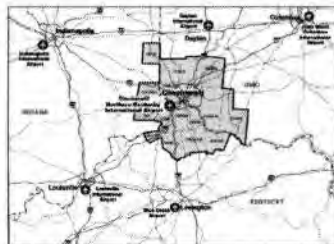
The Airport is located approximately 13.1 road miles southwest of downtown Cincinnati. (see Figure 15), however the MSA area is expansive. The MSA expands into 3 states and traveling from the Airport to the corners of the MSA could take over an hour. The distance to and from the Airport and a traveler's ultimate destination(s), and the lack of alternative public transportation options within the Cincinnati and Northern Kentucky area, can make the cost of a rental car more convenient and economical compared to other transportation options.

Figure 15
MSA Region and Drivetime from Airport
Cincinnati/Northern Kentucky Area



LEGEND

 Airport service region
 State boundary
 County boundary



Drivetime from the Airport to:	
Northwest (Union)	1 hour 25 minutes
Northeast (Warren)	1 hour 10 minutes
Southeast (Brown)	1 hour 10 minutes
Southwest (Gallatin)	40 minutes

Location of Rental Car Facilities

One of the main drivers for the Series 2019 CFC Bond Project at CVG is to construct a Consolidated Rental Car Facility (CONRAC) which is expected to improve customer service. Specifically, the CONRAC includes a Ready/Return Area, a Quick Turnaround Area (QTA), a rental car Service Yard, and a Customer Service Building (CSB). Once the CONRAC is complete, rental car customers will no longer be required to take a shuttle bus to the remote rental lots but will be able to walk directly from the Terminal to the CSB and out to their cars in a covered garage. The CONRAC will reduce the overall transit time from deplaning an aircraft to departing the Airport in a rental car. Customers loading and unloading their vehicles will also be protected from the elements, whereas existing facilities are mostly uncovered.

Current and Planned CFC Levels

CFC levels are a component of overall fees and pricing per rental and are often compared to other U.S. airports. For example, to the extent that an airport has a low CFC rate, they may have capacity for moderate increases without scrutiny from rental car agencies, rental car customers, travel advocacy groups, or local stakeholders. The ability to adjust the CFC rate higher may provide flexibility for airport operators in circumstances where CFC related facility costs increase or if demand decreases. In contrast, an airport that has a high CFC rate may not have as much flexibility in similar circumstances.

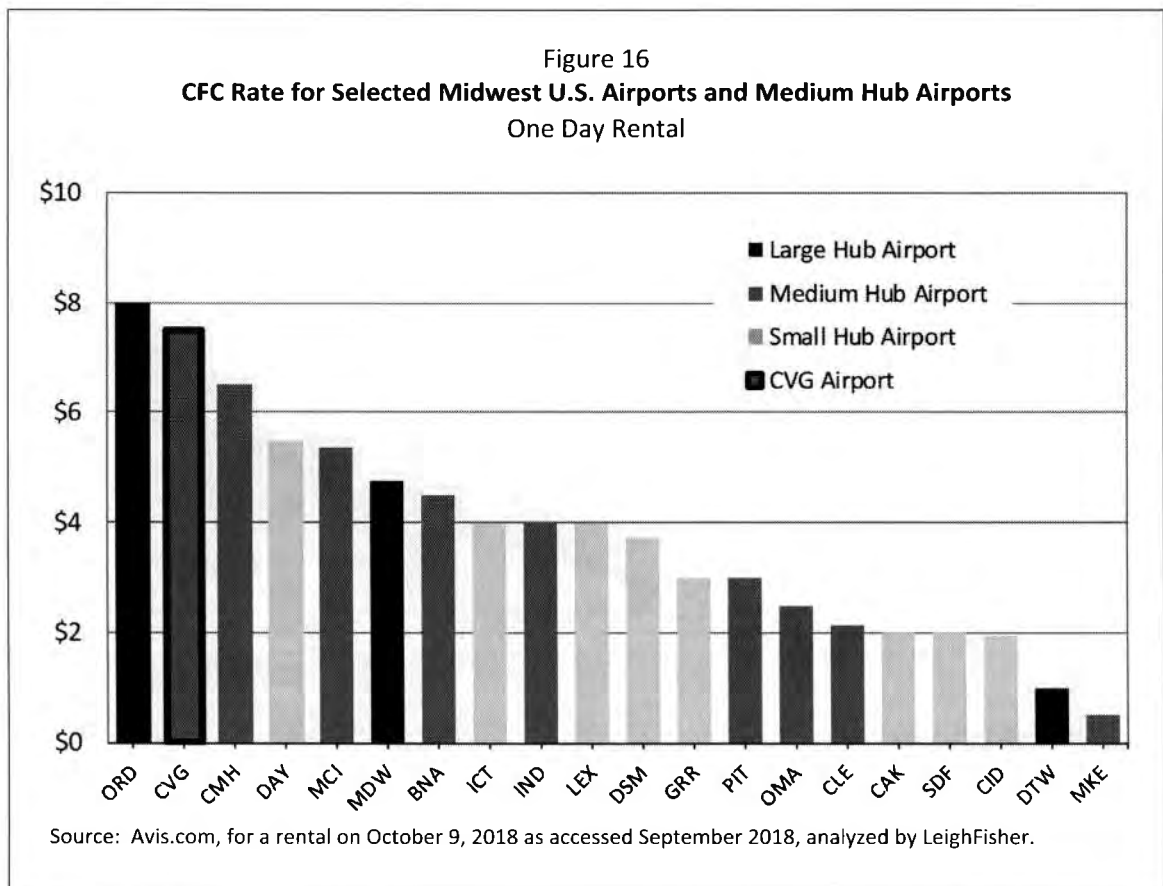
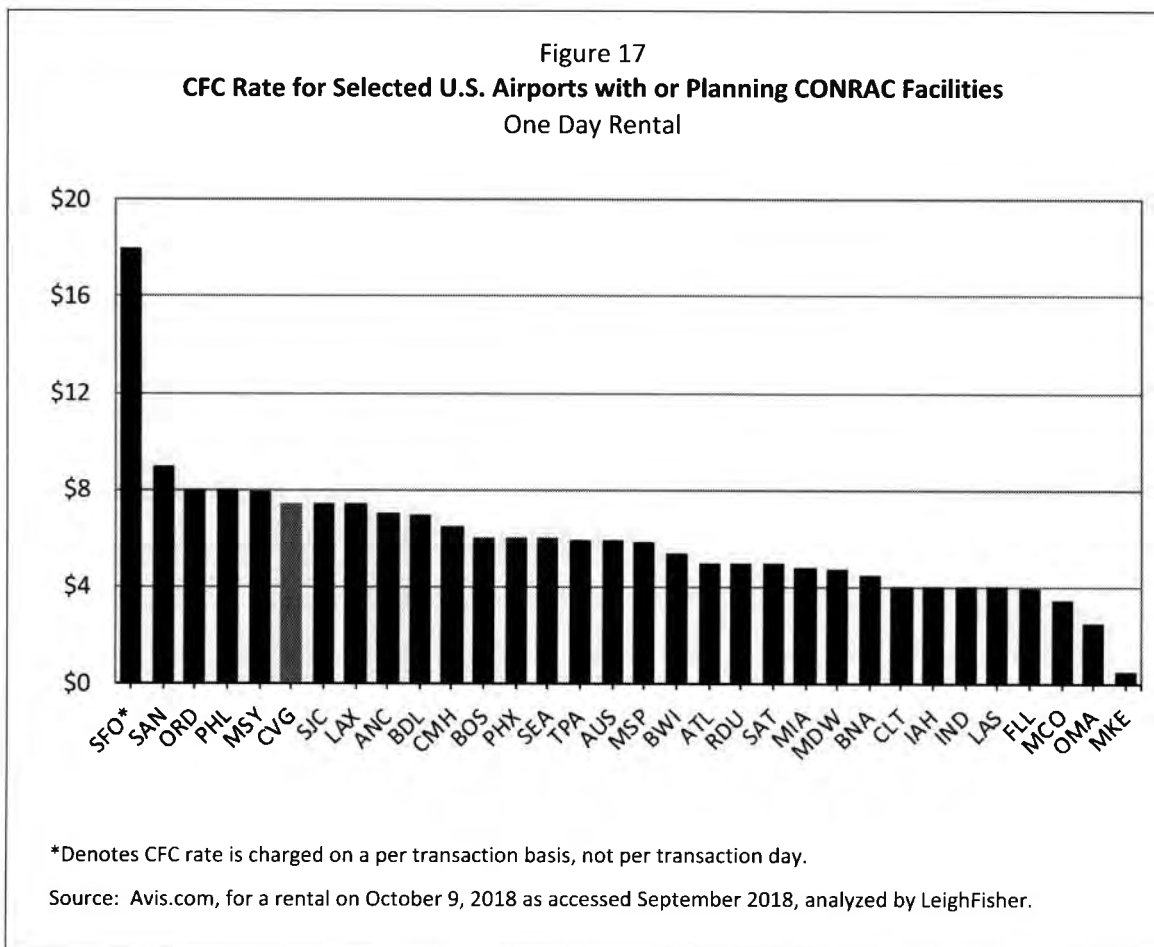


Figure 16 shows the CFC rate for selected medium hub airports and airports located in the mid-west region of the U.S. CVG’s rate of \$7.50 per transaction day is at the upper range of the sample. It is important to note that the CFC rate is one component of the total costs of rental, as described below.

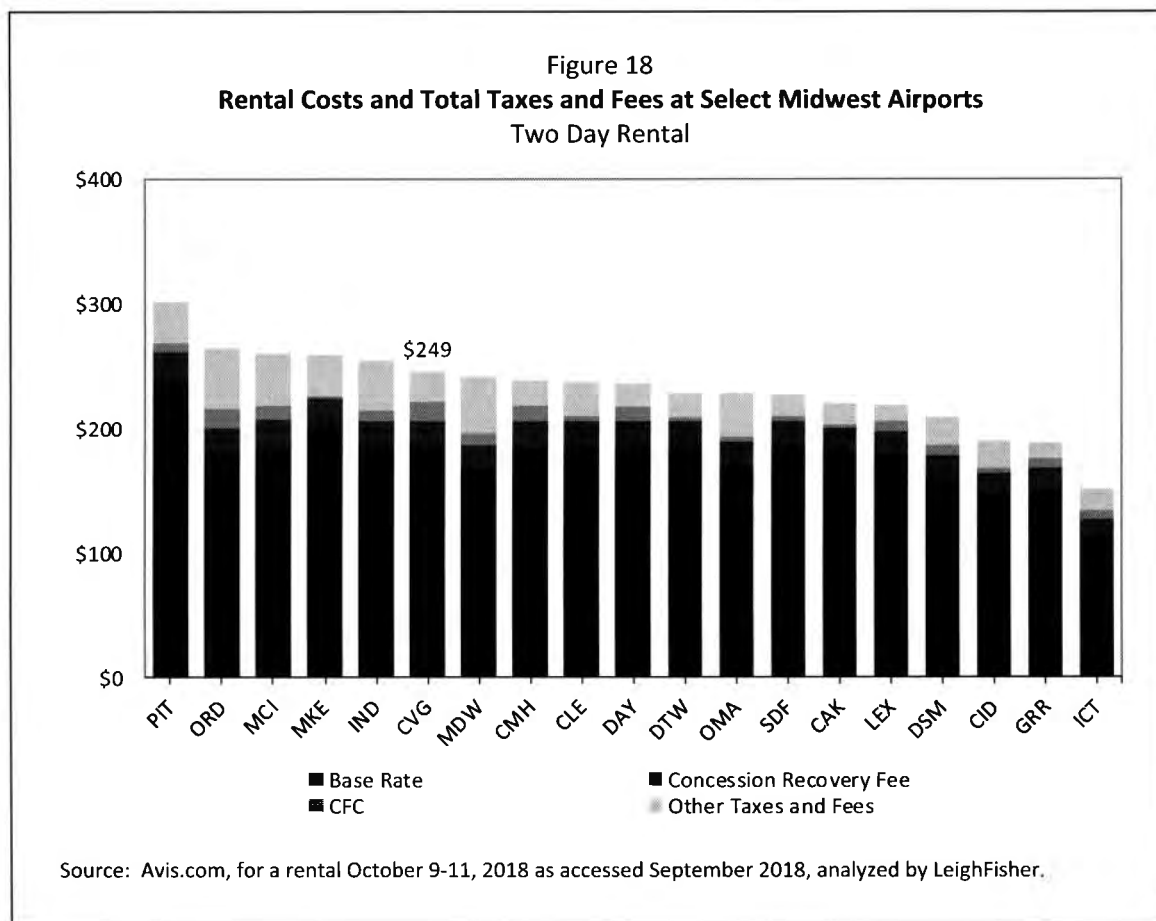
The CFC rate per transaction day at CVG increased from \$3.75 to \$4.75 in January 2015, to \$6.00 in November 2016, and to \$7.50 in January 2018. There were no noticeable decreases in transactions after the CFC rates were increased, however the exact impact of this increase on the number of rental car transactions is difficult to isolate, as changes in overall pricing or monthly variations in propensity to rent can also impact rental car transactions. No further increases to the CFC are planned during the forecast period.

Figure 17 shows the CFC rate for airports that currently have, or are planning to develop, a multi-level CONRAC facility similar to what is planned at CVG (i.e., this figure excludes airports that have Ready/Return and QTA facilities constructed at grade). The current CFC rate of \$7.50 ranks CVG in the top quartile of airports from this sample.



The CFC rate is one component of the total costs of rental. Figure 18 presents the average total cost for a rental car customer on a two-day rental at selected Midwest airports. The average total cost is split into components including base rental rates, Concession Recovery Fees, CFCs, and all other fees and taxes. CVG charges a CFC rate of \$7.50 per transaction-day, which could translate to \$15.00 on a 2-day rental for example, but that is a relatively small component when compared to the average total costs a rental car customer at CVG pays (\$249).

Among the airports shown in Figure 18, CFCs, other fees, and taxes make up between 17.6% and 31.8% of total rental costs. Based on the \$7.50 CFC rate per transaction-day currently in effect, CVG's ratio of CFCs, other fees, and taxes are 24.3% of total rental costs.



Ground Transportation Alternatives

There are a number of ground transportation alternatives for passengers at the Airport. Table 14 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. Since parking transactions are generated primarily from resident passengers or meet and greet traffic

and not directly related to visitors with a propensity to rent vehicles, Table 14 also summarizes ground transportation transactions exclusive of parking transactions. Rental car transactions accounted for 55% of other ground transportation transactions, and TNCs and taxis accounted for 34% and 9%, respectively.

Table 14
Ground Transportation Transactions and Market Share
Cincinnati/Northern Kentucky International Airport
(calendar years; 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%	
Share of Other GT Transactions						
Rental Cars	61%	58%		58%	55%	
Taxicabs	15%	10%		11%	9%	
TNCs	16%	27%		26%	34%	
Van Shuttles	8%	4%		5%	2%	
Total Other GT Transactions	100%	100%		100%	100%	

Note: YTD = 9 months year-to-date, ended September 30.

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

(a) Resident/Visitor split for 2018 is based on 3 months actual data and 6 months estimated.

Sources: Kenton County Airport Board; LeighFisher.

Taxis and Shuttle Service

Visiting passengers also have the option to use shuttle service, car service, and taxis. The Airport is served by over 30 taxi companies. Taxis can be accessed through Baggage Claim door 5, where 12 spaces are reserved for cab loading/unloading. Taxi service is available 24 hours a day and may be reserved in advance. The average fare from CVG to downtown Cincinnati, a 20 to 30-minute drive, is \$30 to \$35.

Executive Transportation provides shuttle, van, or limousine service to hotels, attractions, and other locations throughout the region. One-way shuttle service to downtown Cincinnati is \$26 and is \$40 round-trip. Service is available via shuttle desks in the Baggage Claim area. Shared shuttle services often involve multiple stops to pick up or drop off other passengers, so the length of a trip could vary, depending on the number of passengers, the pick-up or drop-off point, and traffic.

Public Transit

Like many medium sized airports in the mid-west, CVG offers scheduled bus service to reach the main nearby population center, but there are no subway or commuter rail lines serving the area. The Transit Authority of Northern Kentucky (TANK), a local public transportation provider, offers their Express 2x Bus service (also known as the "Airporter") to the Airport from the downtown Cincinnati Central Business District with a regularly priced one-way fare of \$2.00 and an average travel time from the terminal to downtown of 29 minutes. There are no stops between downtown Cincinnati to the Airport, and from the Airport to downtown there is only one stop in Kentucky at a nearby local transit center. The line operates weekdays from 5 am to midnight every half hour during peak times, and every hour between peak times. On weekends it runs hourly during the same time range.

Transportation Network Companies

TNCs began operating at the Airport with the local launch of Lyft in July 2015, followed by Uber in September 2015. In 2017 TNCs represented 27% of ground transportation transaction market share (excl. parking), nearly doubling over the 16% seen in 2016 (see Table 14). At many airports, TNCs provide a more convenient mode of ground transportation to passengers as compared to other modes defined above. As a result, TNCs have grown in market share, both nationally and at CVG. At CVG the TNCs share similar challenges in terms of distance of travel as taxis, however the typical cost of a TNC is much lower than that of a taxi, and the level of customer acceptance in using mobile-app purchasing is increasing. TNCs can be accessed through Baggage Claim at door 10 at the Rideshare Pickup Area.

TNCs reported roughly 204,000 transactions in 2017, and 216,000 transactions year to date in 2018. Although some of these rides may be in place of passengers who relied on friends and family for transportation to/from the Airport, many are likely to have been at the expense of traditional ground transportation options.

HISTORICAL ANALYSIS OF RENTAL CAR DEMAND

Visiting Passengers

The forecast of visiting passengers, as previously discussed, reflects leisure and business demand for air travel to the Airport Service Region. The forecast of visiting passengers is summarized in Table 12.

From 2014 through 2017 changes in visitor passenger growth outpaced growth in rental car transactions. Gross rental car revenues also increased, however, the revenue per transaction decreased slightly during these years. This decrease could be due to a number of factors, including, a general decrease in the cost of a rental car across the local market, the changing market share of the various brands within each brand family, or a decrease in the average length of rental. With the Airport gaining additional air service on a number of routes, some travelers may be able to reduce the overall length of their trip, requiring a rental car for fewer days, contributing to a reduced duration in some years.

Table 15 below summarizes the trends in key rental car metrics and visiting passengers. The sections on the subsequent pages graphically present trends for the metrics and add additional context on changes

Table 15
Trends in Key Rental Car Metrics and Visiting Passengers
 Cincinnati/Northern Kentucky International Airport
 (calendar years)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Visitor Passengers (a)	934	948	919	857	805	814	874	1,010	1,196	1,348
<i>Percent change</i>		1.6%	(3.1%)	(6.7%)	(6.2%)	1.2%	7.4%	15.6%	18.4%	12.6%
Rental car transactions (a)	304	307	311	308	313	320	328	356	376	428
<i>Percent change</i>		1.1%	1.3%	(1.1%)	1.6%	2.5%	2.4%	8.4%	5.8%	13.7%
Gross Rental Car Revenues (a)	\$56,551	\$56,522	\$57,342	\$58,473	\$57,808	\$57,816	\$63,001	\$67,276	\$69,529	\$76,428
<i>Percent change</i>		(0.1%)	1.5%	2.0%	(1.1%)	0.0%	9.0%	6.8%	3.4%	9.9%
Revenue per Transaction	\$186.23	\$184.08	\$184.43	\$190.08	\$184.89	\$180.39	\$192.02	\$189.24	\$184.83	\$178.62
<i>Percent change</i>		(1.2%)	0.2%	3.1%	(2.7%)	(2.4%)	6.4%	(1.4%)	(2.3%)	(3.4%)
Propensity to Rent	32.53%	32.38%	33.84%	35.88%	38.86%	39.37%	37.52%	35.18%	31.45%	31.75%
Average Length of Rental (days)	3.45	3.38	3.44	3.55	3.57	3.58	3.55	3.63	3.64	3.42
<i>Percent change</i>		(2.1%)	1.8%	3.1%	0.6%	0.5%	(1.0%)	2.5%	0.0%	(6.0%)
Transaction-Days (a)	1,047	1,037	1,069	1,091	1,115	1,148	1,164	1,292	1,367	1,461
<i>Percent change</i>		(1.0%)	3.1%	2.0%	2.2%	3.0%	1.3%	11.0%	5.9%	6.9%
CFC Revenues (a)	\$3,928	\$3,887	\$4,008	\$4,090	\$4,181	\$4,306	\$4,363	\$5,745	\$6,726	\$8,768
<i>Percent change</i>		(1.0%)	3.1%	2.0%	2.2%	3.0%	1.3%	31.7%	17.1%	30.4%

Notes:

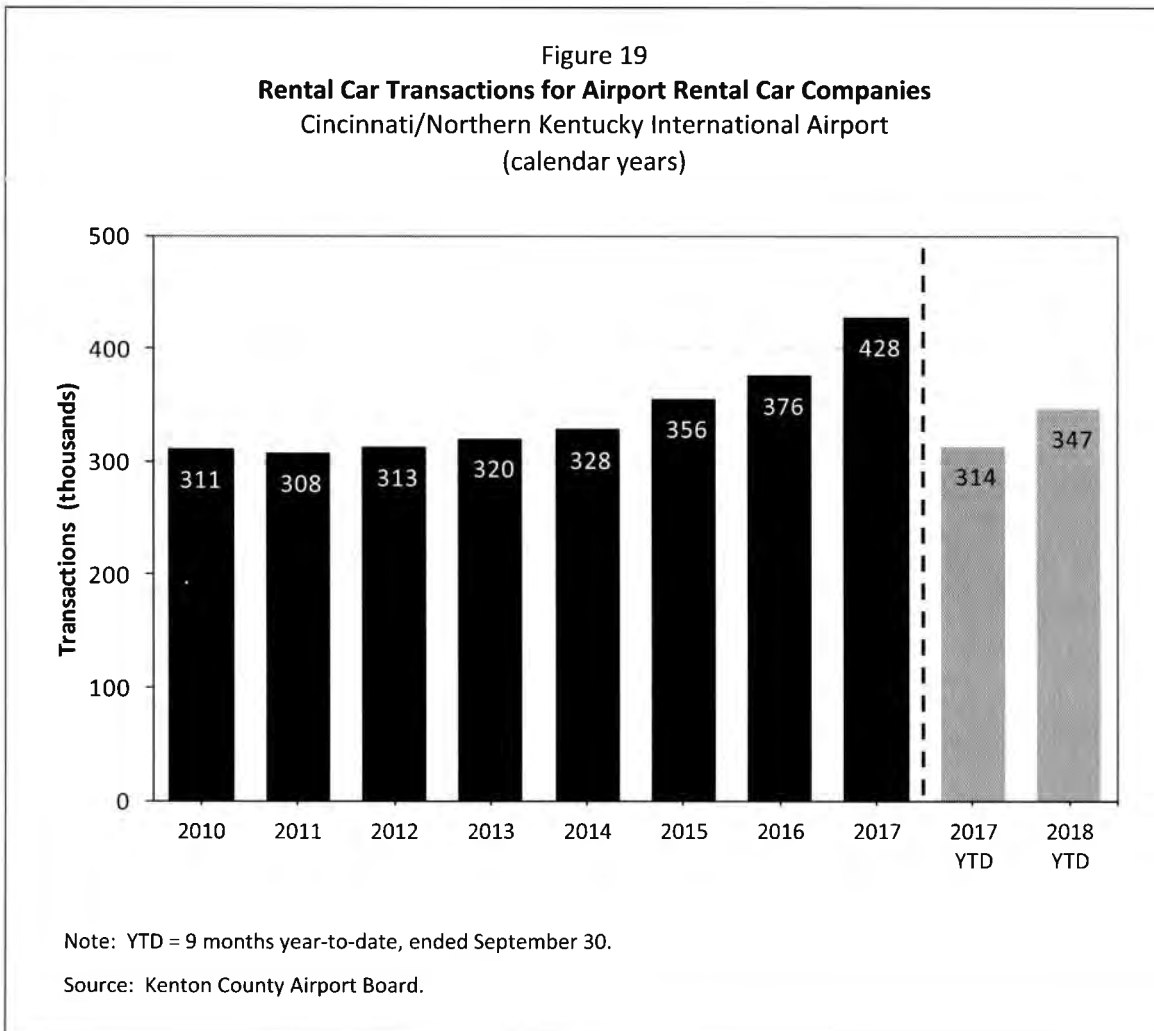
(a) In thousands

The CFC rate was amended from \$3.75 to \$4.75 in 2015, to \$6.00 in 2016, and to \$7.50 in January 2018, which impacted the CFC Revenues line item.

Source: Kenton County Airport Board.

Rental Car Transactions

Figure 19 shows the trend in Airport rental car transactions since 2010. There were 428,000 transactions in 2017. Transactions in 2017 were 37.6% higher than 2010 levels, or 4.7% CAGR between 2010-2017. Transactions in 2017 were 13.7% higher compared to the prior year and in 2018 are 10.7% higher year to date (through September, or 9 months). The growth in rental car transactions correlates to the increased number of visiting passengers the Airport has experienced since 2014.

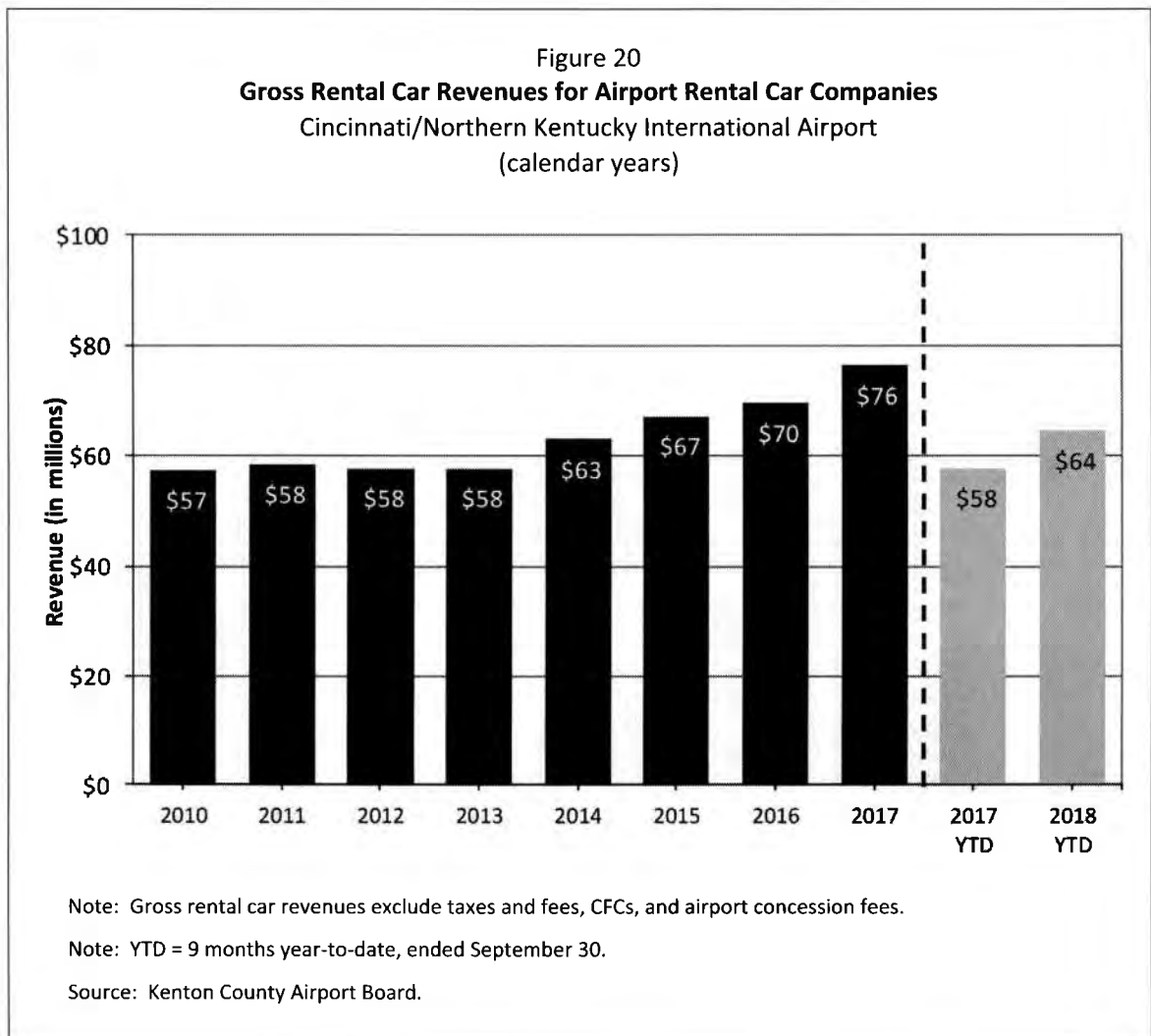


Gross Rental Car Revenues

Figure 20 shows the trend in Airport rental car gross revenue at the Airport since 2010. Gross revenues in 2017 were \$76 million, 33.3% higher than in 2010, or a CAGR of 4.2%. Revenues increased 9.9% for 2017 compared to 2016. 2018 revenues are 11.5% higher than the same period of 2017 (through September, or 9 months).

As presented in Figure 20, gross rental car revenues increased nearly 10% in 2017 which compares to a 13.7% increase in the number of rental car transactions for the same period. This indicates that (1)

the average cost of a rental has decreased, (2) cars are being rented for a shorter period, or (3) some combination thereof.

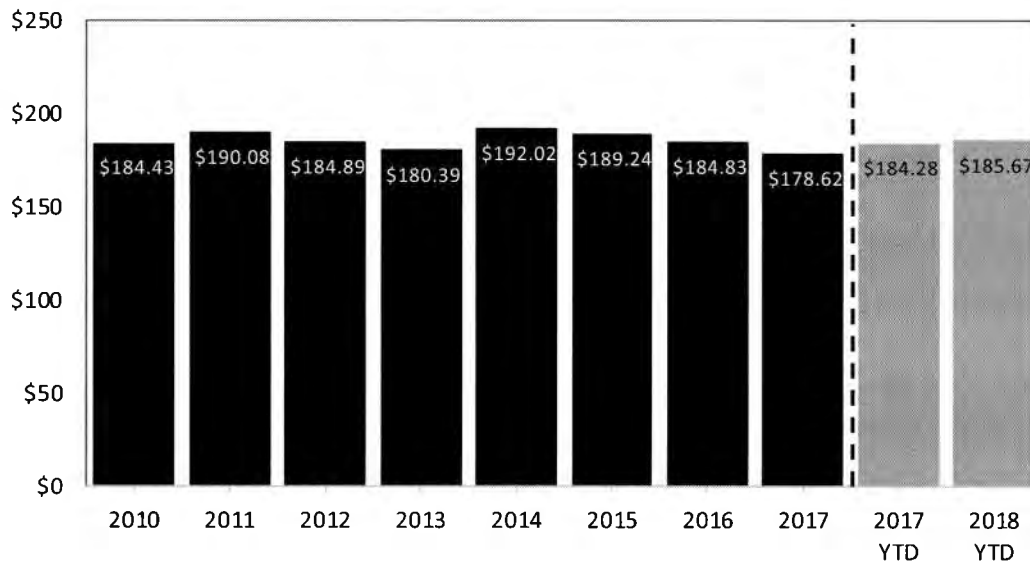


Average Revenue per Transaction

In 2015, the rental car companies began to lower prices nationwide because of an oversupply of vehicles. The rental car industry overestimated future levels of rental car activity, purchasing 1.5 million vehicles in 2015; the highest since 2007. Excess vehicle inventory levels exerted downward pressures on car rental rates. The rental car industry gradually managed to right-size their fleet and normalize pricing practices, with many markets showing a stabilization of average revenue per transaction by 2016 or early 2017.

As shown in Figure 21, revenue per transaction at the Airport increased in 2014, but decreased in 2015 and 2016, driven in part, by the factors mentioned above. The rental car market at the Airport continued to show decreases in revenue per transaction in 2017, with an average revenue per transaction of \$178.62, down 3.4% from the prior year. Year to date data through September 2018 (9 months) shows an increase year-over-year of 0.8%, compared to the same period in 2017.

Figure 21
Revenue per Transaction for the On-Airport Rental Car Companies
 Cincinnati/Northern Kentucky International Airport
 (calendar years)



Note: YTD = 9 months year-to-date, ended September 30.

Source: Kenton County Airport Board.

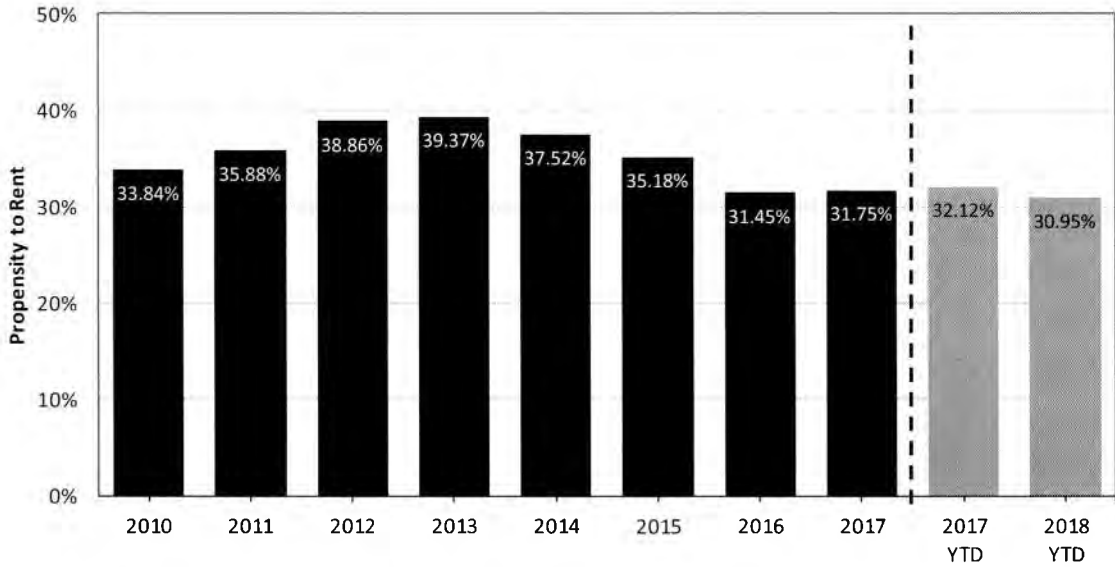
Rental Car Transactions per Visiting Passenger

From 2010 to 2015, the ratio of rental car transactions per visiting passenger (the propensity to rent), ranged from approximately 34-40%, with an average of 36.9%. However, as shown in Figure 22, for 2016 this ratio fell to an average 31.45% before recovering slightly to 31.75% in 2017.

In any given year, the winter quarter (January to March – Q1) tends to exhibit the highest propensity to rent, while the fall quarter (October to December – Q4) tends to exhibit the lowest. Figure 23 presents the propensity to rent by quarter for the last four and a half calendar years through June 2018, which includes both the period of LCC carrier growth at the Airport and the emergence of TNCs. This shows the propensity to rent decreased from 39.9% in 2014 Q1 to 29.7% in 2018 Q2.

A number of factors could be contributing to a declining propensity to rent. Propensity to rent is an imputed calculation based on visitor passengers and transactions. If growth in visitor passengers outpaces growth in transactions, then propensity to rent falls. The growth in LCC service at the Airport may have led to an increase in average trip size (i.e., more visitors traveling in groups), which would cause the propensity to rent to fall. Other factors could impact the propensity to rent such as changes in cost of renting a car, the growth of TNCs, or the characteristics of visiting passengers to the MSA.

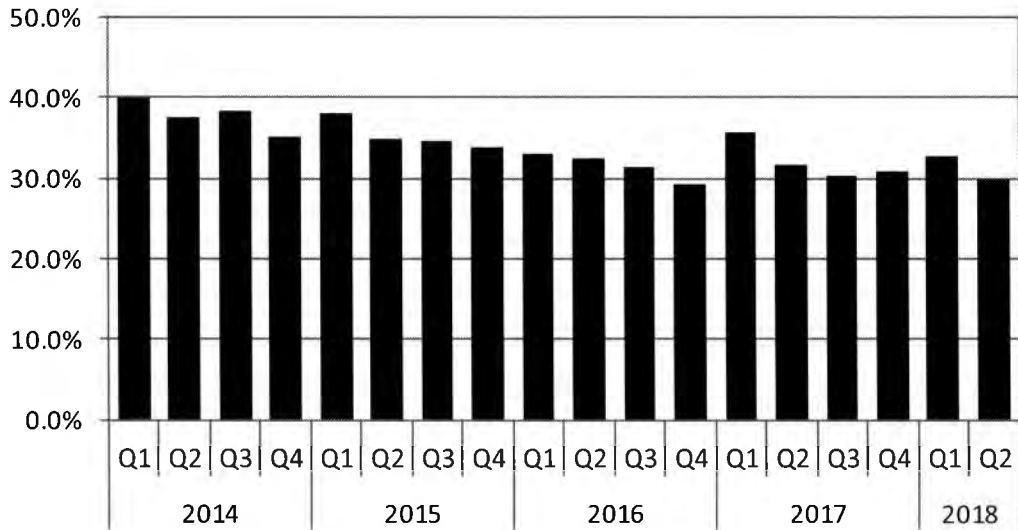
Figure 22
Propensity to Rent
 (calendar years)



Note: YTD = 6 months year-to-date, ended June 30.

Sources: Actual—Kenton County Airport Board.; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

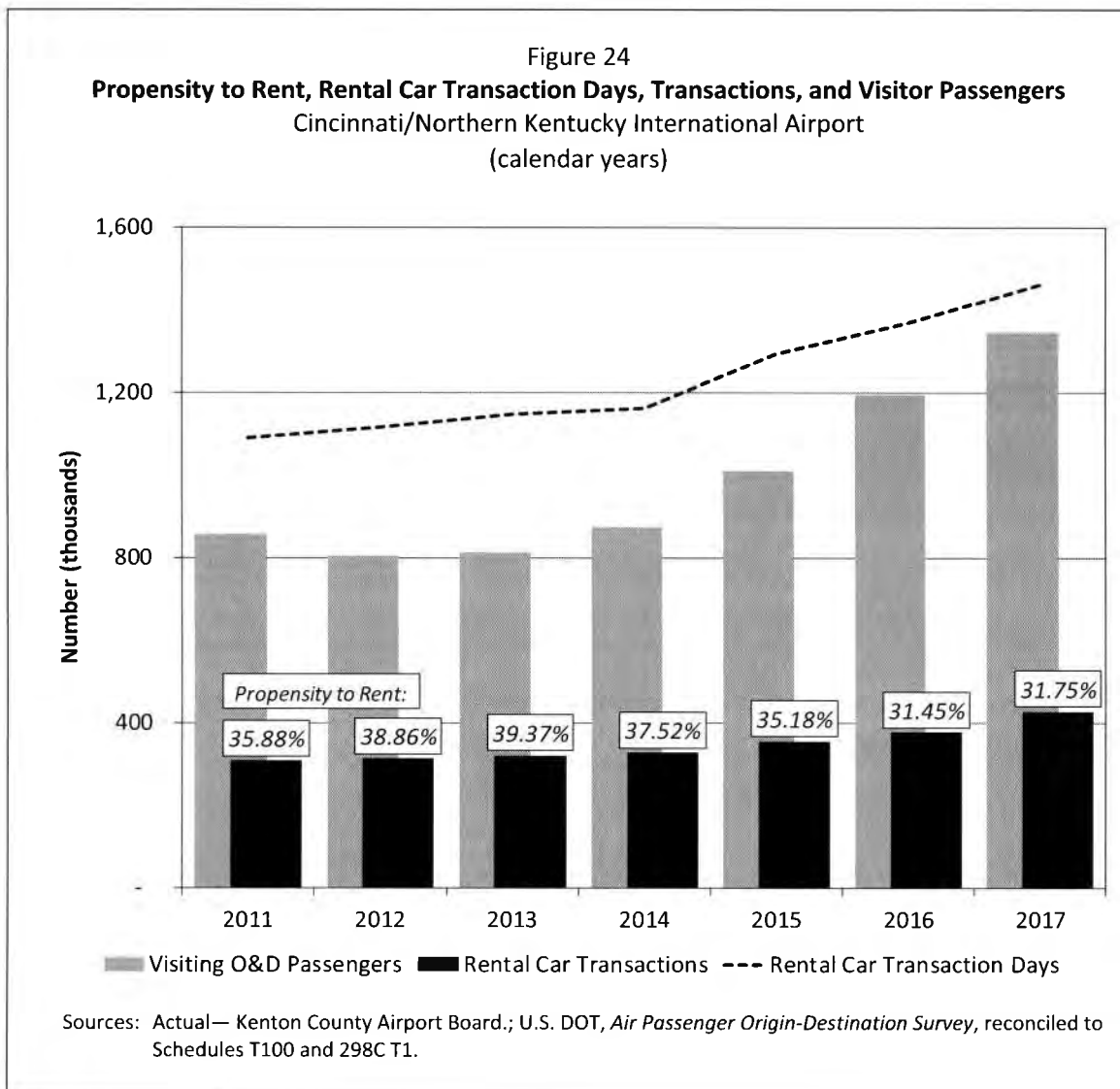
Figure 23
Propensity to Rent
 2014 Q1 to 2018 Q2 by Quarter



Sources: Actual—Kenton County Airport Board.; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Visiting passenger numbers increased to 1.35 million in 2017 compared to 1.20 million in 2016 (an increase of 12.6%), and the number of rental car transactions increased from 376,000 to 428,000 (an increase of 13.7%) in the same period.

While the propensity to rent has fallen from a high of 39.37% in 2013, to 31.75% in 2017, Figure 24 shows that the number of visiting passengers, rental car transactions, and rental car transaction days all increased. This indicates that there is still a consistent demand for rental cars in the market, even though the ratio of rental car transactions to visiting passengers has fallen. As discussed earlier, the characteristics of the growing number of visiting passengers may be impacting the propensity to rent more than the changing behaviors of previous or recurring visiting passengers.



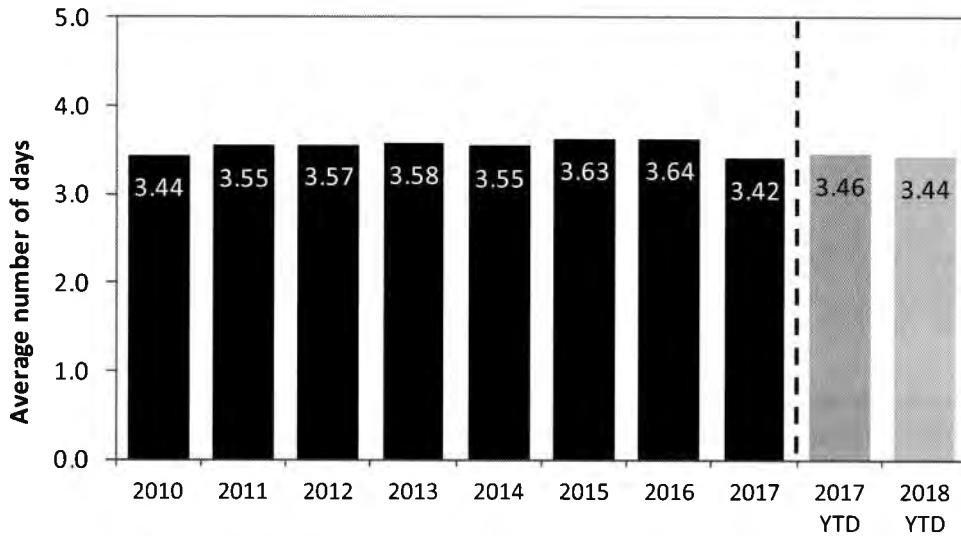
Average Length of Rental

The average length of rental, or duration, is calculated by dividing the number of transaction days by the number of rental car transactions. A transaction-day refers to a 24-hour period or fraction thereof for which a rental car customer is provided the use of a rental car for compensation regardless of the duration or length of the rental term. If the same rental car is rented to more than one customer within a continuous 24-hour period, then each rental is calculated as a transaction-day and is subject to collection of the per transaction-day CFC.

As shown in Figure 25, the average length of rental, or duration at the Airport and was 3.42 days in 2017, and has been relatively consistent since 2010. One possible explanation for the decrease from 2016 is due to the Airport gaining additional air service and frequencies. With additional morning arrivals, or evening departures, some travelers may be able to reduce the overall length of their trip somewhat, requiring a rental car for fewer days, contributing to a reduced duration on average.

Year to date average duration through September 2018 is consistent with the same period of 2017. However, there is some seasonality to the average duration as shown in Figure 26. The average length of rental peaks in the summer (quarter 3) and dips in winter months (quarter 1).

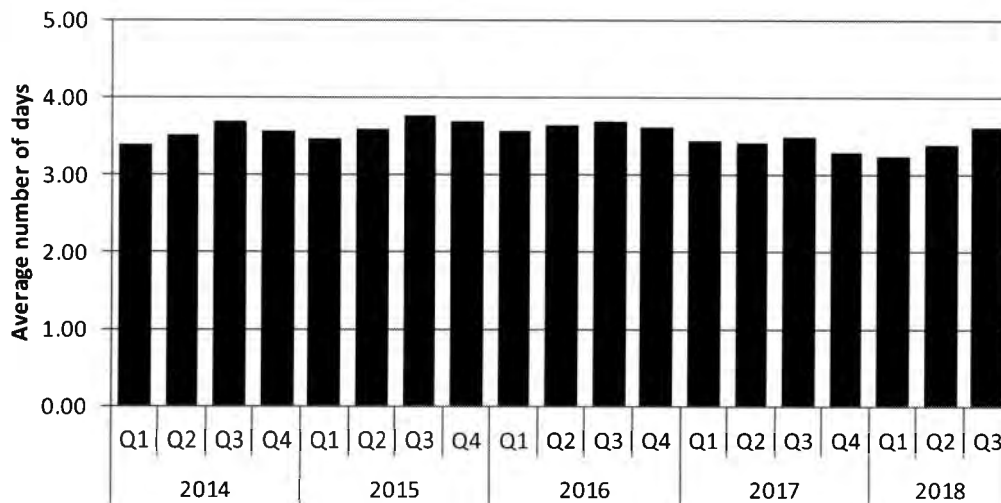
Figure 25
Average Length of Rental
 Cincinnati/Northern Kentucky International Airport
 (calendar years)



Note: YTD: 9 months year-to-date, ended September 30.

Source: Kenton County Airport Board.

Figure 26
Quarterly Average Length of Rental
 Cincinnati/Northern Kentucky International Airport



Source: Kenton County Airport Board.

FORECAST OF RENTAL CAR DEMAND

Forecast of Propensity to Rent and Transactions

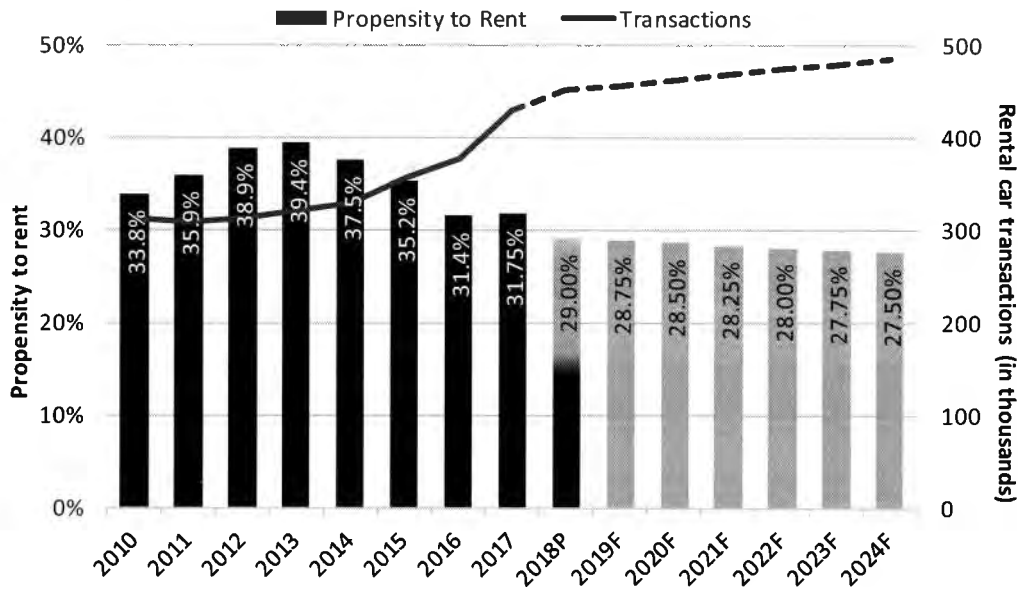
The number of visiting passengers increased by approximately 150,000 in 2017 over 2016 (an increase of 12.6%), and the estimate for 2018 projects a further increase of over 200,000 visitors (15.4%). Rental car transactions increased 13.7% in 2017 compared to 2016 and are projected to increase a further 5.4% in 2018.

The propensity to rent in 2017 was 31.8%. This is a slight increase from 31.4% in 2016, reversing a trend of decreasing propensity to rent seen in recent years. The estimate for 2018 is for a further reduction in the propensity to rent to 29.0%. This decrease is consistent with recent historical decreases which were due to a number of factors described earlier which impacted CVG and many other airports, most notably the introduction of TNCs.

As shown in Figure 27, declines in the propensity to rent are forecast through 2024 at 0.25% per year on the assumption that recent historical trends will continue, albeit at a lesser rate. The opening of the new CONRAC in 2021 will bring some added convenience to rental car customers since the location will be next to the terminal. Although this added convenience may have a positive influence on the propensity to rent, it is not factored into the forecast. As noted earlier, the Airport increased the CFC rate per transaction-day to \$7.50 in 2018. The forecast assumes that no significant decrease in propensity to rent or transactions will occur because of the increased CFC rate.

Figure 27 also presents the forecast of rental car transactions. Despite an expected reduction in the propensity of visiting passengers to rent cars, the number of rental car transactions is forecast to increase given the forecasted increase in visiting passengers. Visiting passengers are forecast to increase between 1.7% and 2.5% between 2019 and 2024, while rental car transactions are forecast to increase 1.2% per year, on average between 2018 and 2024.

Figure 27
Forecast of Propensity to Rent and Rental Car Transactions
 Cincinnati/Northern Kentucky International Airport
 (calendar years)



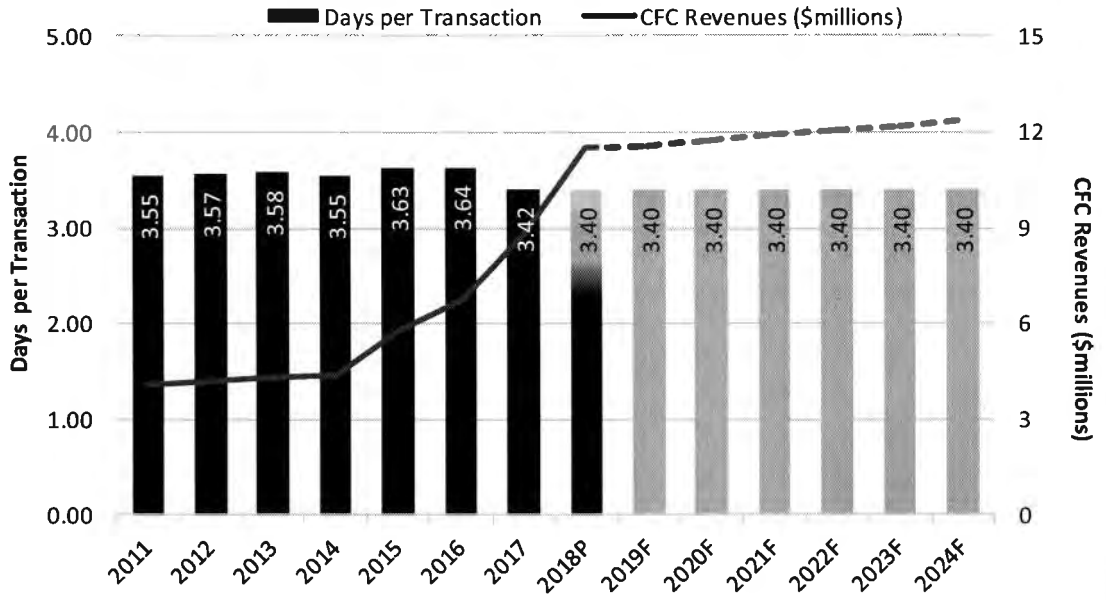
Sources: Actual—Kenton County Airport Board
 Forecast—LeighFisher, November 2018.

Forecast of CFC Transaction-days and CFC Revenues

Figure 28 presents the forecast of CFC revenues and rental car transaction-days. The average number of days per rental car transaction are forecast to remain at 3.40 for the forecast period.

As previously mentioned, the primary variables of consequence to forecasting CFC revenues are: (1) visiting passengers, (2) rental car transactions, (3) rental car transaction-days, and (4) the CFC rate per transaction-day. CFC revenues are forecast to increase from \$8.8 million in 2017 to \$11.5 million in 2018, or 31%. CFC revenues increased from \$6.5 million to \$8.9 million through 9 months of 2017 as compared to 2018, or a 37% increase. Even with the continued downward pressure on the propensity to rent, CFC revenues are forecast to increase 1.3% per year, on average, between 2019 and 2024. The forecasted growth is due to a projected 2.2% average annual increase in visiting passengers and a resulting 1.3% average annual increase in transactions. It is assumed that the CFC rate will remain unchanged from \$7.50 throughout the forecast period.

Figure 28
Forecast of Days per Transaction and CFC Revenues
 Cincinnati/Northern Kentucky International Airport
 (calendar years)



Sources: Actual—Kenton County Airport Board. Forecast—LeighFisher, November 2018.

Note: As noted earlier, The CFC rate was amended from \$3.75 to \$4.75 in 2015, to \$6.00 in 2016, and to \$7.50 in January 2018, which impacted the CFC Revenues line item.

RENTAL CAR FINANCIAL ANALYSIS

PLAN OF FINANCE

The Series 2019 CFC Bond Project includes the CONRAC, and the GTC. The Board intends to issue the Series 2019 CFC Bonds, in the par amount of \$104,795,000.* Proceeds from the Series 2019 CFC Bonds are expected to be used for the following purposes:

- Financing portions of the 2019 CFC Bond Project (the CONRAC and the GTC),
- Fund the debt service reserve fund and coverage fund for the Series 2019 CFC Bonds,
- Pay the costs of issuing the Series 2019 CFC Bonds, including underwriters' discount and financing, legal, and other costs.

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 2019 Project. In addition to the Series 2019 CFC Bonds, the Series 2019 Revenue Bonds are to be issued to fund the Main Terminal Roadway Improvement Project. The Series 2019 Revenue Bonds are being issued simultaneously with the 2019 CFC Bonds to pay the costs of the Series 2019 Revenue 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.

FORECAST DEBT SERVICE COVERAGE

Exhibit 2 summarizes the forecasts of CFC Revenues, Annual Debt Service, and debt service coverage, taking into consideration debt service on the proposed Series 2019 CFC Bonds and the forecast assumptions described in this Report.

The calculation of debt service coverage indicates compliance with the Rate Covenant of the CFC Trust Indenture in each year of the Forecast Period.

STRESS TEST FINANCIAL PROJECTIONS

Exhibit 3 summarizes the stress test forecasts of CFC Revenues, aggregate annual Debt Service, and debt service coverage, taking into consideration debt service on the proposed Series 2019 CFC Bonds. The stress test visitor passenger forecasts are as presented earlier. (See the chapter "Air Traffic Forecasts" and caption "Stress Test Forecast of Originating Passengers"). In the stress test scenario, visiting passenger numbers are forecast to be 15% lower in 2020 than in 2019.

In addition to the reduction in visiting passengers, the stress scenario assumes a 2% reduction in the propensity to rent in 2020 compared to the 2018 rate.

If such a scenario were to occur, the Board could evaluate changes to the CFC rate, or trigger Annual Requirement Deficiency Payments (neither of which are assumed for the purposes of this stress scenario). Under the stress test scenario, the calculation of debt service coverage indicates compliance with the Rate Covenant of the CFC Trust Indenture in each year of the Forecast Period.

*Preliminary and subject to change.

Exhibit 1
Plan of Finance
 Cincinnati / Northern Kentucky International Airport
 Kenton County Airport Board

Bond Sources and Uses of Funds	Series 2019 CFC Bonds	Series 2019 Revenue Bonds	Total
Bond Sources of Funds			
Par Amount of Bonds	\$ 104,795,000	\$ 34,995,000	\$ 139,790,000
Premium / (Discount)	-	3,387,730	3,387,730
Total Bond Sources of Funds	\$ 104,795,000	\$ 38,382,730	\$ 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	1,680,474	563,242	2,243,716
Total Bond Uses of Funds	\$ 104,795,000	\$ 38,382,730	\$ 143,177,730
Project Sources and Uses of Funds	Series 2019 CFC Bond Project	Series 2019 Revenue Bond Project	Total
Project Sources of Funds			
Bond Proceeds	\$ 94,000,000	\$ 35,300,000	\$ 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	\$ 169,661,704	\$ 35,300,000	\$ 204,961,704
Total Project Uses of Funds	\$ 169,661,704	\$ 35,300,000	\$ 204,961,704

Sources: Kenton County Airport Board, Frasca & Associates, LLC.

Exhibit 2
Forecast of CFC Revenues and Rate Covenant Compliance
 Cincinnati / Northern Kentucky International Airport
 Kenton County Airport Board
 (for Fiscal Years ending December 31)

The forecast presented in this exhibit 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.

		Historical			Projected		Forecast				
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Originating Visitor Passengers	[A]	1,010,102	1,172,937	1,347,544	1,555,000	1,582,000	1,618,000	1,658,000	1,693,000	1,725,000	1,763,000
Propensity to Rent (1)	[B]	35.20%	32.07%	31.75%	29.00%	28.75%	28.50%	28.25%	28.00%	27.75%	27.50%
Transactions	[C] = [A] x [B]	355,509	376,185	427,891	450,950	454,825	461,130	468,385	474,040	478,688	484,825
Days per Transaction (average) (1)	[D]	3.63	3.64	3.42	3.40	3.40	3.40	3.40	3.40	3.40	3.40
Transaction-Days	[E] = [C] x [D]	1,291,815	1,367,475	1,461,339	1,534,305	1,546,405	1,567,842	1,592,509	1,611,736	1,627,538	1,648,405
CFC Rate (1) (2)	[F]	\$ 4.45	\$ 4.92	\$ 6.00	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
CFC Revenues (3)	[G] = [E] x [F]	\$ 5,744,000	\$ 6,726,000	\$ 8,778,000	\$ 11,507,284	\$ 11,598,038	\$ 11,758,815	\$ 11,943,818	\$ 12,088,020	\$ 12,206,531	\$ 12,363,038
Compliance with Rate Covenant - Section 7.2											
1. CFC Revenues	[G]					\$ 11,598,038	\$ 11,758,815	\$ 11,943,818	\$ 12,088,020	\$ 12,206,531	\$ 12,363,038
2. Annual Requirement Deficiency (4)	[H]					-	-	-	-	-	-
3. Interest Earnings (5)	[I]					247,430	273,812	302,862	753,568	561,216	546,427
Pledged Revenues	[J] = [G] + [H] + [I]					\$ 11,845,468	\$ 12,032,627	\$ 12,246,679	\$ 12,841,588	\$ 12,767,747	\$ 12,909,464
Amount on Deposit in CFC Coverage Fund	[K]					1,923,000	1,923,000	1,923,000	1,923,000	1,923,000	1,923,000
Pledged Revenues, plus CFC Coverage Fund Balance	[L] = [J] + [K]					\$ 13,768,468	\$ 13,955,627	\$ 14,169,679	\$ 14,764,588	\$ 14,690,747	\$ 14,832,464
Less: Repayments to CFC Coverage Fund (6)	[M]					-	-	-	-	-	-
Less: Repayments to CFC Senior Debt Service Fund (6)	[N]					-	-	-	-	-	-
Funds Available for Debt Service coverage	[O] = [L] - [M] - [N]					\$ 13,768,468	\$ 13,955,627	\$ 14,169,679	\$ 14,764,588	\$ 14,690,747	\$ 14,832,464
Annual Debt Service											
Series 2019 CFC Bonds						\$ 4,330,899	\$ 5,394,892	\$ 7,289,892	\$ 7,287,692	\$ 7,287,433	\$ 7,288,281
Total Annual Debt Service	[P]					\$ 4,330,899	\$ 5,394,892	\$ 7,289,892	\$ 7,287,692	\$ 7,287,433	\$ 7,288,281
Coverage requirement ratio	[Q]					1.25x	1.25x	1.25x	1.25x	1.25x	1.25x
Coverage requirement	[R] = [P] x [Q]					\$ 5,413,624	\$ 6,743,614	\$ 9,112,364	\$ 9,109,615	\$ 9,109,291	\$ 9,110,351
Compliance with Rate Covenant (must be greater than zero)	[S] = [L] - [R]					\$ 8,354,844	\$ 7,212,012	\$ 5,057,315	\$ 5,654,973	\$ 5,581,456	\$ 5,722,114
Debt Service coverage ratio											
Including Coverage Fund (7)	[T] = [L] / [P]					3.18x	2.59x	1.94x	2.03x	2.02x	2.04x
Excluding Coverage Fund	[U] = [J] / [P]					2.74x	2.23x	1.68x	1.76x	1.75x	1.77x
% Growth											
Originating Visitor Passengers			16.1%	14.9%	15.4%	1.7%	2.3%	2.5%	2.1%	1.9%	2.2%
Transactions			5.8%	13.7%	5.4%	0.9%	1.4%	1.6%	1.2%	1.0%	1.3%
CFC Revenues			17.1%	30.5%	31.1%	0.8%	1.4%	1.6%	1.2%	1.0%	1.3%

Sources: Kenton County Airport Board and LeighFisher

- 1.) Historical values imputed; Forecast based on assumptions described in text.
- 2.) The CFC rate was amended from \$3.75 to \$4.75 in 2015, to \$6.00 in 2016 and to \$7.50 in January 2018. As the CFC rate is set at the time of booking, some transactions after the effective date of the increase will be at the lower rate. As such a blended CFC rate is shown for transition years.
- 3.) Adjustments could include timing differences for year-end accrual estimates, plus any adjustments as a result of audits of CFC remittances that occur after publication of KCAB Financial Statements.
- 4.) Analysis assumes Annual Requirement Deficiency will not be paid as CFC rate and CFC collections are forecast to be sufficient to cover all requirements.
- 5.) Earnings on investments in the CFC Debt Service Fund, CFC Debt Service Reserve Fund, CFC Rolling Coverage Fund, CFC Renewal and Replacement Fund, and CFC Stabilization Fund; excludes interest on CFC Construction Fund and CFC Project Fund.
- 6.) Amounts necessary and sufficient to replenish any shortfalls in amounts required to be maintained in the CFC Coverage Fund and the CFC Senior Debt Service Reserve Fund.
- 7.) CFC Trust Indenture coverage calculation includes the amount on deposit in the Coverage Fund at the beginning of each year, equal to 25% of Maximum Annual Debt Service.

Exhibit 3
Forecast of CFC Revenues and 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.

		Historical		Projected		Forecast					
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Originating Visitor Passengers	[A]	1,010,102	1,172,937	1,347,544	1,555,000	1,582,000	1,344,000	1,377,000	1,406,000	1,433,000	1,465,000
Propensity to Rent (1)	[B]	35.20%	32.07%	31.75%	29.00%	28.75%	27.00%	27.00%	27.00%	27.00%	27.00%
Transactions	[C] = [A] x [B]	355,509	376,185	427,891	450,950	454,825	362,880	371,790	379,620	386,910	395,550
Days per Transaction (average) (1)	[D]	3.63	3.64	3.42	3.40	3.40	3.40	3.40	3.40	3.40	3.40
Transaction-Days	[E] = [C] x [D]	1,291,815	1,367,475	1,461,339	1,534,305	1,546,405	1,233,792	1,264,086	1,290,708	1,315,494	1,344,870
CFC Rate (1) (2)	[F]	\$ 4.45	\$ 4.92	\$ 6.00	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
CFC Revenues (3)	[G] = [E] x [F]	\$ 5,744,000	\$ 6,726,000	\$ 8,778,000	\$ 11,507,284	\$ 11,598,038	\$ 9,253,440	\$ 9,480,645	\$ 9,680,310	\$ 9,866,205	\$ 10,086,525
Compliance with Rate Covenant - Section 7.2											
1. CFC Revenues	[G]					\$ 11,598,038	\$ 9,253,440	\$ 9,480,645	\$ 9,680,310	\$ 9,866,205	\$ 10,086,525
2. Annual Requirement Deficiency (4)	[H]					-	-	-	-	-	-
3. Interest Earnings (5)	[I]					247,430	273,812	302,862	753,568	561,216	546,427
Pledged Revenues	[J] = [G] + [H] + [I]					\$ 11,845,468	\$ 9,527,252	\$ 9,783,507	\$ 10,433,878	\$ 10,427,421	\$ 10,632,952
Amount on Deposit in CFC Coverage Fund	[K]					1,923,000	1,923,000	1,923,000	1,923,000	1,923,000	1,923,000
Pledged Revenues, plus CFC Coverage Fund Balance	[L] = [J] + [K]					\$ 13,768,468	\$ 11,450,252	\$ 11,706,507	\$ 12,356,878	\$ 12,350,421	\$ 12,555,952
Less: Repayments to CFC Coverage Fund (6)	[M]					-	-	-	-	-	-
Less: Repayments to CFC Senior Debt Service Fund (6)	[N]					-	-	-	-	-	-
Funds Available for Debt Service coverage	[O] = [L] - [M] - [N]					\$ 13,768,468	\$ 11,450,252	\$ 11,706,507	\$ 12,356,878	\$ 12,350,421	\$ 12,555,952
Annual Debt Service											
Series 2019 CFC Bonds						\$ 4,330,899	\$ 5,394,892	\$ 7,289,892	\$ 7,287,692	\$ 7,287,433	\$ 7,288,281
Total Annual Debt Service	[P]					\$ 4,330,899	\$ 5,394,892	\$ 7,289,892	\$ 7,287,692	\$ 7,287,433	\$ 7,288,281
Coverage requirement ratio	[Q]					1.25x	1.25x	1.25x	1.25x	1.25x	1.25x
Coverage requirement	[R] = [P] x [Q]					\$ 5,413,624	\$ 6,743,614	\$ 9,112,364	\$ 9,109,615	\$ 9,109,291	\$ 9,110,351
Compliance with Rate Covenant (must be greater than zero)	[S] = [L] - [R]					\$ 8,354,844	\$ 4,706,637	\$ 2,594,142	\$ 3,247,263	\$ 3,241,130	\$ 3,445,601
Debt Service coverage ratio											
Including Coverage Fund (7)	[T] = [L] / [P]					3.18x	2.12x	1.61x	1.70x	1.69x	1.72x
Excluding Coverage Fund	[U] = [I] / [P]					2.74x	1.77x	1.34x	1.43x	1.43x	1.46x
% Growth											
Originating Visitor Passengers			16.1%	14.9%	15.4%	1.7%	-15.0%	2.5%	2.1%	1.9%	2.2%
Transactions			5.8%	13.7%	5.4%	0.9%	-20.2%	2.5%	2.1%	1.9%	2.2%
CFC Revenues			17.1%	30.5%	31.1%	0.8%	-20.2%	2.5%	2.1%	1.9%	2.2%

Sources: Kenton County Airport Board and LeighFisher

- Historical values imputed; Forecast based on assumptions described in text.
- The CFC rate was amended from \$3.75 to \$4.75 in 2015, to \$6.00 in 2016 and to \$7.50 in January 2018. As the CFC rate is set at the time of booking, some transactions after the effective date of the increase will be at the lower rate. As such a blended CFC rate is shown for transition years.
- Adjustments could include timing differences for year-end accrual estimates, plus any adjustments as a result of audits of CFC remittances that occur after publication of KCAB Financial Statements.
- Analysis assumes Annual Requirement Deficiency will not be paid as CFC rate and CFC collections are forecast to be sufficient to cover all requirements.
- Earnings on investments in the CFC Debt Service Fund, CFC Debt Service Reserve Fund, CFC Rolling Coverage Fund, CFC Renewal and Replacement Fund, and CFC Stabilization Fund; excludes interest on CFC Construction Fund and CFC Project Fund.
- Amounts necessary and sufficient to replenish any shortfalls in amounts required to be maintained in the CFC Coverage Fund and the CFC Senior Debt Service Reserve Fund.
- CFC Trust Indenture coverage calculation includes the amount on deposit in the Coverage Fund at the beginning of each year, equal to 25% of Maximum Annual Debt Service.

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE

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APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement, including the summary of certain provisions of the Indenture.

“*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, but specifically excluding Kentucky Revised Statutes 58.060 and 183.670, or any successor statute(s) thereof.

“*Additional Bonds*” means one or more Series of Additional Senior Bonds or Subordinate Bonds.

“*Additional Senior Bonds*” means one or more Series of Bonds designated as Senior Bonds issued pursuant to the Indenture.

“*Airport*” means the site of the Cincinnati/Northern Kentucky International Airport located 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.

“*Annual Requirement Deficiency*” has the meaning given to it in the RAC Agreements.

“*Authorized Officer of the Board*” 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 Officer of the Board.

“*Authorized Denomination*” means \$5,000 or any integral multiple thereof.

“*Automobile*” shall have the meaning given to it in the RAC Agreements.

“*Board or KCAB*” means the Kenton County Airport Board, a public body politic and corporate and a political subdivision of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth pursuant to the Act, and any successor to its function.

“*Bondholder*,” “*Holder*,” “*holder*,” “*Owner*” or “*owner*” means, as of any time, the registered owner of any Bond as shown in the Register kept by the Trustee as Registrar.

“*Bond Resolution*” shall mean the resolution of the Board adopted on January 22, 2019 authorizing the issuance of the Bonds hereunder, and any resolution amendatory thereof or supplement thereto.

“*Bonds*” means, collectively, the Series 2019 CFC Bonds and any Additional Bonds issued and Outstanding from time to time.

“*Business Day*” means a day (a) other than a Saturday, Sunday or legal holiday or the equivalent (other than a moratorium) on which banking institutions located in the city of New York, New York are authorized or required by law or executive order to close, and (b) on which the New York Stock Exchange is not closed.

“*CFC Administrative Costs Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Administrative Costs Fund Requirement*” means such amount as shall be estimated by an Authorized Officer of the Board to be necessary to pay the costs and expenses in the ensuing Fiscal Year as approved by an Authorized Officer of the Board (i) for fees and expenses of the Trustee, Rating Agency, the auditor, consultants and other administrative or professional fees associated with the Bonds, and (ii) to reimburse the Board for such costs and expenses previously paid by the Board.

“*CFC Construction Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Coverage Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Coverage Fund Requirement*” means 25% of the Maximum Annual Debt Service Requirement for the Senior Bonds then Outstanding.

“*CFC Insurance and Condemnation Proceeds Account*” means the account of such designation established by the Trustee in the CFC Construction Fund pursuant to the Indenture.

“*CFC Ordinance*” means the Board ordinance adopted on October 17, 2005, as amended and restated by the Board from time to time, that establishes the CFC charges that are collected and remitted to the Board for on-Airport and off-Airport Automobile rentals.

“*CFC Project*” means the acquisition, site removal, permitting, design, development, constructing, furnishing, financing, administrative cost (including, but not limited to, accounting, consultancy, and legal fees) and construction of the Consolidated Ground Transportation Facility by the Board pursuant to the Consolidated Rental Car Facility Agreement, and any further improvement costs related to the CFC Project authorized by a Supplemental Indenture or any other financing document authorized by the Board (including, but not limited to, the General Bond Resolution).

“*CFC Project Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Renewal and Replacement Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Renewal and Replacement Fund Requirement*” shall be \$0 between the date of the issuance of the Series 2019 CFC Bonds and commencing on the third January following Substantial Completion, the CFC Renewal and Replacement Fund Requirement shall be in an amount of up to \$1,000,000 per annum to be funded with equal monthly deposits until the balance in the CFC Renewal and Replacement Fund equals \$7,000,000 or such amount that the Board may establish in a Supplemental Indenture. The CFC Renewal and Replacement Fund Requirement shall be calculated by the Board as of each January 1 based on balances in the CFC Renewal and Replacement Fund as of December 31 of the prior year, and the CFC Renewal and Replacement Fund Requirement for that year shall be the lesser of \$1,000,000 or the amount that would be required to reach a balance in the CFC Renewal and Replacement Fund equal to \$7,000,000 or such amount as the Board may establish in a Supplemental Indenture.

“*CFC Revenue Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Senior Debt Service Fund*” has the meaning ascribed to such term in Article IV of the Indenture

“*CFC Senior Debt Service Reserve Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Senior Debt Service Reserve Fund Requirement*” means the Maximum Annual Debt Service Requirement for the Series 2019 CFC Bonds and, upon the issuance of any Additional Senior Bonds or Refunding Senior Bonds, means such additional amount as shall be provided in the Supplemental Indenture authorizing the related series of Bonds.

“*CFC Stabilization Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*CFC Subordinate Debt Service Fund*” means a CFC Subordinate Debt Service Fund established pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds as described in Article IV of the Indenture.

“*CFC Subordinate Debt Service Reserve Fund*” means a CFC Subordinate Debt Service Reserve Fund established pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds, as described in Article IV of the Indenture.

“*CFC Surplus Fund*” has the meaning ascribed to such term in Article IV of the Indenture.

“*Code*” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder, whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Bonds under the Code and under the statutory predecessor of the Code.

“*Company*” or “*Companies*” means individually or collectively, the rental car companies that operate under the RAC Agreements and the CFC Ordinance.

“*Commonwealth*” means the Commonwealth of Kentucky.

“*Consolidated Ground Transportation Facility*” means the Consolidated Rental Car Facility including the Ground Transportation Center (as such terms are defined in the Consolidated Rental Car Facility Agreement) and associated roadway, infrastructure, and facilities including the modification, improvement or relocation of existing roadways, facilities, earthwork, wetland mitigation, the extension of utilities, storm water drainage, water retention or detention, and other infrastructure to accommodate the construction thereof.

“*Consolidated Rental Car Facility*” shall mean the consolidated rental car facility to be constructed and consisting of the Customer Service Building, Quick Turnaround Area, Ready/Return Area, Service Yard Area, including Exclusive Premises, Common Equipment, RAC Common Areas, and Public Areas (as such terms are defined in the Consolidated Rental Car Facility Agreement) pursuant to the Consolidated Rental Car Facility Agreement.

“*Consolidated Rental Car Facility Agreement*” shall mean collectively, those certain leases of that or similar name by and between the Board and the Companies named therein dated March 20, 2019, and all supplements, amendments and modifications thereto.

“*Continuing Disclosure Undertaking*” means, if entered into in connection with any Series of Bonds, the Continuing Disclosure Undertaking Agreement executed and delivered by the Board for the benefit of the beneficial owners of such Series of Bonds.

“*Costs of the CFC Project*” means the costs of the CFC Project plus the costs of issuance of the Bonds which finance the CFC Project.

“*Current Annual Debt Service Requirement*” means the annual scheduled payments of principal of and interest on the Senior Bonds in the then current Fiscal Year, excluding any accrued interest or capitalized interest.

“*Customer*” means the actual individual(s) on the signed Automobile rental agreement as the driver(s) of the Automobile delivered, rented to, or who picked up the Automobile at the Airport, regardless of who pays a portion of, or all of, the Automobile rental fees.

“*Customer Facility Charge*” or “*CFC*” means a per day fee payable by Customers, collected, accounted for, and remitted by the Company to the Board, as established by the Board pursuant to the CFC Ordinance.

“*DTC*” means The Depository Trust Company, New York, New York or any successor depository.

“*Event of Default*” mean those events or occurrences defined in the Indenture.

“*Fiscal Year*” means the Board’s fiscal year, currently January 1 through December 31 or such other date as may be designated from time to time in writing by the Board.

“*Funds*” means the funds, accounts and subaccounts as established pursuant to the Indenture.

“*Indenture*” means the Master CFC Trust Indenture and any supplements, amendments and modifications thereto.

“*Interest Payment Date*” means, with respect to the Series 2019 CFC Bonds, January 1 and July 1 of each year while the Series 2019 CFC Bonds are Outstanding, commencing with July 1, 2019 and for any Series of Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds, the dates set forth in the related Supplemental Indenture authorizing the issuance of such Series of Bonds.

“*Investment Securities*” means all investments from time to time permitted to be purchased by political subdivisions of the Commonwealth, as set forth with particularity in Section 66.480 of the Kentucky Revised Statutes, as may be amended.

“*Maximum Annual Debt Service Requirement*” for the Bonds then Outstanding, means the maximum annual scheduled payments of principal and interest with respect to all Senior Bonds in any Fiscal Year, excluding any accrued interest or capitalized interest.

“*Net Proceeds*” has the meaning set forth under the heading “THE INDENTURE - Casualty and Condemnation” below.

“*Outstanding*” when used with respect to the Bonds means, as of the date of determination, the aggregate principal amount of all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication:

- (1) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (2) Bonds, for the payment or redemption for which money in the necessary amount has been theretofore deposited with the Trustee or any Trustee in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed prior to the stated maturity thereof, notice of such redemption has been duly given, or waived, or provision therefor satisfactory to the Trustee has been made;
- (3) Bonds in lieu of which another bond has been authenticated and delivered under the Indenture; and
- (4) Bonds purchased or held by the Board.

“*Paying Agent*” initially means the Trustee or any other paying agent appointed in accordance with the Indenture.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization, or government or agency or political subdivisions thereof.

“*Pledged Funds*” means (i) any amounts on deposit from time to time in the CFC Revenue Fund, the CFC Senior Debt Service Fund, the CFC Senior Debt Service Reserve Fund, the CFC Coverage Fund, the CFC Renewal and Replacement Fund, and the CFC Stabilization Fund, (ii) any amounts, other than investment income, on deposit in the CFC Construction Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a CFC Project, and (iii) any amounts, other than investment income, on deposit in the CFC Project Fund from time to time that are not encumbered or otherwise allocated by the Board to or necessary for the completion of a CFC Project. The CFC Administrative Costs Fund, the CFC Surplus Fund, and the Series 2019 CFC Costs of Issuance Account are specifically excluded from Pledged Funds.

“*Pledged Revenues*” means the aggregate of (i) the Customer Facility Charges received by the Board, (ii) the Annual Requirement Deficiency received pursuant to the Consolidated Rental Car Facility Agreement and (iii) excluding any investment income derived from the CFC Construction Fund and the CFC Project Fund, all investment income of every kind derived from amounts credited to the Pledged Funds.

“*Principal Payment Date*” means with respect to the Series 2019 CFC Bonds, January 1 of each year in which the Series 2019 CFC Bonds are Outstanding commencing with January 1, 20__ and for any Series of Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds, the dates set forth in the related Supplemental Indenture authorizing the issuance of such Series of Bonds.

“*RAC Agreements*” means, collectively, the Consolidated Rental Car Facility Agreement and the Rental Car Concession Agreement.

“*Register*” means the register of the record owners of the Bonds maintained by the Registrar.

“*Registrar*” initially means the Trustee or any other registrar appointed in accordance with the Indenture.

“*Senior Bonds*” means any debt obligation of the Board issued under and in accordance with the Indenture and designated as Senior Bonds, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board. The term “Senior Bond” or “Senior Bonds” in the Indenture does not include any Subordinate Bonds.

“*Series*” means all of the Bonds designated as being of the same Series authenticated and delivered on the date of the original issuance thereof in a simultaneous transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

“*Series 2019 CFC Bonds*” means the \$103,130,000 Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 issued pursuant to the provisions of the Bond Resolution and the Indenture.

“*Series 2019 CFC Construction Account*” means the Account established pursuant to Article IV of the Indenture.

“*Series 2019 CFC Costs of Issuance Account*” means the Account established pursuant to Article IV of the Indenture.

“*Supplemental Indenture*” means any document supplementing or amending the Indenture or providing for the issuance of Bonds and entered into as provided in Article X of the Indenture.

“*Taking*” means the acquisition by condemnation or the exercise of the power of eminent domain under any federal or state statute by the United States, the Commonwealth, or any federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of the CFC Project.

“*Trustee*” means U.S. Bank National Association, and any successors thereto.

“*Treasury Rate*” shall mean, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release as H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the Maturity Date of the Series 2019 CFC Bonds to be redeemed; provided, however, that if the period from the redemption date to such Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities to a constant maturity of one year will be used.

“*Trust Estate*” means the Pledged Revenues and Pledged Funds as described in the Indenture.

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

THE INDENTURE

In addition to certain information contained under the captions “THE SERIES 2019 CFC BONDS” and “SOURCES OF PAYMENT AND SECURITY” in the forepart of this Official Statement, the following includes a summary of certain provisions of the Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Indenture.

Grant, Pledge and Assignment of Trust Estate.

Senior Bonds. The Board, in consideration for the purchase of the Senior Bonds by the Owners of the Senior Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Senior Bonds and compliance by the Board with its agreements contained in the Indenture, the Board grants, pledges and assigns to the Trustee for the benefit of the Owners of the Senior Bonds all of its right, title and interest in and to the Trust Estate. The pledge and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Board with respect to the Senior Bonds will be for the equal benefit, protection and security of the Owners of any and all Senior Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Senior Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Senior Bonds or as otherwise expressly provided in the Indenture.

Subordinate Bonds. Subject to the prior lien granted to the Owners of the Senior Bonds, the Board, in consideration for the purchase of the Subordinate Bonds by the Owners of the Subordinate Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Subordinate Bonds and compliance by the Board with its agreements contained in the Indenture, the Board grants, pledges and assigns, subject to the prior pledge granted to the Owners of the Senior Bonds and on a subordinate basis to the Senior Bonds, to the Trustee for the benefit of the Owners of the Subordinate Bonds all of its right, title and interest in and to the Trust Estate. The pledge and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Board with respect to the Subordinate Bonds will be for the equal benefit, protection and security of the Owners of any and all Subordinate Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Subordinate Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Subordinate Bonds or as otherwise expressly provided in the Indenture.

Terms of the Series 2019 CFC Bonds

The Indenture sets forth the terms of the Series 2019 CFC Bonds, most of which terms are described in the forepart of this Official Statement.

Authorization and Issuance of Additional Senior Bonds

Requirements for Issuance of Additional Senior Bonds. Subsequent to the issuance of the Series 2019 CFC Bonds, the Board, subject to the provisions of the Indenture, may at any time and from time to time issue one or more Series of Additional Senior Bonds payable from, and secured by a first lien on and pledge of, the Trust Estate, on a parity with all Outstanding Senior Bonds (including the Series 2019 CFC Bonds) for the purpose of: paying all or a portion of the costs and expenses of financing, designing, and constructing the CFC Project not fully funded with proceeds of the Series 2019 CFC Bonds, funding all or a portion of the CFC Senior Debt Service Reserve Fund Requirement, funding all or a portion of the CFC Coverage Fund Requirement, and paying the costs of issuance relating to such series of Additional Senior Bonds; provided, however, unless such Additional Senior Bonds are (i) Completion Senior Bonds or (ii) Refunding Senior Bonds; the issuance of any Series of Additional Senior Bonds will be conditioned upon the satisfaction of the following:

(a) The Board and Trustee shall execute a Supplemental Indenture providing for the issuance of such Additional Senior Bonds and providing the means by which the CFC Coverage Fund

Requirement and the CFC Senior Debt Service Reserve Fund Requirement will each be satisfied upon the issuance of the proposed Series of Additional Senior Bonds.

(b) An Authorized Officer of the Board shall execute a certificate stating that the Board has the right to issue Additional Senior Bonds and the Board is still receiving the CFCs.

(c) Either:

(i) An Authorized Officer of the Board certifies that the Pledged Revenues (excluding amounts then on deposit in the CFC Coverage Fund) for the prior Fiscal Year or any twelve consecutive months out of the eighteen months prior to the authorization by the Board of the proposed Series of Additional Senior Bonds (the "Senior Bonds Test Period") was equal to at least 1.25x the Maximum Annual Debt Service Requirement on the Senior Bonds that will be Outstanding after the issuance of such series of Additional Senior Bonds; or

(ii) The Airport Consultant certifies that the Pledged Revenues, including any projected increases in the CFCs estimated to be received in the five consecutive Fiscal Years immediately following the issuance of the proposed Series of Additional Senior Bonds (excluding amounts required to be on deposit in the CFC Coverage Fund during such five years) will in each such Fiscal Year not be less than 1.25x the Maximum Annual Debt Service Requirement in such Fiscal Year on all Senior Bonds that will be Outstanding after the issuance of such Additional Senior Bonds.

In the event the Board increases the level of the CFCs and such increase was not in effect during all or a portion of the Senior Bonds Test Period, then for the purposes of determining whether there are sufficient Pledged Revenues to meet the coverage test specified above, the Authorized Officer of the Board shall adjust the amount of Pledged Revenues which were received during the Senior Bonds Test Period to take into account the additional amount of Pledged Revenues such increase would have generated if it had been in effect for the entire Senior Bonds Test Period; provided, however, that such adjustment shall only be made if the increase in the CFCs is in effect on the date of the certification of the Authorized Officer of the Board.

Refunding Senior Bonds. In addition to Additional Senior Bonds, the Board may issue Refunding Senior Bonds to refund all or any part of any Bonds then Outstanding provided that no Refunding Senior Bonds shall be issued which will have a lien on the Trust Estate prior and superior to any Series 2019 CFC Bonds which will remain Outstanding after the refunding, and provided further, however, that no such Refunding Senior Bonds shall be issued unless all of the following requirements are satisfied:

(a) The Board and Trustee shall execute a Supplemental Indenture providing for the issuance of such Refunding Senior Bonds and providing the means by which the CFC Coverage Fund Requirement and the CFC Senior Debt Service Reserve Fund Requirement will each be satisfied upon the issuance of the proposed Series of Refunding Senior Bonds.

(b) An Authorized Officer of the Board shall execute a certificate stating that:

(i) the Board has the right to issue the proposed Series of Refunding Senior Bonds;

(ii) CFCs are still being collected by the Companies; and

(iii) the aggregate debt service with respect to all Outstanding Senior Bonds after the issuance of such Refunding Senior Bonds shall be (1) less than the aggregate debt service with respect to all Bonds Outstanding prior to the issuance of such Refunding Senior Bonds or (2) the proposed issuance of the Refunding Senior Bonds will reduce total debt service payments on all Outstanding Bonds on a net present value basis.

Completion Senior Bonds. The provisions of clauses (a), (b), and (c) of “—Requirements for Issuance of Additional Senior Bonds” above shall not be required if the Additional Senior Bonds are Completion Senior Bonds; and instead there shall be filed with the Board a certificate of the Authorized Officer of the Board stating that (i) the principal amount of such Completion Senior Bonds to be issued for completion purposes does not exceed 10% of the original principal amount of the Series 2019 CFC Bonds, (ii) all of the proceeds of the Series 2019 CFC Bonds previously issued for the CFC Project, including any investment earnings in the CFC Construction Fund funded from the proceeds of the Series 2019 CFC Bonds previously issued, have been or will be used to pay Costs of the CFC Project, and (iii) the estimated Costs of the CFC Project exceed the amounts already paid for the CFC Project plus money available in the CFC Construction Fund.

Authorization and Issuance of Subordinate Bonds

Requirements for Issuance of Subordinate Bonds. The Board may at any time and from time to time issue one or more Series of Subordinate Bonds payable from, and secured by a lien, junior and subordinate in all respects to the Senior Bonds, including the Series 2019 CFC Bonds, on and pledge of the Trust Estate on parity with any other Subordinate Bonds, including Refunding Subordinate Bonds, from time to time hereafter issued for the purpose of: paying all or a portion of the costs and expenses of financing, designing, and constructing the CFC Project not fully funded with proceeds of the Series 2019 CFC Bonds, funding all or a portion of the CFC Subordinate Debt Service Reserve Fund Requirement, funding all or a portion of the CFC Coverage Fund Requirement, and paying the costs of issuance relating to such Series of Subordinate Bonds, however, no such Subordinate Bonds shall be issued unless all of the following requirements are satisfied:

(a) The Board and Trustee shall execute a Supplemental Indenture providing for the issuance of such Subordinate Bonds and providing the means by which the CFC Coverage Fund Requirement and the CFC Subordinate Debt Service Reserve Fund Requirement will each be satisfied upon the issuance of the proposed Series of Subordinate Bonds.

(b) An Authorized Officer of the Board shall execute a certificate stating that the Board has the right to issue Subordinate Bonds and the Board is still receiving the CFCs.

(c) Either:

(i) An Authorized Officer of the Board certifies that the Pledged Revenues (excluding amounts then on deposit in the CFC Coverage Fund) for the prior Fiscal Year or any twelve consecutive months out of the eighteen months prior to the authorization by the Board of the proposed Series of Subordinate Bonds (the “Subordinate Bonds Test Period”) was equal to at least 1.10x the Maximum Annual Debt Service Requirement on all Bonds that will be Outstanding (including such Subordinate Bonds) after the issuance of such Series of Subordinate Bonds; or

(ii) The Airport Consultant certifies that the Pledged Revenues, including any projected increases in the CFCs estimated to be received in the five consecutive Fiscal Years immediately following the issuance of the proposed Series of Subordinate Bonds (excluding

amounts required to be on deposit in the CFC Coverage Fund during such five years) will in each such Fiscal Year not be less than 1.10x the Maximum Annual Debt Service Requirement in such Fiscal Year on all Bonds (including such Subordinate Bonds) that will be Outstanding after the issuance of such Subordinate Bonds.

In the event the Board increases the level of the CFCs and such increase was not in effect during all or a portion of the Subordinate Bonds Test Period, then for the purposes of determining whether there are sufficient Pledged Revenues to meet the coverage test specified above, the Authorized Officer of the Board shall adjust the amount of Pledged Revenues which were received during the Subordinate Bonds Test Period to take into account the additional amount of Pledged Revenues such increase would have generated if it had been in effect for the entire Subordinate Bonds Test Period; provided, however, that such adjustment shall only be made if the increase in the CFCs is in effect on the date of the certification of the Authorized Officer of the Board.

Refunding Subordinate Bonds. In addition to Subordinate Bonds, the Board may at any time and from time to time issue Refunding Subordinate Bonds to refund all or any part of any Bonds then Outstanding provided that no Refunding Subordinate Bonds shall be issued unless all of the following requirements are satisfied:

(a) The Board and Trustee shall execute a Supplemental Indenture providing for the issuance of such Refunding Subordinate Bonds and providing the means by which the CFC Coverage Fund Requirement and a CFC Subordinate Debt Service Reserve Fund Requirement will each be satisfied upon the issuance of the proposed Series of Refunding Subordinate Bonds.

(b) An Authorized Officer of the Board shall execute a certificate stating that:

(i) the Board has the right to issue the proposed Series of Refunding Subordinate Bonds; and

(ii) CFCs are still being collected by the Companies and debt service on all Outstanding Bonds will not increase in any Fiscal Year following the issuance of the proposed Series of Refunding Subordinate Bonds.

Establishment of Funds and Accounts.

Pursuant to the Indenture, the Trustee will establish and hold the following funds and accounts: the CFC Revenue Fund, the CFC Construction Fund (and within the CFC Construction Fund, the Series 2019 CFC Construction Account and the Series 2019 CFC Costs of Issuance Account) the CFC Senior Debt Service Fund, the CFC Senior Debt Service Reserve Fund, the CFC Coverage Fund, the CFC Administrative Costs Fund, the CFC Project Fund, the CFC Renewal and Replacement Fund and the CFC Stabilization Fund. The Indenture will also establish the CFC Surplus Fund, which will be maintained by the Board.

Certain of the funds and accounts will be initially funded with the proceeds of the Series 2019 CFC Bonds as described in the forepart of this Official Statement under “ESTIMATED 2019 PROJECT SOURCES AND USES OF FUNDS - Application of Series 2019 CFC Bond Proceeds.”

Covenants of the Board

The covenants set forth below apply to the Series 2019 CFC Bonds and to any other Series of Bonds issued under the Indenture.

Collection of Customer Facility Charges and Annual Requirement Deficiency. The Board shall use diligence to establish Customer Facility Charges and any Annual Requirement Deficiency in the amounts and at the times necessary to enable the Trustee to make all transfers to the CFC Senior Debt Service Fund, the CFC Subordinate Debt Service Fund, and any other Fund required under the Indenture.

Payment of Bonds. The Board covenants to promptly pay or cause to be paid from the Trust Estate and to the extent thereof the principal of, premium, if any, and interest on each Bond, as and when due.

No Encumbrance of Trust Estate. The Bonds are special limited obligations of the Board payable solely from, and secured by a lien on and pledge of the Trust Estate. The Board covenants that it will not in any manner pledge or further encumber the Trust Estate, except as specially provided by the Indenture, provided in the Indenture and any Supplemental Indenture thereto, with respect to the issuance of Additional Bonds, Refunding Senior Bonds, and Refunding Subordinate Bonds.

Operation and Maintenance of the CFC Project. Subject to the Indenture, as long as any Bond remains Outstanding, the Board shall not cause or permit the Companies to sell, dispose of, or encumber any portion of the CFC Project, except as may be permitted under the Indenture; provided, however, that this prohibition shall not prevent the Board from disposing or permitting the disposal of any portion of the CFC Project that has been declared surplus or is no longer needed or useful for the proper operation of the CFC Project.

Insurance. Subject, in each case, to the condition that insurance is obtainable at commercially reasonable rates and upon reasonable terms and conditions:

(i) the Board shall procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance (as defined below) with respect to the CFC Project 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; and

(ii) An Authorized Officer of the Board shall place on file with the Board, annually within six (6) months after the close of each Fiscal Year a certificate of the Authorized Officer of the Board containing a summary of the insurance required by the Indenture.

“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 shall be established in accordance with law, shall 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 shall be reviewed at least once every 12 months by an Authorized Officer of the Board who shall deliver to the Board a report on the adequacy of the reserves established thereunder. If the Authorized Officer of the Board determines that such reserves are inadequate, they shall make a recommendation as to the amount of reserves that should be established and maintained, and the Board shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from an Authorized Officer of the Board that a lower amount is reasonable to provide adequate protection to the Board.

(i) The Net Proceeds paid in satisfaction of any claim made under policies providing the coverage required by the Indenture shall be applied as provided in “*Casualty and Condemnation*” below.

Casualty and Condemnation. In the event that the CFC Project, or any portion thereof is damaged, taken or condemned, the net proceeds of insurance (including without limitation self-insurance) or condemnation award will be applied as set forth in this section.

If the proceeds of an insurance or condemnation award with respect to the CFC Project, net of the reasonable costs, fees and expenses incurred by the Board in the collection of such proceeds or award and any proceeds paid to a Company (the “Net Proceeds”) are less than \$5,000,000, the Net Proceeds shall be paid directly to the Board and shall be applied by the Board promptly to the costs of restoring the CFC Project. Any Net Proceeds remaining after the restoration of the CFC Project shall be deposited to the CFC Debt Service Fund and applied to the payment of principal of or interest on the Series 2019 CFC Bonds.

If the Net Proceeds are equal to or greater than \$5,000,000, the Net Proceeds shall be paid to the Trustee and deposited to the CFC Insurance and Condemnation Proceeds Account in the CFC Construction Fund, as set forth in the Indenture and disbursed in the same manner and subject to the same conditions and limitations relating to the disbursement of funds from the CFC Construction Fund, as set forth in the Indenture. In the event that the Net Proceeds are insufficient to restore and repair the CFC Project as nearly as is reasonably possible to the condition it was in immediately prior to a casualty in the case of any casualty or to a condition, in the case of any Taking, which permits the CFC Project’s use in the manner for which the CFC Project was originally constructed (the “Pre-Existing Condition”), the Board shall take one or more of the following actions and use a combination of any of the following sources (including the Net Proceeds) to restore and repair the CFC Project to its Pre-Existing Condition: (i) subject to the provisions of the Indenture, issue Additional Senior Bonds or Subordinate Bonds the proceeds of which will be used restore and repair the CFC Project to its Pre-Existing Condition, (ii) use any amounts on deposit in the CFC Renewal and Replacement Fund and the CFC Surplus Fund to restore and repair the CFC Project to its Pre-Existing Condition, and/or (iii) continue to require the Companies to collect Customer Facility Charges and the Annual Requirement Deficiency and remit such Customer Facility Charges and the Annual Requirement Deficiency to the Trustee, as assignee of the Board, and use such Customer Facility Charges and the Annual Requirement Deficiency to restore and repair the CFC Project to its Pre-Existing Condition. The Net Proceeds, along with the amounts described in clauses (i) through (iii) in the previous sentence are collectively referred to in the Indenture as “Available Amounts.”

Following a casualty loss or Taking at or affecting the CFC Project and if the Available Amounts made available for repair or restoration are sufficient for such purpose, the Board shall cause the repair and restoration of the CFC Project to substantially its Pre-Existing Condition, and the Board shall cause the commencement of such restoration or repair as soon as is reasonably possible after the casualty loss or Taking and at all times thereafter the diligent prosecution thereof to completion. In the event any Available Amounts remain after the repair and restoration of the CFC Project to its Pre-Existing Condition, the Trustee shall deposit such Available Amounts to the CFC Debt Service Fund and apply them to the payment of principal of or interest on the Series 2019 CFC Bonds next coming due.

In the event the Available Amounts are insufficient to restore and repair the CFC Project to its Pre-Existing Condition, all Available Amounts and such other amounts on deposit in the CFC Debt Service Fund, the CFC Debt Service Reserve Fund, and the CFC Coverage Fund, shall be used to redeem the Series 2019 CFC Bonds pursuant to the Indenture and any Additional Senior Bonds or Subordinate Bonds, as the case may be, pursuant to the terms of the applicable Supplemental Indenture.

Performance of Covenants by Authority. The Board covenants that it will faithfully perform at all times any and all covenants and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its proceedings pertaining hereto.

Rate Covenant

The Board shall cause the Customer Facility Charges to be calculated, established and imposed as provided in the CFC Ordinance so long as any Bonds remain Outstanding. Based on estimated CFC collections prepared by or for the Board from time to time, unless prohibited by law, the Customer Facility Charges shall be adjusted and/or the Annual Requirement Deficiency shall be collected pursuant to the RAC Agreements (provided it is in the Board's sole discretion to do either or both) and deposited into the CFC Revenue Fund to the extent necessary to generate Pledged Revenues, along with amounts then on deposit in the CFC Coverage Fund, in each Fiscal Year (a) in an amount equal to at least 1.25x the Current Annual Debt Service Requirement in such Fiscal Year on the Senior Bonds then Outstanding, and (b) in an amount sufficient to replenish any shortfalls in the amounts required to be maintained in either the CFC Coverage Fund or the CFC Senior Debt Service Reserve Fund within twelve (12) months after the month in which any amounts are withdrawn from either of such Funds for transfer to the CFC Senior Debt Service Fund (the "Rate Covenant"). In the event that the Rate Covenant is not met in a Fiscal Year, such violation shall not be a default under the Indenture and shall not give rise to a declaration of an Event of Default (unless the principal of, premium, if any, or interest on of the Bonds is not paid in such Fiscal Year), if the Board takes appropriate corrective actions (including collecting and/or increasing the Annual Requirement Deficiency for the next succeeding Fiscal Year) so that the Rate Covenant shall be met in the next succeeding Fiscal Year; provided, however, that if the Rate Covenant is not met in the next succeeding Fiscal Year, an Event of Default may be declared pursuant to the Indenture. Upon request, the Board will provide the Trustee with a certification that the Board is taking appropriate corrective actions so that the Rate Covenant will be met in the next succeeding Fiscal Year.

Investment of Funds

Moneys in all Funds and Accounts shall be invested and reinvested by the Trustee in Investment Securities as directed in writing by an Authorized Officer of the Board. An Authorized Officer of the Board shall give to the Trustee directions with respect to investment of any money required to be invested under the Indenture, subject, however, to certain provisions of the Indenture, and the Trustee shall then invest such money as so directed. The Trustee may request additional directions or authorization from the Authorized Officer of the Board in writing with respect to the proposed investment of money under the provisions of the Indenture. Upon receipt of such directions, the Trustee shall invest, subject to certain provisions of the Indenture, such money in accordance with such directions. The Trustee may conclusively rely upon the Board's written instructions as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Investment Securities. If no such directions are given, then such amounts shall be held by the Trustee uninvested in cash, with no liability for interest.

Defeasance

If the whole amount of the principal and interest due on or to become due and payable upon all of the Bonds then Outstanding shall be paid, or sufficient funds shall be irrevocably deposited with the Trustee for such purpose, and provision shall also be made for paying all other sums payable under the Indenture, together with all fees and charges of the Trustee, and if any Bonds to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such bonds for redemption shall have been given by the Board to the Trustee, then and in that case, the right, title and

interest of the Trustee shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Board, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Board, and shall turn over to the Board all balances remaining in all Funds created by the Indenture, other than funds held for redemption or payment of Bonds; otherwise the Indenture shall be, continue and remain in full force and effect.

Events of Default and Remedies

Events of Default. The occurrence of any of the following events will constitute an “Event of Default” under the Indenture:

(a) a failure by the Board to make payment of the principal of or any installment of interest on any of the Bonds when the same shall become due and payable;

(b) if the Board shall fail, refuse or neglect to enforce the payment by the Companies of Customer Facility Charges, the imposition, collection or remittance of Customer Facility Charges as required under the Indenture, or otherwise fail, refuse or neglect to enforce any other provisions of the Bond Resolution, in either case, the result of which materially adversely affects the rights of the Holders of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the terms and provisions of the Indenture, and the continuation thereof for a period of thirty (30) days after notice of such failure shall have been given to the Board by the Trustee;

(c) a failure by the Board to observe and perform any covenant, condition, agreement or provision that are to be observed or performed by the Board and which are contained in the Bonds or in the Indenture, the result of which materially adversely affects the rights of the Holders of the Bonds and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Board by the Trustee;

(d) a failure by the Board to enforce the collection of the Annual Requirement Deficiency pursuant to the Consolidated Rental Car Facility Agreement;

(e) if the Board shall file a petition seeking a composition of indebtedness under Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or the Commonwealth; and

(f) if an order or decree shall be entered, with the consent or acquiescence of the Board, appointing a receiver or receivers of the Airport or any part thereof, or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the Board, shall not be vacated or discharged, stayed or appealed within ninety (90) days after entry thereof.

No Acceleration; No Cross Defaults. There shall be no rights of acceleration with respect to the Bonds. An Event of Default with respect to one Series of Bonds shall 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.

Remedies. Upon the happening and continuation of any Event of Default as provided in the Indenture, the Trustee may, and upon the written request of the Holders of the Senior Bonds of not less than fifty-one percent (51%) of the aggregate principal amount of the Senior Bonds then Outstanding and upon indemnification of the Trustee to its satisfaction, proceed against the Board for the purpose of protecting and enforcing the rights of the Holders of Bonds under the Indenture, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief

permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of the Holders of the Bonds hereunder or any combination of such remedies as the Trustee shall deem most effectual to protect and enforce any of its rights or the rights of the Holders of the Bonds. All such proceedings at law or in equity against the Board shall be strictly limited to the security and source of payment pledged to the Bonds, and shall be instituted and maintained for the benefit of all Holders of the Bonds.

Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Registered Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

Restoration to Former Position. In the event that any proceeding taken by the Trustee on account of any default under the Indenture will have been discontinued or abandoned for any reason, or will have been determined adversely to the Trustee, then the Board, the Trustee, and each Holder will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right To Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in principal amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings available to the Trustee under the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to the Holders not parties to such direction..

Limitation on Right To Institute Proceedings. No Holder of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, or any other remedy under the Indenture unless (a) such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceedings is to be instituted, (b) the Holders of Senior Bonds of not less than fifty-one percent (51%) in principal amount of the Senior Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or other proceeding in its or their name, (c) there shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and (d) the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy thereunder. It is understood and intended that no one or more Holders shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided for the benefit of all Holders.

No Impairment of Right To Enforce Payment. Notwithstanding any other provision in the Indenture, the right of any Bondholder to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein will not be impaired.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the Indenture or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of the Indenture.

No Remedy Exclusive. Each remedy, right or privilege provided to the Trustee or to Bondholders shall be in addition to and cumulative of any other remedy, right or privilege available at law or equity.

No Waiver of Remedies. No delay or failure to exercise any remedy, right or privilege accruing upon any default will impair any such remedy, right or privilege or will be construed to be a waiver of any such remedy, right or privilege.

Application of Moneys. If an Event of Default will occur and be continuing, all moneys received by the Trustee shall be deposited in the CFC Revenue Fund and, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and all of the expenses, liabilities and advances incurred or made by the Trustee, including reasonable attorneys' fees, and all other outstanding fees and expenses of the Trustee and the creation of a reasonable reserve for anticipated fees, costs, and expenses, and thereafter any fees, expenses, liabilities and advances due to, or incurred or made by, the Paying Agent and the Registrar, such moneys shall be applied in the following order: (a) first, to the payment of interest then due on the Senior Bonds in order of priority first to payments past due for the greatest period and, if the amount available shall not be sufficient to pay in full, then to the ratable payment of the amounts due, (b) second, to the payment of the unpaid principal of and premium, if any, of the Senior Bonds which will have become due (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Senior Bonds from the respective dates upon which they became due (at the rate borne by the Senior Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Senior Bonds due on any particular date, together with such premium, then to the ratable payment of the amounts due on such date, (c) third, to the payment of interest then due on the Subordinate Bonds in order of priority first to payments past due for the greatest period and, if the amount available shall not be sufficient to pay in full, then to the ratable payment of the amounts due; and (d) fourth, to the payment of the unpaid principal of and premium, if any, of the Subordinate Bonds which shall have become due (other than Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the Indenture), with interest on such Subordinate Bonds from the respective dates upon which they became due (at the rate borne by the Subordinate Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Subordinate Bonds due on any particular date, together with such premium, then to the ratable payment of the amounts due on such date.

Whenever moneys are to be applied pursuant to the provisions of this section, the Trustee shall fix the date upon which such application is to be made and upon such date interest on the principal amount of Bonds to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Trustee

Eligibility of Trustee. The Indenture will always have a Trustee that is a trust company, banking association or a state or national bank having a combined capital and surplus of not less than \$150,000,000.

Trustee's Right To Require Indemnification. Before taking any action under the Indenture relating to an event of default, the Trustee may require that a satisfactory indemnity bond be furnished by one or more Holders for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

Replacement of Trustee. The Trustee may, at any time resign by notifying the Board in writing of its intended resignation at least ninety (90) days in advance. The Trustee may be removed at any time upon 30 days' notice by (a) the Board, if no Event of Default is then continuing, by delivering written notice thereof to the Trustee, or (b) an instrument or concurrent instruments in writing, signed by the Holders of a majority in principal amount of the Bonds then Outstanding and delivered to the Trustee, with written notice thereof given to the Board.

No resignation or removal of the Trustee will be effective until a new Trustee has taken office and delivered a written acceptance of its appointment and a written acceptance and agreement to execute the trusts imposed upon it by the Indenture to the retiring Trustee and to the Board. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture.

If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within ninety (90) days after the retiring Trustee delivers notice of resignation or the Board delivers notice of removal, the retiring Trustee or the Holder of any Bond may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, another corporation and meets the qualifications set forth in the Indenture, the resulting, surviving or transferee corporation without the execution or filing of any instrument or any other act will be the successor Trustee, Paying Agent or Registrar.

Paying Agent and Registrar. The Board will appoint the Paying Agent and Registrar for the Bonds or another Paying Agent and Registrar for any Series of Bonds and may from time to time remove a Paying Agent and Registrar and name a replacement. Each Paying Agent and Registrar shall (i) designate to the Trustee its principal office and (ii) signify its acceptance of the duties and obligations imposed upon it under the Indenture or under a Supplemental Indenture by written instrument of acceptance delivered to the Board and the Trustee.

The Trustee will be the Paying Agent and Registrar with respect to the Series 2019 CFC Bonds.

Supplemental Indentures and Waivers

Supplemental Indentures Not Requiring Consent of Bondholders. The Board and the Trustee may, from time to time and at any time, without the consent of, or notice to, the Bondholders, enter into Supplemental Indentures supplementing and/or amending the Indenture for the following purposes:

- (i) to cure any ambiguity, defect, omission or inconsistent provision in, or make any other provision with respect to matters or questions arising under the Bonds, the Indenture or any Supplemental Indenture; provided, however, that such action shall not, based upon an opinion of counsel, materially adversely affect the interests of the Holders;

(ii) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(iii) to add to the covenants and agreements of the Board contained in the Indenture or any Supplemental Indenture other covenants and agreements of, or conditions or restrictions upon the Board or to surrender or eliminate any right or power reserved to or conferred upon the Board in the Indenture;

(iv) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

(v) to provide for the issuance, sale and delivery of Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds and, in connection therewith, to provide for (i) the deposit of the proceeds of such Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds, (ii) the disbursement of such proceeds in connection with any part of the facilities to be financed by means of such Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds, and (iii) the payment of the principal, interest and premium, if any, on such Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds;

(vi) to provide for the issuance, sale and delivery of bonds, notes or other obligations secured in whole or in part by liens on the Trust Estate that are junior and subordinate to the lien on the Trust Estate securing payment of the Bonds;

(vii) to make any other change therein, unless in the opinion of counsel, such other change would materially adversely affect the interest of the Trustee or the Holders; and

(viii) to comply with any state and/or federal securities law, including without limitations, any applicable regulation of the Securities and Exchange Commission.

Supplemental Indenture Requiring Consent of Bondholders

(a) The Board and the Trustee may, at any time, enter into one or more Supplemental Indentures to amend, modify, add to or eliminate any of the provisions of the Indenture but, if such Supplemental Indenture is not of the character described in "Supplemental Indentures Not Requiring Consent of Bondholders" above, only with the written consent of the Board and the Holders of not less than fifty-one percent (51%) of the Bonds Outstanding hereunder at the time of the adoption of such amendatory Supplemental Indenture (not including any Bonds then held or owned by the Board); provided, however, that, without the consent of all Holders, no such Indenture shall have the effect of permitting:

(i) an extension of the maturity of any Bonds;

(ii) a reduction in the principal amount of any Bonds, the rate of interest thereon, or any redemption premium payable thereon;

(iii) the creation of a lien upon or pledge of any Trust Estate ranking superior to, or on parity with, the lien or pledge created hereby (except in connection with the issuance of Additional Bonds, Refunding Senior Bonds or Refunding Subordinate Bonds);

(iv) a reduction of the principal amount of Bonds required for consent to amendments to the Indenture;

(v) the establishment of priorities among Bonds; or

(vi) a reduction in the aggregate principal amount of the Bonds required for consent to any other change in the Indenture, without the consent of the Holders of all the Bonds of the series of Bonds affected then Outstanding.

(b) If at any time the Board shall request the Trustee to enter into any Supplemental Indenture for any of the purposes of this section, the Trustee will cause notice of the proposed execution of the Supplemental Indenture to be given in writing to all Holders of the affected Series. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Trustee for inspection by all Holders.

(c) Whenever, at any time within one year after the date of the first giving of such notice, the Board shall deliver to the Trustee an instrument or instruments purporting to be executed by the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such Supplemental Indenture in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(d) If the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of a Supplemental Indenture meeting the requirements of this section shall have consented to and approved the execution thereof as herein provided, no Holder shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof.

(e) Any consent given by a Holder pursuant to the provisions of this section shall be irrevocable for a period of six months from the date of the giving of the notice and shall be conclusive and binding upon all future Holders of the same Bond during such period. At any time after six months from the date of giving notice, such consent may be revoked by the Holder who gave such consent or by a successor in title by filing written notice of such revocation with the Trustee, but such revocation shall not be effective if the Holders of fifty percent (51%) of the Bonds Outstanding, prior to receipt by the Trustee of the attempted revocation, consented to and approved the amendatory agreement referred to in such revocation.

(f) The fact and date of the execution of any instrument under this section may be proved by the certificate of any officer in any jurisdiction, who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof; or such facts may be proved by an affidavit of a witness to such execution sworn to before such officer.

(g) With regard to any Bonds that are insured, the issuer of such insurance shall be authorized to exercise the rights of Holders of Bonds it insures for purposes of consenting to any supplement to the Indenture except for the matters detailed in clauses (i) through (vi) above.

Effect of Supplemental Indenture. Upon execution of any Supplemental Indenture pursuant to the provisions of this section, the Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Indenture of the Board and the Trustee and all Holders then Outstanding will thereafter be determined, exercised and enforced under the Indenture and the Supplemental Indenture, subject in all respects to such modifications and amendments.

No Supplemental Indenture will modify the duties, rights or obligations of the Trustee, Paying Agent or Registrar without the consent of such party thereto.

Supplemental Indentures To Be Part of The Indenture. Any Supplemental Indenture entered into accordance with the provisions of the Indenture will thereafter form a part of the Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein will be and will be deemed to be part of the terms and conditions of the Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

Balances Remaining and Non-Presentment of Bonds

At such time as none of the Bonds remain Outstanding and all other amounts under the Indenture are paid, any balances remaining in any Fund or Account shall be transferred to the Board for deposit into the CFC Surplus Fund.

Any money deposited with the Trustee for the payment of the principal of and interest on any Bonds and remaining unclaimed by the Registered Owner after the expiration of three (3) years from the date such funds have become due and payable shall be reported and disposed by the Trustee in accordance with the provisions of Commonwealth law. The Trustee shall have no liability to the Registered Owners of the Bonds by virtue of actions taken in compliance with this provision. After the date otherwise set for payment to the Registered Owners, any such unclaimed funds may be held uninvested by the Trustee.

Governing Law

The Indenture and the rights and obligations of all parties to the Indenture shall be governed by and construed and interpreted in accordance with the laws of the State.

APPENDIX C
RENTAL CAR (“RAC”) AGREEMENTS

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APPENDIX C-1

**RENTAL CAR CONCESSION AGREEMENT
(the "RAC Concession Agreement")**

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RENTAL CAR CONCESSION AGREEMENT

BETWEEN

KENTON COUNTY AIRPORT BOARD

AND

(Insert Name of Rental Car Company)

Dated:

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WITNESSETH:

This Rental Car Concession Agreement, ("Agreement") is made and entered into as of the _____ day of _____, 2019 ("Effective Date") by and between the Kenton County Airport Board, ("KCAB"), a public corporation created pursuant to Chapter 183 of the Kentucky Revised Statutes operator of the Cincinnati/Northern Kentucky International Airport ("Airport") and _____, a _____ Corporation or LLC etc and authorized to do business in the Commonwealth of Kentucky, ("Tenant").

This Agreement shall be in full force and effect as of the Effective Date.

For and in consideration of the mutual covenants set forth herein, the KCAB and Tenant hereby agree as follows:

**ARTICLE I
DEFINITIONS**

As used herein, the following terms shall have the meaning set forth below:

1.1 "Agreement" shall mean this Rental Car Concession Agreement between KCAB and the Tenant, including all Exhibits, amendments and supplements hereto.

1.2 "Airport" shall mean the Cincinnati/Northern Kentucky International Airport located in Boone County, Kentucky, together with any improvements thereto or enlargements thereof, as the same may be designated from time to time during the Term hereof.

1.3 "Common Equipment" means the oil stations, windshield fluid stations, car washes, vacuum stations, including the Common Fuel System, that are part of the Consolidated Rental Car Facility.

1.4 "Common Fuel System" means collectively the elements of the fuel transmission, delivery and dispensing systems and related facilities, fixtures, equipment, pipelines, UST and other property used in conjunction therewith as constructed by KCAB related to the Consolidated Rental Car Facility.

1.5 "Consolidated Ground Transportation Facility" means the Customer Service Building, Quick Turnaround Area, Ready Return Garage, Service Yard and associated roadways, infrastructure, equipment and facilities as more particularly identified on Exhibits A-1 through A-4 including the modification, improvement or relocation of existing roadways, facilities, earthwork, wetland mitigation, the extension of utilities, storm water drainage, water retention or detention, and other infrastructure to accommodate the construction thereof

1.6 "Consolidated Rental Car Facility" means the portions of the Consolidated Ground Transportation Facility consisting of the Exclusive Premises, RAC Common Areas, the Public Areas in the Customer Service Building, Quick Turnaround Area, Ready/Return Garage, Service Yard Area, and the RAC Common roadways and Common Equipment

1.7 "Customer Service Building" or "CSB" means that facility being constructed as part of the Consolidated Ground Transportation Facility consisting of areas used to assist Customers with arranging for the rental of an Automobile from Tenant and to facilitate movement of passengers to the Ready Return

Garage as well as the KCAB Space as identified on Exhibit A-1, attached hereto and incorporated herein by reference.

1.8 "Exclusive Premises" shall mean the areas within the Consolidated Rental Car Facility leased to Tenant as set forth under Section 2.1 of this Agreement.

1.9 "Facility Lease" shall mean that Consolidated Rental Car Facility Agreement at the Airport entered into between KCAB and Tenant dated _____, 2019.

1.10 "Gross Receipts" shall mean all monies paid or payable to, or considerations of determinable value received by the Tenant including all charges, fees, (including License Recovery Fees) surcharges, penalties and assessments billed by Tenant which are in anyway related to the rental of an Automobile or the providing of products or services at or from the Airport, regardless of where the Automobile, products or services are delivered to or returned from. Discounts and coupons can only be excluded from Gross Receipts if they are separately stated on the rental agreement and except as provided below, are granted at the time the rental agreement is entered into with the Customer. Such discounts and coupons must be recorded and reported in separately documented general ledger accounts. Discounts and coupons given by Tenant at the close of a rental car transaction may be excluded from Gross Receipts only if such discount or coupon is given as a result of a customer presenting their discount voucher or coupon upon return of the vehicle or if a discount is given due to issues the customer had with the rented vehicle. Tenant shall provide a detailed explanation on a separately documented general ledger account, substantiating the reason for the discount granted or coupon accepted at the close of the transaction. Sufficient detail must be maintained for all adjustment to support their exclusion from Gross Receipts. Gross Receipts is intended to include all monies or other consideration paid or payable to Tenant that relate to the rental of Automobiles or the providing of other products or services at the Airport, and unless specifically excluded from Gross Receipts herein all such receipts shall be included in Gross Receipts.

The only sums that may be excluded from Gross Receipts are the following:

1. Federal, State or local sales or similar taxes that the Tenant is required by law to collect from Customers. The taxes must be separately stated on the rental agreement, and collected by Tenant from the Customer. No deduction will be allowed for items including franchise taxes or taxes levied on the Tenant's activity, facilities, equipment or personal property.
2. Any money received by the Tenant as compensation for damage, loss or conversion to any Automobile or other property.
3. Any money received by the Tenant as compensation for the sale of any Automobile, or personal property.
4. Any money received as a payment or reimbursement from customers for any traffic tickets, parking tickets, tolls, towing, impound fees, red light tickets and other governmental fines or fees which must be paid by Tenant; including third party expenses incurred in collecting such amounts which are reimbursed to Tenant.
5. Amounts collected from Customers for Automobiles returned at the Airport, which were originally rented at another location at which Tenant pays a concession or similar type fee.
6. Customer Facility Charges which Tenant is required to collect and remit.

All exclusions must be segregated as separate accounts in the Tenant's General Ledger.

In the event that Tenant provides products or services through the use of authorized subcontractors, all revenue received or derived by the subcontractors shall be included in Gross Receipts (regardless of what portion, if any, is received or retained by Tenant).

No exclusion shall be allowed for the portion of retroactive rebates, dividends or refunds to any Customer

upon the attainment of a specified volume of rentals attributable to revenue or as part of any other marketing plan which does not list the discount on the rental agreement at the commencement of the rental car transaction. In addition, Gross Receipts shall not be reduced by any commission or other amount paid or rebated by the Tenant to travel agents or others with respect to any rental, except as permitted under this paragraph. Nor shall gross receipts be reduced by any write-offs and/or customer service adjustments to time and mileage or other charges except as permitted hereunder. Any customer service adjustments should be reported in separate general ledger accounts and not netted within the related revenue account. The Tenant shall not allocate revenue related to the rental of Automobiles at the Airport to any other location (regardless of where the Automobile is returned) unless otherwise provided for herein.

The risks associated with extending credit shall be borne solely by Tenant and shall not affect the computation of Gross Receipts. There shall be no deduction from Gross Receipts for bank charges, uncollected or uncollectible credit accounts or collection agency fees. Bad debt losses shall not be deducted from Gross Receipts. In addition, each transaction made on installment or credit shall be treated as a transaction for the full price in the month during which such charge or transaction is made, regardless of the time when the Tenant receives payment (whether full or partial).

The retroactive adjustment by Tenant of Gross Receipts designated as volume discounts or any other designation or for any other purpose is prohibited.

In no event shall the Tenant's Gross Receipts from any rental be negative in any individual revenue category for purposes of this Agreement. Diversion through direct or indirect means of rental car revenues from Gross Receipts as defined in this Agreement is prohibited.

1.11 "Minimum Annual Guarantee" or "MAG" shall mean the minimum amount of money due KCAB annually from Tenant in consideration of the rights granted to Tenant under this Agreement.

1.12 "Percentage Payment" shall mean the sum of money due KCAB on account of KCAB's share of Gross Receipts; which amount is currently at the rate of Ten Percent (10%) as provided in Article 6 below.

1.13 "Public Area" shall mean those portions of the Consolidated Rental Car Facility designated by KCAB for the non-exclusive use in common by the public, KCAB, and the Tenant of the Consolidated Rental Car Facility as more particularly described and identified on the attached Exhibit A-1, which is incorporated herein by reference, as may be supplemented from time to time by KCAB.

1.14 "Quick Turnaround Area" or "QTA" shall mean the vehicle fueling, washing, and cleaning "quick-turn-around" facility to be included as part of the Consolidated Rental Car Facility; as more particularly describe and identified on Exhibit A-2 , attached hereto and incorporated herein by reference.

1.15 "RAC Common Areas" shall mean those portions of the Consolidated Rental Car Facility and associated roadways that are designed by KCAB for the non-exclusive use in common by the Tenant and its Customers, which RAC Common Areas are identified on Exhibits A-2, A-3, and A-4 , attached hereto and incorporated herein by reference, as may be supplemented from time to time by KCAB..

1.16 "Ready/Return Area" or "RR" shall mean the areas in the Ready Return Garage in which Tenant's vehicles are parked and/or staged for Customer pick-up or return, which as more particularly described and identified on Exhibit A-3, attached hereto and incorporated herein by reference.

1.17 "Ready/Return Garage" means the facility being constructed as part of the Consolidated Ground Transportation Facility that includes both the Ready Return Areas and the Ground Transportation Center.

1.18 "Service Yard Area" shall mean the portion of the Consolidated Rental Car Facility containing underground storage tanks, emergency generator(s), trash containers, and similar functions, and which is identified on Exhibit A-4, attached hereto and incorporated herein by reference.

1.19 "UST" shall mean an underground storage tank(s) used exclusively to store heating oil, gasoline, used oil or such other items as are permitted under applicable Laws in connection with the Permitted Use at the Consolidated Rental Car Facility.

1.20 ALL OTHER CAPITALIZED TERMS USED HEREIN. In addition to the terms defined in this Article I, all capitalized terms not otherwise defined herein, shall have the meaning ascribed to them in the Facility Lease.

ARTICLE II PREMISES/TENANT IMPROVEMENTS AND RECAPTURE

2.1 KCAB is to construct a Consolidated Ground Transportation Facility in accordance with the Facility Lease of which the Consolidated Rental Car Facility is a part thereof.

As of the Rent Commencement Date, KCAB leases to the Tenant and the Tenant leases from KCAB the space in the Consolidated Rental Car facility consisting of:

approximately _____ square feet of Exclusive Premises located in the QTA;

approximately _____ square feet of Exclusive Premises located in the RR, (including Level 5 storage); and,

approximately _____ square feet of Exclusive Premises located in the CSB,

all as shown on Exhibit B attached hereto and incorporated herein by reference, (including the Common Equipment within the Exclusive Premises) located in the Consolidated Rental Car Facility.

The parties acknowledge that as of the Effective Date the exact configuration of the Exclusive Premises is still being designed and determined. Upon determination by KCAB of the final location, size design and configuration of the improvements shown on the all of the Exhibits attached hereto, including the Exclusive Premises, the parties agree to modify the EXHIBITS referenced herein, as necessary, in order to incorporate the final design thereof; such modifications to be confirmed by letter from the Chief Executive Officer without need for formal amendment to this Agreement.

In addition to the Exclusive Premises, KCAB grants to the Tenant the non-exclusive right to use in common with other On-Airport Rental Car Companies, the RAC Common Areas including the Common Equipment located in the RAC Common Areas. KCAB also grants to Tenant, the non-exclusive right to use, in common with the public and the other On-Airport Rental Car Companies, the Public Areas located at the Consolidated Rental Car Facility together with access to the KCAB Mechanical and Support Areas as KCAB determines to be necessary for Tenant's operations. In addition to the terms and provisions contained herein, the use of such areas shall be subject to the Facility Lease including the provisions relating to the management by the Manager of the Consolidated Rental Car Facility.

2.2 Tenant shall construct and build out the Exclusive Premises consistent with the terms and

provisions of Article 5 of the Facility Lease. Any subsequent Alterations to the Exclusive Premises shall be made in accordance with the provisions of Section 5.9 of Article 5 of the Facility Lease. Tenant shall also maintain and repair the Exclusive Premises consistent with the terms of provisions of Article 5 of the Facility Lease.

2.3 In its use and operation of its business hereunder, Tenant shall be a member of the Consortium and subject to the terms and provisions of the Operating Agreement adopted by the Consortium.

2.4 Subject to the prior written approval of KCAB, and except to the extent otherwise approved in writing by the Chief Executive Officer, Tenant's Exclusive Premises may be subject to reallocation amongst other On-Airport Rental Car Companies on the fifth (5th) anniversary of the Commencement Date. The Exclusive Premises may be reallocated only in the event there is a change in the Market Share Percentage of those On-Airport Rental Car Companies occupying the Consolidated Rental Car Facility from the first Agreement Year of the Agreement and the fifth Agreement Year of the Agreement, which change in Market Share Percentage would result in the reallocation of at least (a) one (1) full counter space, (b) two (2) fuel pump positions, (c) one (1) entire car wash facility, or (d) one (1) bay of parking spaces, (whether a large bay or small bay of parking spaces) in the Ready/Return Area. In addition, the Exclusive Premises consisting of the vehicle storage area located on the fifth (5th) floor of the RR and the QTA, may be reallocated in the event any On-Airport Rental Car Company occupying the Consolidated Rental Car Facility increases its Market Share Percentage from the first Agreement Year and the fifth (5th) Agreement Year by two percent (2%) or more. No change in the Market Share Percentage from Year one to Year five shall cause a reallocation of the amount of the Tenant's office/administrative/storage space. Any such reallocation shall be subject to any reasonable adjustments by the Chief Executive Officer, taking into account, among other things, the inherent cost and difficulty associated with reallocating the Exclusive Premises. Any such reallocation as provided hereunder will be reflected in an exhibit detailing such reallocation. The effective date and the applicable square footage(s) will be attached to this Agreement by letter from the Chief Executive Officer without the need for a formal amendment of this Agreement. Such reallocation will apply only to the amount of space attributable to those Tenant's Exclusive Premises set forth above in this Section 2.4, and shall only apply to the amount of space of the applicable Exclusive Premises, not the location of such Exclusive Premises. In the event that KCAB approves such reallocation, any and all costs and expenses associated therewith, including, without limitation, reallocation costs and the costs incurred by any other Tenant affected by such reallocation will be the responsibility of the Tenant(s) requesting the reallocation. Such reallocation will not apply if all On-Airport Rental Car Companies agree to remain in their Exclusive Premises. For purposes hereof, "Market Share Percentage" for the Tenant and each On-Airport Rental Car Company shall be calculated based on the Gross Receipts and the number of rental car transactions of Tenant and the each of the other On-Airport Rental Car Companies. The Market Share Percentage shall mean the amount, expressed as a percentage, equal to the quotient of (i) the Gross Receipts (as defined herein) of such On-Airport Rental Car Company during the immediately preceding twelve (12) month period, divided by (ii) the aggregate sum of all Gross Receipts of all of the On-Airport Rental Car Companies during the immediately preceding twelve (12) month period, PLUS, the amount, expressed as a percentage, equal to the quotient of (i) the number of rental car transactions of such On-Airport Rental Car Company during the immediately preceding twelve (12) month period, divided by (ii) the aggregate sum of all rental car transactions of all of the On-Airport Rental Car Companies during the immediately preceding twelve (12) month period, DIVIDED by two (2).

2.5 Notwithstanding anything herein to the contrary, in the event that any On-Airport Rental Car Company ceases to operate at the Consolidated Rental Car Facility at any time during the Term hereof, KCAB shall have the right to enter into a Concession Agreement and Facility Lease with a replacement On-Airport Rental Car Company (subject to such replacement On-Airport Rental Car Company signing a Concession Agreement, Facility Lease) and Operating Agreement. Any such Concession Agreement

entered into with a replacement On-Airport Rental Car Company shall contain terms substantially consistent with the terms of this Agreement. In the event that no replacement On-Airport Rental Car Company is substituted therefor, the available Exclusive Premises may be reallocated among the remaining On-Airport Rental Car Companies in accordance with the terms and provisions of the Concession Agreement and Facility Lease, subject in all cases to the review and reasonable approval of the Chief Executive Officer. Notwithstanding the foregoing, Concessionaire shall not be required to accept and/or utilize any such additional space allocated to them, however, Concessionaire shall remain financially responsible and otherwise obligated for such additional space as provided in the Facility Lease.

2.6 At the expiration or earlier termination of this Agreement, Tenant shall quit and surrender up the Exclusive Premises to KCAB, peaceably, quietly and broom clean and in the same condition as when tendered by KCAB, or hereinafter improved by Tenant, reasonable wear and tear and insured casualty excepted. All Trade Fixtures and Personal Property installed or located in the Exclusive Premises by Tenant shall be removed by Tenant, provided that the same can be removed without material damage to the Exclusive Premises or the Consolidated Rental Car Facility, as determined by KCAB. Any damage caused by the removal of such Personal Property and/or Trade Fixtures shall be repaired promptly by Tenant at Tenant's sole cost and expense. All Tenant Improvements (not constituting Trade Fixtures) shall, without compensation to the Tenant, become the property of KCAB, free and clear of all claims to or against them by Tenant or any third person, upon surrender of the Exclusive Premises by the Tenant for whatever reason. Provided that, if KCAB elects not to take ownership of any Tenant Improvements, then, prior to the date of surrender, Tenant shall remove any such Tenant Improvements and be solely responsible for the expense of the removal thereof and for any expense of restoring the Exclusive Premises to the same condition as when originally tendered by KCAB. In the event that Tenant shall fail to remove its Personal Property, Trade Fixtures, and/or Tenant Improvement on or before the termination (whether by expiration of the Term, cancellation, forfeiture, or otherwise, whichever first occurs) of this Agreement, at the sole option of KCAB said Personal Property, Trade Fixtures and/or Tenant Improvements, (i) may be stored at a public warehouse or elsewhere at Tenant's sole cost and expense; or (ii) title thereto shall vest in KCAB, free and clear of all claims to or against them by Tenant or any third person, at no cost to KCAB. In such event KCAB shall not be responsible for any losses related to such Personal Property, Trade Fixtures and/or Tenant Improvements and KCAB may sell or otherwise dispose of such items in its discretion.

ARTICLE III TERM

3.1 Unless terminated earlier pursuant to the provisions set forth herein, the Term of the Agreement shall be for a period of ten (10) years (the "Term"). The Term of this Agreement shall commence on the 1st day of the 1st month next following the date which is one hundred eighty (180) days after the Tenant Access Date. Such date shall be known herein as the "Commencement Date", and is the same date as the Rent Commencement Date set forth in the Facility Lease. Notwithstanding the foregoing, in the event the construction of the Tenant Improvements has been delayed by a Force Majeure Delay or otherwise delayed by any acts or omissions of KCAB, or its contractors, agents or employees then, the Commencement Date shall be deemed extended by one (1) day for each day of delay attributable to a Force Majeure Delay and/or a KCAB related delays encountered by Tenant. Each successive Agreement Year of the Term shall be for a period of twelve (12) calendar months. The Tenant understands and acknowledges that it is imperative that Tenant be completed with the construction of its improvements to the Exclusive Premises and otherwise be fully prepared to open to conduct business with the public on the Commencement Date. If Tenant is not prepared to open for business to the public, in addition to the liquidated damages set for in the Facility Lease, KCAB may elect to open the Consolidated Rental Car Facility for business and require Tenant to operate from the Consolidated Rental Car Facility in conjunction with its current facilities. Tenant agrees

that upon the Commencement Date, the existing license agreement entered into between the Board and Tenant permitting Tenant to conduct rental car operations at the Airport shall cease and terminate.

3.2 In the event Tenant shall, without the consent of KCAB, hold over and continue to operate its business at the Airport, after the expiration of the term of this Agreement, such holding over shall not be deemed to operate as a renewal or extension of this Agreement but shall only create an agreement on a month to month basis on the same terms, conditions and covenants, including consideration, contained in this Agreement; except that in such event only Percentage Rent shall be paid by Tenant during the month to month period. Any such hold over shall also continue to be subject to the obligations set forth in the Facility Lease.

**ARTICLE IV
USES AND PRIVILEGES**

4.1 KCAB hereby grants to the Tenant, subject to the terms and conditions herein, the right to conduct and operate an Automobile rental business at the Airport, which includes the right to use the Exclusive Premises and the non-exclusive right to use the RAC Common Areas, including the Common Equipment and the Public Areas located in the Consolidated Rental Car Facility for Rental Car Purposes. With regard to Automobile rental on and around the Airport, this shall not be construed to be an exclusive right, and KCAB shall have the right to contract with and grant other companies the right to engage in the Automobile rental business. Provided that any such contract with an entity which, at the time of entering into the contract, is not a current Tenant in the Consolidated Rental Car Facility, shall be in substantially the same form as this Agreement and the Facility Lease that has been signed by the other Tenants; such that no material term of the Agreement or the Facility Lease shall be more favorable to the new entity.

4.2 Tenant shall use the Exclusive Premises and the Consolidated Rental Car Facility in accordance with the provisions of Article 2 of the Facility Lease, the terms of which are incorporated herein.

4.3 Tenant shall be permitted to operate its Automobile rental business through itself, and its wholly owned subsidiaries. Tenant shall conduct its business in the Exclusive Premises through itself and/or the following wholly owned subsidiaries and under the following brand or trade name(s):

<p><u>Tenant:</u></p> <p>Name: _____</p> <p>State of Organization: _____ Authorized to do business in Kentucky</p>	<p><u>Brand/Trade Name(s):</u></p> <p>Name: _____</p> <p>Name: _____</p>
<p><u>Wholly Owned Subsidiary</u></p> <p>Name: _____</p> <p>State of Organization: _____ Authorized to do business in Kentucky</p>	<p><u>Brand/Trade Name(s):</u></p> <p>Name: _____</p>

Tenant shall not use or permit the Exclusive Premises to be operated under a different subsidiary or used under any other brand or trade name than those set forth above, without KCAB's written consent, which shall not be unreasonably withheld.

4.4 Tenant shall have a non-exclusive right of ingress to and egress from the Exclusive Premises, subject to any rules or regulations which may have been established or may be established in the future by KCAB. Such rights of ingress and egress shall apply to the Tenant, Tenant's employees, guests, patrons, invitees, suppliers and other authorized individuals. The rights of ingress and egress likewise apply to transport of equipment, material, machinery and other property, provided that KCAB may specify how Tenant accesses the Exclusive Premises for purposes of locating equipment, material, machinery and other property used in Tenant's business. The Tenant shall not obstruct or otherwise interfere with KCAB's, any airline's or other tenant's operation or use of the Consolidated Rental Car Facility or the Airport.

4.5 Should a conflict arise between the Tenant and other tenants or concession operators at the Consolidated Rental Car Facility or the Airport regarding the scope of the privileges granted, the decision of the CEO shall be final.

4.6 Tenant shall be bound by and subject to all of the Tenant obligations set forth in the Facility Lease, which obligations are specifically incorporated herein by reference.

ARTICLE V OBLIGATIONS OF THE TENANT

5.1 In addition to those duties and obligations set forth in Article 2 of the Facility Lease, which duties and obligations are specifically incorporated herein, the Tenant agrees to furnish good, prompt and effective service, adequate to meet all reasonable demands for the Automobile rental business at the Airport on a fair and reasonable basis.

5.2 The Tenant agrees that Automobiles made available hereunder shall be maintained at the Tenant's sole expense, in good operative order, free from known mechanical defects and in a clean, neat and attractive condition, inside and outside.

5.3 Tenant agrees that the Exclusive Premises provided to Tenant to engage in Rental Car Purposes may be required to remain operational and functional 24 hours a day, 7 days a week in order to meet reasonable demands for Automobile rental services.

5.4 The Tenant agrees that personnel performing services hereunder shall be neat, clean and courteous and that the Tenant shall not permit its agents, servants or employees so engaged to conduct business in a loud, noisy, boisterous, offensive or objectionable manner or to solicit business outside the Exclusive Premises in any manner whatsoever except through the use of signs constructed, installed and maintained in accordance with the terms in this Agreement and the Facility Lease.

5.5 Tenant agrees to observe, obey and comply with all applicable laws, regulations, rules, codes and ordinances, including KCAB's Rules and Regulations, and the Facility Lease, as same may be amended from time to time, and operate its Automobile rental business in a safe manner and without interfering with the use of the facilities by KCAB, and/or the passengers and business invitees of KCAB and other tenants of KCAB.

5.6 Tenant shall pay all taxes on taxable property, real or personal, owned by the Tenant in and about

the Consolidated Rental Car Facility as provided in the Facility Lease, provided, however, that nothing contained herein shall prevent or prohibit the Tenant from contesting, by all legal means, the legality or amount of any such tax or assessment, permit or Tenant fee.

5.7 The Tenant shall furnish, install, operate and maintain the Tenant Improvements, Trade Fixtures and equipment located in the Exclusive Premises, and shall keep and maintain the Exclusive Premises, clean orderly and in a good state of repair, as provided under the Facility Lease.

ARTICLE VI
FEES, CHARGES, GUARANTEES AND RENTALS/ AUDIT

6.1 For the use, rights and privileges granted hereunder, in addition to the payments made by Tenant under Article 4 of the Facility Lease, beginning on the Commencement Date, and thereafter during the entire Term of this Agreement, Tenant covenants and agrees to pay the KCAB, in lawful money of the United States, without any prior demand and free from all claims, demands, set-offs or counter-claims of any kind, the greater of a. or b. below:

a. Minimum Annual Guarantee:

A Minimum Annual Guarantee of _____ (\$ _____) per Agreement Year. The Minimum Annual Guarantee shall be adjusted on the fifth (5th) anniversary of the Commencement Date to equal eighty-five percent (85%) of the immediately prior Agreement Year’s Percentage Payments of the Tenant. The foregoing shall be applicable whether the adjustment increases or decreases the Minimum Annual Guarantee. Such adjusted Minimum Annual Guarantee shall be applicable for the remainder of the Term. The Minimum Annual Guarantee for any partial Agreement Year during the Term shall be prorated on a per diem basis. Beginning with the seventh Agreement Year and each Agreement Year thereafter, if the number of origin passengers at the Airport (as reported in the official records of KCAB) decreases by more than 15% over the immediately preceding Agreement Year, then the MAG otherwise payable for the upcoming Agreement Year shall be reduced by the same percent that the local Airport passengers decreased. It is intended that the first of any such reduction could be applicable during the 7th Agreement Year.

b. Percentage Payment:

An amount equal to ten percent (10%) of Tenant's annual Gross Receipts as defined in paragraph 1.12 above.

Tenant acknowledges that the Minimum Annual Guarantee and the Percentage Payments by Tenant to KCAB under this Agreement are for Tenant’s privilege to operate at the Airport and access the Airport market and are not fees imposed by KCAB on Tenant’s Customers for the use of space in the Consolidated Rental Car Facility.

The annual period for determining Tenant’s annual Gross Receipts shall be based upon the Agreement Year. On the Commencement Date, and on the first calendar day of each calendar month during the Term of this Agreement, without prior demand or invoice, Tenant shall pay to KCAB one-twelfth (1/12) of the Yearly Minimum Annual Guarantee. Beginning on the twentieth (20th) calendar day of the second month of the Term, and continuing until and including the month immediately following the expiration or other termination of this Agreement, the Tenant shall pay to KCAB an amount equal to the difference (if any) between the Percentage Payment for the immediately preceding month and one twelfth (1/12) of the then

applicable Minimum Annual Guarantee; it being understood and agreed that even though the Percentage Payment is computed and payable monthly, it shall be recomputed only on an Agreement Year basis during the Term. Tenant shall make all payments of all rentals, fees and charges required by this Agreement to the Kenton County Airport KCAB. Therefore, Tenant's monthly payments of the Percentage Payment and Minimum Annual Guarantee shall be computed and reconciled on an annual basis on or before the twentieth (20th) calendar day of the next calendar month following the last calendar month of each Agreement Year. If it is established that Tenant has overpaid KCAB, then such overpayment shall be credited to the fees and charges next thereafter due to KCAB from Tenant, provided that if the Term shall have expired or shall have been sooner terminated, then any such overpayment shall be remitted to the Tenant within forty-five (45) calendar days provided Tenant is not in default as herein defined. If the Tenant shall be in default at such time as there exists an overpayment, and such default and all related damages, losses, costs and expenses have been determined and reduced to a monetary amount, then the excess of such overpayment, if any, over such amount as relate to such damage, loss, costs or expense shall be remitted to the Tenant within forty-five (45) calendar days of such determination. All payments shall be mailed to the following address:

Chief Financial Officer
Cincinnati/Northern Kentucky International Airport
P.O. Box 752000
Cincinnati, Ohio 45275-2000

Within twenty, (20) days after the close of each calendar month for the Term of this Agreement, the Tenant shall submit to the Secretary/Treasurer of KCAB, on a form as shown on Exhibit C, as such form may be amended from time to time by KCAB, a statement of its Gross Receipts during the previous month upon which the Percentage Payments to KCAB set forth above are computed. Tenant may submit a form similar to Exhibit C subject to KCAB's prior approval. If Tenant is operating under one or more subsidiaries as a dual or multi brand Tenant, then Tenant may, but shall not be required to report the Gross Receipts for each subsidiary on a separate form. A responsible accounting officer of the Tenant must sign said statement. The Tenant shall keep full and accurate books and records showing all of its said Gross Receipts, and KCAB shall have the right, through its representative and at all reasonable times, to inspect such books and records. The Tenant hereby agrees that all such records and instruments shall be made available to KCAB during the Term of this Agreement and for at least the period set forth in Section 6.6(3) herein. With such monthly statement, the Tenant shall remit to KCAB a sum of money which represents the applicable Percentage Payment on Gross Receipts for the previous month.

6.2 Within thirty (30) days after the close of each calendar month for the Term of the Agreement, the Tenant shall submit details of all rental agreements, which comprise the amount reported as Gross Receipts for the month. This information will be provided in a mutually agreeable electronic format and will include, at a minimum, the rental agreement number, and all charges by individual billing component, (time and mileage, rental dates, insurance charges, miscellaneous equipment fees and charges, etc.) in such detail that they are in the rental agreement charges presented to the Customer. Tenant may submit the foregoing to KCAB for itself and for each of its subsidiaries operating at the Airport on a separate report, or Tenant may combine and submit the information required hereunder for all of its subsidiaries operating at the Airport.

6.3 All payments herein stated shall be rendered to the Secretary/Treasurer of KCAB, Cincinnati/Northern Kentucky International Airport, P. O. Box 752000, Cincinnati, Ohio 45275-2000, or at such other place as KCAB shall, in writing, direct.

6.4 KCAB does not require, but will not prohibit, a separate statement of and charge for the Percentage

Payments on Customer invoices or rental agreements (“Concession Recovery Fee”), provided that such Recovery Fee meets all of the following conditions:

1. Such Recovery Fee must be titled “Concession Recovery Fee,” “Concession Recoupment Fee” or such other name first approved by KCAB in writing;

2. The Concession Recovery Fee must be shown on the Customer rental agreement and invoiced with other Tenant charges (i.e. “above the line”);

3. The Concession Recovery Fee as stated on the invoice and charged to the Customer shall be no more than 11.11% of Gross Receipts and shall be specifically included in the Definition of Gross Receipts for purposes of remittance to KCAB. ▸

4. Tenant shall neither identify, treat, nor refer to the Concession Recovery Fee as a tax, nor imply that KCAB is requiring the pass through of such fee.

6.5 Customer Facility Charges: In addition to the above payments to KCAB, Customer Facility Charges (CFCs) are imposed on all Rental Car Transactions carried out by Tenant pursuant to KCAB’s Ordinance 2005-01, as amended. Tenant agrees to continue to collect and remit such CFCs consistent with Ordinance 2005-01, as same may be amended from time to time in the future by KCAB. In addition, Tenant shall report to KCAB all CFCs collected by Tenant on a form as shown on the attached as Exhibit D; as such form may be amended from time to time by KCAB. If Tenant is operating under one or more subsidiaries as a dual or multi brand Tenant, then Tenant may report the CFCs collected for each subsidiary on a separate form, or may report such CFCs on a combined form.

6.6 Audit

1. Books and Records

Tenant shall keep full and accurate books and records showing all of its Gross Receipts hereunder and customarily used in this type of operation, in accordance with Generally Accepted Accounting Principles (GAAP). KCAB shall have the right through its representatives and at reasonable times, to inspect, examine, copy and audit such books and records. Books and records shall include without limitation all original accounting source documents detailing transactions relevant to this Agreement including but not limited to original rental agreements, a list of all general ledger revenue accounts and balances relative to operations at the Airport, all supporting sales journals detailing each rental car transaction for the month, vehicle history reports, voucher summary reports, location income statements, other sales related documents, and detailed backup documentation for all exclusions of Gross Receipts claimed by Tenant.

2. Financial Accountability

Tenant shall maintain an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, that transactions are executed in accordance with management's authority, and that the financial records are reliable for the purposes of preparing financial statements. Tenant shall prepare financial statements in conformity with GAAP, applying certain estimates and informed judgments, as required. The internal control structure shall be supported by the selection, training and development of qualified personnel, by an appropriate segregation of duties, and by the dissemination of written policies and procedures.

3. Record Retention

Tenant agrees to keep available all books and records of business conducted under this Agreement for the longer of six months after completion of an audit by KCAB or three (3) years after the end of the Agreement Year to which the books and records pertain. If any audit has been initiated and audit findings have not been resolved at the end of the three (3) years, the books and records shall be retained until resolution of the audit findings.

4. Audit

Tenant shall make its original books and financial records available for audit by KCAB or its authorized agent or representative, at reasonable times. Tenant shall transport the necessary books and records to a location at the Airport for inspection, copying, or audit. KCAB may conduct such audit not more often than one (1) time within any twelve (12) month period.

If Tenant fails to transport the books and records, at its sole expense, to a location at the Airport within fourteen (14) calendar days after request by KCAB, KCAB reserves the right to perform the audit at the location where Tenant maintains the records, subject to Tenant paying expenses as provided for in this Agreement. If KCAB is required to perform the audit outside of Boone County, Kentucky, Tenant shall pay KCAB for the audit costs incurred. Audit costs include reasonable air and ground transportation, mileage, food, lodging and other miscellaneous costs associated with the audit. After the audit is completed, KCAB shall bill Tenant for the costs incurred.

Tenant agrees to reasonably accommodate KCAB's representatives by providing adequate workspace (including electrical outlets and phone access), allowing photocopying of any records and documents, and allowing the interviewing of such employees and subcontractors as the representatives deem necessary to conduct and support their audit. The parties recognize KCAB will incur additional costs if records requested by KCAB's auditor are not provided in a timely manner and the amount of those costs is difficult to determine with certainty. Consequently, the parties agree Tenant shall pay KCAB one hundred dollars (\$100) per day, after the passage of thirty (30) days for each record/retrieval not provided in a records request and in addition to all other contractual financial requirements, unless waived by KCAB. Payment will continue until specific performance is accomplished. Payment shall not be offset against any other amount due KCAB as detailed in this Agreement.

Such audits shall cover periods of at least one (1) year, unless a significant discrepancy or change occurs. These may include, but are not limited to: change of management for Tenant; significant drop-off in revenue from one month to the next; complaints related to billing from clients of Tenant; discrepancy between posted copy and billing summary, or previous audit discrepancies.

5. GAAS Standards Apply to Audit

It is agreed that examination of the books, ledgers, journals and accounts of Tenant will be conducted in accordance with Generally Accepted Auditing Standards (GAAS) applicable in the circumstance and that as such, such examinations do not require a detailed audit of all transactions. Testing and sampling methods may be used in verifying reports submitted by Tenant. Deficiencies ascertained by applying percentages of error, obtained from such testing and sampling, may be applied by KCAB to the entire period of reporting under examination and will be binding upon Tenant, and to that end shall be admissible in any court of law to prove any amounts due KCAB.

6. Over/Underpayments

If any KCAB inspection or audit of Tenant's books and records discloses a Tenant underpayment, Tenant shall pay, within fourteen (14) days of the billing date, any underpayment disclosed by the audit plus (i) interest at the Default Rate on the delinquent amount from the date such amount should have been paid; and (ii) any actual costs and attorney fees that KCAB incurs to collect the underpayment. The failure of Tenant to make payment to KCAB within this fourteen (14) day period shall constitute a material breach of this Agreement and shall give cause to KCAB for immediate termination hereof. If, as a result of such examination, it is established that Tenant has understated the Gross Receipts received from all operations on the Exclusive Premises by three percent (3%) or more, the entire expense of said examination shall be borne by Tenant, including salary and benefit costs of KCAB personnel at the rate of \$75.00 per hour.

Tenant shall pay KCAB's full costs and attorneys' fees incurred to collect the underpayment. Further, Tenant is liable for the full costs and attorneys' fees if KCAB finds it necessary to take legal action either to levy any performance security or take other action deemed necessary to collect money owed to KCAB by Tenant.

If the audit establishes that Tenant has overpaid KCAB, then such overpayment shall be credited to Tenant within thirty (30) days of the approval of such credit by the appropriate KCAB representative.

7. Additional Supporting Data

Tenant shall furnish KCAB with other commercially reasonable financial or statistical reports that KCAB may occasionally request regarding the Tenant's business at the Airport. This Section does not require Tenant to submit data that is either confidential business information or trade secrets unless reasonably related to determining compliance with this Agreement and KCAB provides for protection of such information from public disclosure.

6.7 Tenant shall guarantee performance under this Agreement in accordance with the following provisions:

1. On the Effective Date of the Agreement, Tenant shall provide KCAB with a document(s) providing for financial guarantees under this Agreement. Such financial guarantee document(s) shall be in the amount of fifty percent (50%) of the initial MAG set forth herein. Such financial guarantee shall be in effect during the entire Term of this Agreement and shall continue in effect and contain an expiration date that is 60 days after the expiration date of this Agreement. Failure to obtain, maintain, renew such financial guarantee(s) upon expiration of their coverage term shall be deemed a material breach of this Agreement.
2. At the discretion of the Tenant, this financial guarantee may be: (i) in the form of an irrevocable letter of credit drawn on a banking institution acceptable to KCAB, in favor of and deposited with KCAB; (ii) in the form of a surety bond issued by an insurance company or surety company qualified to do business in the Commonwealth of Kentucky and acceptable to KCAB; or (iii) a combination of both (i) and (ii).
3. Commitment documents providing for continuation or replacement of the financial guarantee documents shall be received by KCAB at least thirty (30) days prior to their expiration.
4. In the event Tenant shall at any time fail to have in effect the financial guarantee required under the provisions of this Agreement, upon written notice to the Tenant of its intention to do so, KCAB shall have the right, but not the obligation, to secure the guarantee required hereunder at the

cost and expense of the Tenant. In such event Tenant agrees to reimburse KCAB for the cost thereof plus fifteen percent (15%) thereof for administrative overhead.

5. KCAB shall have the right to draw under the security deposit or the letter of credit, and to use the proceeds thereof, to pay or reimburse KCAB for performance of Tenant's obligations or compensate KCAB for any damages owed to KCAB by Tenant. KCAB shall give written notice to Tenant prior to, or at the time, any draw is made hereunder. KCAB agrees that, with respect to any Event of Default hereunder which can be cured to completion by the payment of money, KCAB shall, before exercising any of its other rights and remedies hereunder, but without prejudice to any such other rights and remedies, and without limiting Tenant's obligation to replenish the same, first draw upon or attempt to draw upon the Security Deposit or the Letter of Credit, and apply the proceeds of such draw towards the cure of such monetary Event of Default. In addition to securing the amounts owed by Tenant and its performance obligations hereunder, such financial guarantee may also be used by KCAB to apply against any delinquent amounts owing by Tenant under the Facility Lease and/or to remedy any default of such tenant under the Facility Lease.

ARTICLE VII OBLIGATIONS OF KCAB

7.1 KCAB agrees that upon compliance with all the terms set forth herein including the payment of all rents, charges and fees set forth herein during the Term of this Agreement, the Tenant may use the Exclusive Premises for its Automobile rental business and operate such Automobile rental business at the Airport in accordance with all of the terms and conditions set forth herein and as set forth in the Facility Lease.

ARTICLE VIII INDEMNITY, INSURANCE, DAMAGE OR DESTRUCTION

8.1 Tenant shall be subject to and bound by the terms and provisions set forth in Article 7 of the Facility Lease, Indemnity, Insurance, Damage or Destruction, which terms and provisions are specifically incorporated herein.

ARTICLE IX ASSIGNMENT AND SUBLEASE OF EXCLUSIVE PREMISES

9.1 Tenant shall be subject to and bound by the duties, obligations, terms and provisions set forth in Article 13 of the Facility Lease, Assignment and Sublease of Exclusive Premises, which duties, obligations terms and provisions are specifically incorporated herein.

9.2 Any assignment of the Facility Lease approved by KCAB shall also constitute an assignment of this Agreement to the assignee of the Facility Lease. Any assignment of this Agreement approved by KCAB shall also constitute an assignment of the Facility Lease to the assignee of this Agreement.

ARTICLE X
COMPLIANCE WITH ALL LAWS/AIRPORT MATTERS

10.1 Tenant shall be subject to and bound by the duties, obligations, terms and provisions set forth in Article 6 of the Facility Lease, Compliance with all Laws, and those set forth in Article 8 of the Facility Lease, Airport Matters, all of which duties, obligations terms and provisions are specifically incorporated herein.

ARTICLE XI
DEFAULT AND TERMINATION

11.1 Tenant shall be subject to and bound by the duties, obligations, terms and provisions set forth in Article 10 of the Facility Lease, Default and Termination, which duties, obligations terms and provisions are specifically incorporated herein.

11.2 In addition to the provisions of Article 10 of the Facilities Lease, a breach or default of any of the terms and conditions set forth in this Agreement shall constitute a breach or default under the Facility Lease, and KCAB shall have all rights and remedies afforded thereunder. Further, any termination of the Facility Lease shall constitute a termination of this Agreement

11.3 In addition to the provisions of Article 10 of the Facility Lease, if an Event of Default as defined in the Facility Lease occurs, KCAB may exercise, with or without notice or demand, any one or more of the following described remedies, in addition to all other rights and remedies provided elsewhere herein or at law or equity:

1. KCAB may terminate this Agreement and the Term created hereby, in which event KCAB may forthwith repossess the Exclusive Premises and be entitled to recover forthwith as damages: (i) all of the Rent accrued and unpaid for the period up to and including such termination date; (ii) any other sums for which Tenant is liable or in respect of which Tenant has agreed to indemnify KCAB under any provisions of this Agreement which may be then due and owing; and (iii) any damages in addition thereto, including reasonable attorneys' fees and court costs, which KCAB sustains as a result of the default of any of the covenants of this Agreement;
2. The right to specific performance, injunctive relief or other appropriate remedy; and
3. The right to deem Tenant non-responsive in future procurements and solicitations by KCAB;

11.4 If KCAB exercises the remedies provided for in this Article 11, Tenant in connection with an Event of Default shall surrender possession and vacate the Exclusive Premises or appropriate portion thereof immediately and deliver possession thereof to KCAB, and the Tenant hereby grants to KCAB full and free right and privilege to enter into and upon the Exclusive Premises in such event and take complete and peaceful possession of the Exclusive Premises, to expel or remove Tenant and any other occupants and to remove any and all property therefrom without being deemed in any manner guilty of trespass, eviction, forcible entry and detainer, or conversion of property and without relinquishing KCAB's right to rent or any other right given to KCAB hereunder or by operation of law. In addition to the rights set forth herein, Tenant shall otherwise surrender the Exclusive Premises consistent with the provisions of Section 2.6 herein.

ARTICLE XII
CONDEMNATION

12.1 Tenant shall be subject to and bound by the terms and provisions set forth in Article 12 of the Facility Lease, "Condemnation", which terms and provisions are specifically incorporated herein.

ARTICLE XIII
HAZARDOUS SUBSTANCES

13.1 Tenant shall be subject to and bound by the terms and provisions set forth in Article 14 of the Facility Lease, "Hazardous Substances", which terms and provisions are specifically incorporated herein.

ARTICLE XIV
SPECIAL PROVISIONS

14.1 Tenant shall be subject to and bound by the terms and provisions set forth in Article 15 of the Facility Lease, "Special Provisions", which terms and provisions are specifically incorporated herein.

14.2 Pursuant to the Bond Documents, KCAB anticipates the issuance of the Bonds in connection with the design and construction of the Project. Such Bonds are being issued pursuant to and in accordance with the Bond Documents, together with any and all related documents executed in connection therewith, and shall be and remain subject to the applicable terms, conditions, and provisions thereof, as the same may be amended or modified from time to time. This Agreement, and the obligations hereunder and thereunder, are expressly conditioned upon KCAB obtaining satisfactory financing for the design and construction of the Project, which approval by KCAB shall be evidenced by KCAB, in its discretion, sending a notice to proceed for the second phase of the construction of the Project as such term is defined under the contract between KCAB and the construction manager dated August 6, 2017 for the construction of the Project.

ARTICLE XV
AIRPORT CONCESSION DISADVANTAGED BUSINESS ENTERPRISE

15.1 Airport Concession Disadvantaged Business Enterprise ("ACDBE") Participation:

Per the ACDBE Regulations, KCAB has adopted an ACDBE Program including overall goals applicable to this Agreement. Tenant must comply with the requirements of 49 CFR Part 23, regulations of the U.S. Department of Transportation, and KCAB's most current ACDBE Program, including any updates or revisions during the term of the Agreement. These regulations impose goals for ACDBE participation in the performance of this Agreement and Tenant's operations at the Airport. KCAB encourages Tenant to voluntarily include significant involvement with socially and economically disadvantaged business enterprises in operations under its agreements with KCAB. Tenant's failure to carry out these requirements is a material breach which may result in the termination of this Agreement or other remedy as KCAB deems appropriate.

For purposes of this Agreement and the Facility Lease ACDBE means a for-profit business certified as an ACDBE according to 49 CFR Part 23 by the Kentucky Transportation Cabinet's Uniform Certification Program ("KUCP"). Under the applicable regulations, it is presumed that by meeting the size, disadvantage (including personal net worth), ownership, and control standards a firm certified by the KUCP as a

Disadvantaged Business Enterprise (“DBE”) under 49 CFR Part 26 is eligible to participate as an ACDBE. Accordingly, ACDBE includes DBE for purposes of the ACDBE requirements applicable to this Agreement and the Facility Lease.

15.2 ACDBE Goal:

An ACDBE specific contract goal will be established for this Agreement and Tenant’s operations at the Airport (“ACDBE Goal”). Tenant must meet or exceed the ACDBE Goal each federal fiscal year or make good faith efforts, as defined in 49 CFR Part 23 and 49 CFR Part 26, to meet the specific ACDBE. All ACDBE firms used towards participation to meet this ACDBE goal must be certified as ACDBEs by the KUCP prior to the Commencement Date. Only ACDBE entities that have a direct contract with Tenant, plus Tenant’s pro rata share of goods and services purchased through the Manager for purposes of Consolidated Ground Transportation Facility operations, may be counted by Tenant towards the ACDBE Goal.

Pursuant to 49 CFR Part 23, KCAB is required to develop an overall goal for ACDBE participation in car rental concessions to cover three federal fiscal years. KCAB’s overall car rental goal for the three-year period covering the Commencement Date of this Agreement has not been established. The ACDBE overall goal is expected to be solely based upon Tenant’s purchases of goods and services, including Tenant’s pro rata share of goods and services purchased through the Manager for purposes of Consolidated Ground Transportation Facility operations, in the performance of its operations under this Agreement and the Facility Lease.

The overall ACDBE car rental goal in effect on the Commencement Date, and subsequent overall car rental goals, will be incorporated into this Agreement as the ACDBE Goal by letter from KCAB, without need for formal amendment to this Agreement. Tenant must include a level of ACDBE participation equal to or greater than the ACDBE Goal as established by KCAB, or clearly demonstrate in a manner acceptable to KCAB’s ACDBE Liaison Officer its good faith efforts to do so. Within 30 days of the date of the letter from KCAB of the ACDBE Goal to be incorporated into this Agreement, Tenant must submit to KCAB an ACDBE Schedule in the format provided in Exhibit E-1 for achievement of the ACDBE Goal and a Letter of Intent in the format provided in Exhibit E-2 for each ACDBE included on the ACDBE Schedule. Tenant must also provide the estimated annual total of all purchases of goods and services, including Tenant’s pro rata share of goods and services purchased through the Manager for purposes of Consolidated Ground Transportation Facility operations. If the percentage of proposed ACDBE participation on the ACDBE Schedule is less than the ACDBE Goal, Tenant must provide documentation evidencing it made sufficient good faith efforts satisfactory to KCAB’s ACDBE Liaison Officer to do so in accordance with 49 CFR Part 23 and 26. Tenant must use the ACDBEs described in the most current ACDBE Schedule in providing the services described on the schedule as approved by KCAB.

15.3 Reporting:

Beginning on the Effective Date of this Agreement, for the purpose of demonstrating compliance Tenant must report the actual payments to all vendors made by Tenant for goods and services utilized in connection with its operations at the Airport. In a format prescribed by KCAB, Tenant must submit the following information no later than 30 days after the expiration of each calendar quarter during the term of this Agreement: (1) the names and contact information of each vendor to whom payments were made for goods and services and identifying each ACDBE vendor; (2) a description of the goods and/or services including the applicable NAICS code(s) that each vendor performed; (3) the dollar amount of payments made to each vendor; and, (4) identifying whether each vendor is new to Tenant’s operations at the Airport for the period being reported. If the ACDBE participation included in the quarterly report does not meet or exceed the ACDBE Goal percentage, Tenant must also provide evidence of good faith efforts as indicated in 49 CFR

Part 23 and 26.

15.4 Monitoring and Enforcement:

Tenant must implement appropriate mechanisms to ensure compliance with the requirements of 49 CFR Part 23, regulations of the U.S. Department of Transportation, and KCAB's most current ACDBE Program, including any updates or revisions. Tenant must include a monitoring and enforcement mechanism to verify that the work committed to an ACDBE is actually performed by the ACDBE.

KCAB reserves the right, at any time during the term of this Agreement to request additional information, documentation, or verification of payments made for goods and services in connection with this Agreement and the Facility Lease. Tenant must provide KCAB access to the necessary records for the purpose of investigating and determining compliance, including, but not limited to, records, records of expenditures, contracts between Tenant and the ACDBE participants, and other records pertaining to ACDBE participation, which Tenant must maintain for a minimum of 3 years following the termination of this Agreement.

If Tenant fails to comply with the ACDBE Program, applicable regulations, or to meet the ACDBE Goal or demonstrate good faith efforts to do so, KCAB may: pursue any available remedy; terminate, suspend, or cancel this Agreement in whole or in part; and/or, suspend or debar Tenant from eligibility to contract with KCAB in the future unless Tenant demonstrates, within a reasonable time as determined by KCAB, it complies with the terms of the ACDBE Program and this Agreement or demonstrates, in KCAB's sole discretion, good faith efforts to comply.

15.5 ACDBE Termination and Substitution:

Tenant may not terminate an ACDBE for convenience without KCAB's prior written consent. Tenant must notify KCAB's ACDBE Liaison Officer immediately of an ACDBE's inability or unwillingness to perform and provide reasonable documentation. Prior to terminating an ACDBE for default, Tenant must notify KCAB of such termination, providing the effective date and reason(s) for termination. If an ACDBE is terminated by Tenant either with KCAB's consent or because of the ACDBE's default, then Tenant must make good faith efforts, in accordance with the requirements of 49 CFR Part 23 and 26, to find another ACDBE to substitute for the original ACDBE for the same amount of goods and services under the contract as the ACDBE that was terminated.

If Tenant desires to change an ACDBE(s) participating in the operations under this Agreement and the Facility Lease, within 10 days after a change Tenant must provide a revised ACDBE Schedule to KCAB with a copy of the revised ACDBE Schedule to KCAB's ACDBE Liaison Officer. A notice by Tenant to KCAB to remove a particular ACDBE from the ACDBE Schedule is not sufficient. When Tenant submits a revised ACDBE Schedule, Tenant must submit a complete, revised ACDBE Schedule that includes the required information for all ACDBEs then participating in Tenant's operations at the Airport.

If changes to the ACDBE Participation Schedule results in an overall reduction of ACDBE participation, Tenant must obtain KCAB's prior approval of the proposed changes and provide documentation of good faith efforts satisfactory to KCAB's ACDBE Liaison Officer to find another ACDBE to substitute for the original ACDBE to provide the same amount of ACDBE participation. If Tenant fails or refuses to comply in the time specified, KCAB will give notice of intent to terminate this Agreement within 10 days of the notice unless satisfactory action has been taken. If Tenant still fails to comply, KCAB may issue a notice of termination for default.

ARTICLE XVI
ENTIRE AGREEMENT/SUBSTITUTION OF EXHIBITS

16.1 The parties hereto understand and agree that this instrument contains the entire Agreement between the parties. The parties further understand and agree that neither party nor its agents have made representations or promises with respect to this Agreement except as expressly set forth herein; and that no claim or liability shall arise for any representations or promises not expressly stated in this Agreement. Any exhibit referred to herein is intended to be incorporated herein by reference and KCAB reserves the right, from time to time, to substitute exhibits attached hereto with new exhibits provided such substitute exhibits shall not materially interfere with Tenant's use of the Exclusive Premises for its Automobile rental business. **IN WITNESS WHEREOF**, the parties hereto have executed this Agreement through their respective officers duly authorized so to do on this ____ day of _____, 20__.

KENTON COUNTY AIRPORT BOARD

BY _____
Candace S. McGraw, Its, CEO

Attest:

Sheila R. Hammons,
Secretary/Treasurer

Approved as to form and legality:

Ziegler & Schneider, PSC
Legal Counsel
Kenton County Airport Board

(TENANT)

By: _____

Its: _____

APPENDIX C-2

**CONSOLIDATED RENTAL CAR FACILITY AGREEMENT
(the “CONRAC Agreement”)**

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**CONSOLIDATED RENTAL CAR FACILITY
AGREEMENT
AT THE CINCINNATI/NORTHERN KENTUCKY
INTERNATIONAL AIRPORT**

BETWEEN

KENTON COUNTY AIRPORT BOARD

AND

(Inset Name of Rental Car Company)

Dated:

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**CONSOLIDATED RENTAL CAR FACILITY AGREEMENT
AT THE CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT**

THIS CONSOLIDATED RENTAL CAR FACILITY AGREEMENT (this "**Agreement**") dated as of _____ (the "**Effective Date**") by and between the **Kenton County Airport Board**, a Municipal corporation established pursuant to the provisions of Chapter 183 of the Kentucky Revised Statutes, operator of the Cincinnati/Northern Kentucky International Airport ("**Airport**") located in Boone County ("**KCAB**"), and [**Insert Name Of Rental Car Company**] ("**Tenant**").

RECITALS:

WHEREAS, KCAB owns and operates that certain airport commonly known as Cincinnati/Northern Kentucky International Airport (the "**Airport**"), and

WHEREAS, KCAB is vested with the authority, and it is KCAB's duty, to make provisions for the needs of aviation, commerce, shipping, and travel in, to, and around the Airport to promote and develop the Airport, and in the exercise of such power and the fulfillment of such duty, to enter into any agreement pertaining to the properties of the Airport, upon such terms and conditions as KCAB shall prescribe; and

WHEREAS, KCAB desires to develop, alter, and improve the Property in order to construct a Consolidated Rental Car Facility as part of the Consolidated Ground Transportation Facility (as such terms are hereinafter defined), which will service and enhance aviation and commerce, shipping, and travel in, to, and around the Airport; and

WHEREAS, Tenant is engaged in the business of renting automobiles and desires to enter in this Agreement and concurrently herewith a Concession Agreement (as such term is hereinafter defined) for the use and lease of portions of the Consolidated Rental Car Facility, subject to the terms, limitations and conditions set forth in this Agreement and the Concession Agreement; and

WHEREAS, KCAB and Tenant acknowledge that the continued operation of the Airport as a safe, convenient, and attractive facility is vital to the economic health and welfare of KCAB, and that KCAB's right to monitor performance under this Agreement by Tenant is a valuable right incapable of quantification; and

WHEREAS, for the better promotion of aviation, commerce, shipping, and travel in, to, and around the Airport, KCAB and Tenant desire to enter into this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing recitals, the faithful performance by KCAB and Tenant of the terms, covenants, and conditions hereof, and of the payments herein provided to be made by Tenant, KCAB and Tenant hereby covenant and agree as follows:

**ARTICLE 1
DEFINITIONS**

The following terms, when used in this Agreement, shall have the following meanings:

"Agreement" –means this Agreement between KCAB and Tenant, and any and all modifications, alterations, amendments and supplements thereto.

"Agreement Year" – means the twelve (12) month period commencing on the Rent Commencement Date and each subsequent 12-month period falling wholly or partly within the Term.

"**Airport**"- means the Cincinnati/Northern Kentucky International Airport located in Boone County, Kentucky, together with any improvements thereto or enlargements thereof and all functionally related and subordinate facilities related thereto, as the same may be designated from time to time during the Term hereof.

"**Airport Use Agreement**" means the Airport Use Agreement heretofore and hereafter entered into between KCAB and various signatory airlines for the use and availability of the landing areas and facilities, ramps, terminals and other common aviation facilities of the Airport and its successor agreement(s), or in lieu of such successor agreements(s) the ordinance of KCAB establishing rates, fees and charges to air carriers.

"**Airport Security Act**" - means 49 U.S.C. 44901 et seq., and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Alterations**"-means the term as set forth in Section 5.9.

"**Annual Requirement Deficiency**" means for a particular Agreement Year, Tenant's Proportionate Share of the Annual Shortfall.

"**Annual Shortfall**" - means either (a) for a past or current Agreement Year, the amount by which Total Annual Costs for such Agreement Year exceeds the CFC Collections (including interest earnings as contemplated by the CFC Bond Documents) received by KCAB for such Agreement Year, or (b) for the current or a future Agreement Year, the amount by which Total Annual Costs for such Agreement Year are estimated by KCAB to exceed the CFC Collections (including interest earnings as contemplated by the CFC Bond Documents) to be received during such Agreement Year.

"**Automobile**" - means all motor vehicles available for rent by Tenant, including without limitation, cars, vans, pick-up trucks and SUVs.

"**Bond Documents**" - means the documents and authorizations relating to the issuance, financing, investment, application, and retirement of the CFC Bonds and GARB Bonds (on a senior or subordinate basis) as supplemented and amended from time to time.

"**Bonds**" – means collectively the CFC Bonds and GARB Bonds and any additional senior or subordinate bonds issued from time to time and outstanding, the proceeds of which are used to pay for the Project.

"**Business Day**" – means every day except for Saturday and Sunday, any day that is a recognized United States federal legal holiday and any day that the banking institutions in the Commonwealth of Kentucky are authorized or required by law or other governmental action to be closed

"**CFC Bonds**" means the Kenton County Airport Board Senior Customer Facility Charges Taxable Revenue Bonds and a potential Kenton County Airport Board Customer Facility Charge Non-Taxable Revenue Bonds series of bonds issued for the Project under a Master Trust Indenture to be entered on or after the Effective Date by and between the Kenton County Airport Board, as Issuer, and the Trustee or any other successor trustee from time to time, and any future Customer Facility Charges Revenue Bonds (on a senior or subordinate basis), which may be issued to refund such CFC Bonds.

"**CFC Bond Documents**" - means the documents and authorizations relating to the issuance, financing, investment, application, and retirement of the CFC Bonds, as supplemented and amended from time to time.

"CFC Collections" – means the amount of CFCs collected by the Tenant from time to time and required to be remitted to KCAB or its Trustee for the applicable payment period.

"CFC Ordinance" - means that certain ordinance adopted by KCAB on October 17, 2005, including amendments thereto, that among other things, imposes a CFC on a rental car Customer doing business at the Airport or off Airport, as such ordinance may be further amended, restated or supplemented from time to time.

"CFC Revenue"- means the CFC Collections, the Annual Requirement Deficiency, and the interest earnings as contemplated by the CFC Bond Documents, received or to be received by KCAB or its Trustee.

"CFC Stabilization Fund" - shall have the meaning ascribed to such term in the CFC Bond Documents

"CFC Surplus Fund" – shall have the meaning ascribed to such term in the CFC Bond Documents.

"Chief Executive Officer" or "CEO"- means, for the purposes of this Agreement, the Chief Executive Officer of KCAB, or his or her designee, (or any successor thereto in whole or in part as to his or her duties as the person in charge of the operation of the Airport on behalf of KCAB).

"Chief Financial Officer" or "CFO" means the Chief Financial Officer, or his or her designee, responsible for the financial operations of the Airport under the general supervision of the Chief Executive Officer.

"Code" - means the United States Internal Revenue Code of 1986, as amended.

"Concession Agreement" - means the Rental Car Concession Agreement between KCAB, and an On-Airport Rental Car Company, as concessionaire, pursuant to which such On-Airport Rental Car Company has the right to operate a rental car concession in a portion of the Consolidated Rental Car Facility, or any successor agreement between KCAB and an On-Airport Rental Car Company, pursuant to which such On-Airport Rental Car Company has the right to operate in a portion of the Consolidated Rental Car Facility.

"Condemnation Proceedings" shall have the meaning as set forth in Section 12.1 of this Agreement.

"Common Equipment" - means the oil stations, windshield fluid stations, car washes, vacuum stations, including the Common Fuel System that are part of the Consolidated Rental Car Facility.

"Common Fuel System" means collectively the elements of the fuel transmission, delivery and dispensing systems and related facilities, fixtures, equipment, pipelines, UST and other property used in conjunction therewith as constructed by KCAB related to the Consolidated Rental Car Facility.

"Consolidated Ground Transportation Facility" means the Customer Service Building, Quick Turnaround Area, Ready Return Garage, Service Yard and associated roadways, infrastructure, equipment and facilities as more particularly identified by exhibit to the Concession Agreement including the modification, improvement or relocation of existing roadways, facilities, earthwork, wetland mitigation, the extension of utilities, storm water drainage, water retention or detention, and other infrastructure to accommodate the construction thereof.

"Consolidated Rental Car Facility" - means the portions of the Consolidated Ground Transportation Facility consisting of the Exclusive Premises, the RAC Common Areas, the Public Areas in the Customer Service Building, Quick Turnaround Area, Ready/Return Garage, and the Service Yard Area and RAC Common roadways and Common Equipment.

"Consolidated Rental Car Facility Substantial Completion" means the time that the Consolidated Rental Car Facility has been sufficiently completed, other than punch list items or items which will not materially and adversely affect the use or occupancy of the Consolidated Rental Car Facility, such that Tenant is reasonably and lawfully able to take possession of the Exclusive Premises.

"Consortium" – means the Tenants operating under an Operating Agreement as provided in Section 5.5 of this Agreement.

"Consumer Price Index" - means the Consumer Price Index for Urban Wage Earners and Clerical Workers, Cincinnati Metropolitan Region, All Items (Base Year 1982-4 = 100) for the applicable month published by the Bureau of Labor Statistics of the United States Department of Labor or similar index substituted by KCAB if such index is no longer available or is not published for such period.

"Contractor" – means all contractors, subcontractors, and materialmen of any tier providing services, material, labor, operation, or maintenance on, about, or adjacent to the Consolidated Rental Car Facility, whether or not in privity with Tenant.

"Customer(s)" - means a Person that rents, picks up, or enters into a written agreement for the rental of an Automobile from Tenant either (i) at the Airport, (ii) at a location other than the Airport if, Tenant transports such Person to and/or from the Airport.

"Customer Facility Charge" or "CFC" - means the Customer Facility Charges imposed under the CFC Ordinance.

"Customer Service Building" or "CSB" means that facility being constructed as part of the Consolidated Ground Transportation Facility consisting of areas used to assist Customers with arranging for the rental of an Automobile from a Tenant, and to facilitate movement of passengers to the Ready Return Garage as well as the KCAB Space, all as more particularly identified by an exhibit to the Concession Agreement.

"Debt Service" – means the annual scheduled principal and interest payments on the Bonds and any related costs, or payments, including, without limitation, ongoing credit and liquidity fees, tax compliance cost, and the fees and costs of the underwriter, remarketing agent, rating agency, consultant and other professionals associated with the Bonds, and other financing and administration costs and charges.

"Default Rate" – means the rate of ten percent (10%) per annum compounded daily, unless a lesser interest rate shall then be the maximum rate permissible by Law with respect thereto, in which event said lesser rate shall be the Default Rate.

"Discount Rate" – means the rate of interest equal to the average interest rate for United States treasury bills with a remaining term most closely approximating one-half (1/2) of the remaining scheduled term of the Concession Agreement, determined as of the date for which such Discount Rate is to be first applied hereunder.

“Eligible Costs” - means (a) Debt Service on the Bonds and reimbursement to KCAB of Debt Service on the GARB Bonds paid by KCAB from sources other than CFCs; (b) KCAB's other reasonable costs relating to (i) insuring, financing, designing and constructing the Project (ii), maintaining, repairing, and replacing the Project (exclusive of KCAB Space and Public Areas in the CSB and the roadways that are not reflected on the Consolidated Ground Transportation Facility exhibit to the Concession Agreement), including Major Repairs; (c) such other permitted costs as may be identified in the CFC Ordinance, the Bond Documents, and such other costs as may be expressly approved by any other ordinance enacted by KCAB from time to time; and (d) to provide the funding of reserves including any required deposits into each of the funds and accounts specifically referenced and defined in the Bond Documents and amounts required to meet the rate covenants in the Bond Documents, together with all deposits required in connection with any of the foregoing (the “Mandatory Eligible Costs”); including, the reimbursement for Major Repairs under Section 5.4(b) after the payment of any Mandatory Eligible Costs; the reimbursement of any Annual Requirement Deficiency under Section 4.6(b) after the payment of any Mandatory Eligible Costs; and KCAB may elect, in its sole and absolute discretion (and without any obligation to do so), in the manner and based on the procedure to be determined by KCAB to apply a portion of available Excess CFCs (as hereinafter defined) after the payment of any Mandatory Eligible Cost towards the actual and reasonable expenses incurred by Tenant in connection with its responsibility under Section 5.4(a), but only to the extent that such Excess CFCs are then available following payment in full of the Mandatory Eligible Costs and subject to the provisions of Section 5.4(c).

“Excess CFCs” – means CFC Revenue in the CFC Surplus Fund.

“Exclusive Premises” – means those areas of the Consolidated Rental Car Facility which are leased exclusively to Tenant pursuant to a Concession Agreement and which are more particularly described by exhibit to the Concession Agreement.

“Expiration Date” - means thirty (30) years after the Rent Commencement Date.

“Federal Aviation Administration” or (“FAA”) – means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

“Force Majeure Delay” – means delay, to the extent caused by events or conditions beyond the reasonable control of Tenant or KCAB, caused by: material damage or destruction by fire or other casualty, strike (except if affecting only the Exclusive Premises); delay in transportation of a required material not normally anticipatable; shortage of a required material not normally anticipatable; unusually adverse weather condition such as, without limitation, severe rain storm or storms, below-freezing temperatures of abnormal degree or quantity for an abnormal duration; unknown underground obstructions, and also including, but not limited to, tornadoes and cyclones, war, civil strife, governmental action or inaction, and other like or similar events or conditions beyond the reasonable control of Tenant or KCAB.

“GARB Bonds” - means the Series 2019 Bonds issued under a Series Resolution adopted by the Kenton County Airport Board authorizing the issuance of its Airport Revenue Bonds pursuant to the General Bond Resolution to fund certain roadway elements of the Project and any future Airport Revenue Bonds (on a senior or subordinate basis), which may be issued to refund such Series 2019 Bonds.

“GARB Bond Documents” - means the documents and authorizations relating to the issuance, financing, investment, application, and retirement of the GARB Bonds, as supplemented and amended from time to time

"General Bond Resolution" - means the 2016 Airport Revenue General Bond Resolution adopted by KCAB on May 16, 2016 as supplemented by the Series 2016 Bond Resolution and as further supplemented or amended from time to time.

"Ground Transportation Center" or "GTC" means that portion of the Ready Return Garage used for automobile and bus loading and unloading as more particularly described by an exhibit to the Concession Agreement.

"Impositions" means the term as set forth under Section 4.10 of this Agreement.

"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 principle functions thereof or to which the powers and duties thereof shall be given by law. In any case under this Agreement where KCAB may or shall take any action, the Chief Executive Officer, or his or her designee, is authorized to take such action unless this Agreement expressly provides for action by the corporate authorities of KCAB or by resolution or ordinance, and except as otherwise provided now or hereafter by applicable law, the rules and regulations of KCAB, or by resolution or ordinance of the corporate authorities of KCAB.

"KCAB Mechanical Support Areas" – means those areas in the Consolidated Rental Car Facility designated as KCAB mechanical and support areas as more particularly described by an exhibit to the Concession Agreement.

"KCAB Space" means those areas in the Consolidated Ground Transportation Facility, to be used for purposes as determined from time to time by KCAB as more particularly described by an exhibit to the Concession Agreement.

"KCAB Restoration" means the term as set for under Section 7.4 (b).

"Laws" means the term ascribed to it in Section 2.9(b).

"Maintenance Operating Manual" means the manual to be developed by the Consortium pursuant to Section 5.5 of this Agreement.

"Maintenance Responsibility Chart" means the term as set forth in Section 5.4 of this Agreement and as attached hereto as Exhibit "C".

"Major Repair" means any repair or replacement in, of or to the Consolidated Rental Car Facility that: (a) extends the useful life of a particular capital asset in or part of the Consolidated Rental Car Facility by more than three years and costs more than Two Hundred Fifty Thousand Dollars and 00/100 Cents (\$250,000.00) (which amount is to be adjusted each Agreement Year by any change in the Consumer Price Index); (b) replaces a particular capital asset in or part of the Consolidated Rental Car Facility that is otherwise at the end of its useful life with a total value in excess of Two Hundred Fifty Thousand Dollars and 00/100 Cents (\$250,000.00) (which amount is to be adjusted each Agreement Year by any change in the Consumer Price Index; or (c) is expected to cost, under bona fide estimates of the repair costs prepared by the KCAB, more than Two Hundred Fifty Thousand Dollars and 00/100 Cents (\$250,000.00) (with such amount to be adjusted each Agreement Year by any change in the Consumer Price Index).

"Manager"- means the third-party manager hired by the Consortium with the approval of KCAB, which approval shall not be unreasonably withheld so long as the Consortium and such Manager complies

with the applicable terms and provisions of this Agreement, to carry out the obligations of Tenant with respect to the operation and management of the Consolidated Rental Car Facility

“Mandatory Eligible Costs” has the meaning ascribed to such term as set forth in the definition of Eligible Costs.

"Off-Airport Rental Car Company" – means a rental car company that (i) is not an On-Airport Rental Car Company, (ii) serves customers at the Airport, and (iii) is a party to a valid Off-Airport permit or agreement with KCAB.

"On-Airport Rental Car Company" – means a rental car company that (i) is a party to a valid Concession Agreement with KCAB, (ii) is located at the Consolidated Rental Car Facility, and (iii) which is a member of the Consortium hereunder.

"Operating Agreement" – means the operating agreement among Tenant and the other On-Airport Rental Car Companies creating and governing the Consortium as set forth under Section 5.5 of this Agreement.

"Partial Agreement Year" – means the period (consisting of fewer than twelve (12) months) from the Rent Commencement Date or any more recent anniversary of the Rent Commencement Date to and including the expiration or termination date of the Concession Agreement, if the term ends on a date other than the stated expiration date.

"Permitted Uses" – means operation and management of the Consolidated Rental Car Facility, and facilities incidental and reasonably related thereto, for rental car purposes only.

"Person" - means any individual, partnership, firm, trust, corporation, or other business entity or governmental authority or political unit or agency.

“Personal Property” means the personal property paid for and owned by Tenant and located in the Exclusive Premises, not including the Tenant Improvements or Trade Fixtures; and the same may be removed from the Exclusive Premises subject to the provisions contained in Section 3.3 of this Agreement.

"Plans and Specifications" means the plans and specifications prepared by PGAL, as architects, pertaining to the construction of the Consolidated Ground Transportation Facility to be hereafter approved by KCAB and as may be amended or supplemented by KCAB. .

"Project" – means the acquisition, site removal, permitting, design, development, furnishing, financing, and construction of the Consolidated Ground Transportation Facility by KCAB.

"Property" – means the land more specifically described in Exhibit A attached hereto and made a part hereof.

“Program Costs” means One-Hundred Ninety-Seven Million Dollars (\$197,000,000.00) or as such number is hereafter adjusted from time to time by KCAB in its sole discretion less the proceeds of the GARB Bonds used for construction for the Project.

“Public Area” – means those portions of the Consolidated Rental Car Facility for the non-exclusive use in common by the public, Tenants, and KCAB as more particularly described and identified by an exhibit to the Concession Agreement.

“Quick Turnaround Area” or **“QTA”** means the vehicle fueling, washing, and cleaning "quick-turn-around" facility to be included as part of the Consolidated Rental Car Facility as more particularly described by an exhibit to the Concession Agreement.

“RAC Common Areas” means those portions of the Consolidated Rental Car Facility and associated roadways that are designed for the non-exclusive use in common by the Tenants and its Customers under this Agreement, which are more particularly described and identified by an exhibit to the Concession Agreement.

“Ready/Return Area” or **“RR”** means the areas in the Ready Return Garage in which vehicles are parked and/or staged for Customer pick-up or return.

“Ready/Return Garage” means the facility being constructed as part of the Consolidated Ground Transportation Facility that includes both the Ready Return Areas and the Ground Transportation Center.

"Related Party" means a Person controlling, controlled by, or under common control of, or in partnership with common control with, the original named Tenant under this Agreement, or which acquires all of the assets of the original Tenant, or which results from a merger or consolidation with the original Tenant. As used in the term "Related Party", "control" means ownership of the (a) managing partner interests in a partnership, (b) managing member interests in a limited liability company, or (c) more than fifty percent (50%) of the voting stock in a corporation.

"Rent" – means Ground Rent, Facility Rent, if any, and Customer Service Building O & M Fee.

"Rent Commencement Date" – means the first day of the month next following the month that is one hundred eighty (180) days after the Tenant Access Date. Notwithstanding the foregoing, in the event the construction of the Tenant Improvements has been delayed by a Force Majeure Delay or otherwise delayed by any acts or omissions of KCAB, or its contractors, agents or employees, then, the Rent Commencement Date shall be deemed extended by one (1) day for each day of delay attributable to a Force Majeure Delays and/or a KCAB related delays encountered by Tenant.

"Rental Car Purposes" – means the rental of Automobiles, support functions such as the washing, fueling, and storage of Automobiles held for rental, and the related provision, collision damage waiver protection, insurance (including, but not limited to, personal injury insurance), the rental of children's car seats, mobile telephones, and such other services, items, and equipment that are reasonably associated with the rental of Automobiles.

“Renewal and Replacement Fund” - means that certain fund known as the CFC Renewal and Replacement Fund established by the CFC Bond Documents; provided that if the CFC Bonds are paid in full during the Term, if KCAB elects to continue with a Renewal and Replacement Fund then the Renewal and Replacement Fund shall mean, that separate account to be maintained by KCAB or as established by separate resolution of KCAB to be funded from CFC Collections during the Term with the same required amounts as in CFC Renewal and Replacement Fund under the CFC Bond Documents, including the replenishment thereof, from the CFC Collections during the Term.

“Security Deposit means the term as set forth under Section 5.10 of this Agreement.

“Service Yard Area” means the portion of the Consolidated Rental Car Facility containing underground storage tanks, emergency generator(s), trash containers, and similar functions.

“TSA” means the Transportation Security Administration that is an agency of the U.S. Department of Homeland Security that has authority over the security of the traveling public in the United States.

“Tenant” means the On-Airport Rental Car Company that is operating out of the Consolidated Rental Car Facility under this Agreement and a Concession Agreement that has not expired or terminated.

“Tenants” means all On-Airport Rental Car Companies that are operating out of the Consolidated Rental Car Facility under a Consolidated Rental Car Facility Agreement and a Concession Agreement that has not expired or terminated

“Tenant Access Date” - means the date on which KCAB authorizes Tenant to access the Consolidated Rental Car Facility, including Exclusive Areas and RAC Common Areas, for the purpose of permitting Tenant to commence construction of its Tenant Improvements as provided under Section 5.1(c).

“Tenant Improvement Plan”- means the plans and specifications submitted related to Tenant Improvements in accordance with the requirements of section 5.3(a).

“Tenant Improvements” - means the minimum improvements as set forth on *Exhibit “B”*.

“Tenant’s Proportionate Share” – means the percentage, which is derived from time to time by comparing the total square footage of the Exclusive Premises of Tenant against the total square footage of Exclusive Premises of all Tenants in the Consolidated Rental Car Facility.

“Tenant Restoration” means the term as set forth under Section 7.4(c).

“Tenant Work Items” means the term as set forth under Section 7.4(c).

“Term” – means the term as set forth under Section 3.1 of this Agreement.

“Terminal” – means the existing and future terminal building(s) at the Airport that are open to the public for the purpose of flight ticket purchase, public lobby, waiting, baggage check-in, and those other services related to public air travel.

“Total Annual Costs” means an amount for any Agreement Year equal to the sum of all payments necessary to satisfy the Debt Service of the CFC Bond Documents and funding of reserves to meet the rate covenants in the CFC Bond Documents, together with all deposits required in connection with any of the foregoing during such Agreement Year.

“Trade Fixtures” means all furnishings, equipment, machinery, appliances, signage and other fixtures, paid for, installed and owned by Tenant in the Exclusive Premises that can be removed without causing material damage to the Exclusive Premises, as determined by KCAB.

“Trustee” means a bank or other financial entity with trust powers, which is selected by KCAB to serve as trustee, under the CFC Bond Documents.

“UST” - means an underground storage tank used exclusively to store heating oil, gasoline, used oil or such other items as are permitted under applicable Laws in connection with the Permitted Uses at the Consolidated Rental Car Facility.

ARTICLE 2 EXCLUSIVE PREMISES

Section 2.1 - Exclusive Premises.

Under the Tenant's Concession Agreement, KCAB leases to Tenant Exclusive Premises within the Consolidated Rental Car Facility as listed and depicted in the Tenant's Concession Agreement, including the Common Equipment within Tenant's Exclusive Premises. The Concession Agreement further grants to the Tenant the non-exclusive right to use in common with other Tenants the RAC Common Areas, including the Common Equipment within the RAC Common Areas and the Public Areas located at the Consolidated Rental Car Facility together with access to the KCAB Mechanical and Support Areas as KCAB determines to be necessary for Tenant's operations all subject to the term and provisions of the Concession Agreement in addition to the terms and provisions of this Agreement.

Section 2.2 – Easements.

(a) Tenant's leasing of the Exclusive Premises shall be subject to any and all easements, licenses, and other rights with respect to the Exclusive Premises now or hereafter granted to or vested in any other governmental entities or agencies, including, without limitation, the FAA; provided, such easements, if any, shall not preclude the use of the Exclusive Premises.

(b) Tenant acknowledges that there may currently exist, and that KCAB may grant in the future, easements and rights on, over, or under the Exclusive Premises for the benefit of suppliers or owners of utilities that service the Airport or property adjoining the Exclusive Premises, and Tenant hereby consents to any such utility easements whether now in existence or later granted; provided, no such easements hereafter granted by KCAB shall materially and adversely interfere with Tenant's use of the Exclusive Premises.

(c) KCAB reserves (for itself, its grantees, tenants, mortgagees, contractors, licensees, and others claiming by, through, or under KCAB) such rights and easements as KCAB shall deem necessary or appropriate from time to time in connection with the Property, the Exclusive Premises, the Airport, and adjacent properties, including, without limitation, for purposes of storm water drainage, utilities, and like matters.

Section 2.3 - Use of Consolidated Rental Car Facility.

With respect to Exclusive Premises, including the Common Equipment within Tenants Exclusive Premises under a Concession Agreement, (including the non-exclusive use in common with other Tenants of the Common Equipment that is not in any Tenant's Exclusive Premises), RAC Common Areas, and Public Area, the Tenant shall comply with all the terms and provisions contained within the Concession Agreement and this Agreement, and all applicable Laws (as hereinafter defined) in connection with the conduct of activities by Tenant at or around the Airport, and Tenant is granted the following rights only with respect to such Exclusive Premises:

(a) All of the operations of Tenant including all Airport-related rental car transactions conducted by Tenant, shall take place at the Consolidated Rental Car Facility for Permitted Uses only and from no other location at or on the Airport; provided that if KCAB leases other areas to Tenant to conduct major repairs related to Automobiles the Tenant shall conduct such major repairs at such other location. Tenant shall not rent for pick up or drop off at the Consolidated Rental Car Facility box trucks or any other truck that would obstruct vehicle circulation at the Consolidated Rental Car Facility.

(b) Tenant shall not permit parking on the Exclusive Premises of vehicles of persons (other than employees, agents, licensees, members, and invitees of Tenant at the Exclusive Premises), it being acknowledged and agreed that no public parking shall be allowed therein. Notwithstanding anything

herein to the contrary, KCAB shall have the right (but not the obligation), to be exercised in its sole and absolute discretion, at any time and from time to time during the Term hereof (as the same may be hereafter modified or extended), to operate, maintain, locate, and place, or to authorize the operation, maintenance, location, and placement of, retail concessions, luggage cart concessions, and/or such other concessions within the Consolidated Rental Car Facility or any portion thereof, and upon such terms and conditions, as KCAB shall deem appropriate in its sole and absolute discretion. Provided that KCAB shall not exercise the foregoing rights in a way that would materially interfere with Tenant's use of the Exclusive Premises, any and all revenues, charges, and fees generated in connection with such retail concessions, luggage cart concessions, and/or other concessions shall be the property of KCAB and Tenant shall have no right or interest in or to any such revenues, charges, or fees.

Section 2.4 - Ingress and Egress.

Subject to the rules and regulations promulgated by KCAB from time to time, Tenant, and its respective employees, agents, invitees, and licensees and their respective vehicles, shall have the right and privilege of ingress to and egress from the Exclusive Premises on Airport roadways available for use by the public or at other locations acceptable to KCAB. KCAB may, at any time, temporarily or permanently, close or consent to or request the closing of, or otherwise restrict access to, any roadway or other right-of-way for such ingress and egress, and any other area at the Airport or in its environs currently or hereafter used for ingress and egress so long as the Tenant is provided at all times with a suitable access to the Exclusive Premises.

Section 2.5 - Quiet Enjoyment.

KCAB agrees, unless otherwise provided by this Agreement, that if Tenant shall perform all obligations and make all payments as provided hereunder and under the Concession Agreement, Tenant shall be entitled to and shall have the quiet possession and enjoyment of the Exclusive Premises, subject to the provisions contained in this Agreement and the Concession Agreement.

Section 2.6 - Present Condition of Exclusive Premises.

Subject to the terms and provisions of this Agreement and the Concession Agreement, Tenant understands and agrees that Tenant, by the execution of this Agreement, accepts the Exclusive Premises in its "AS IS" condition as existing as of the Tenant Access Date (subject, however, to KCAB's obligation to construct and complete the Consolidated Rental Car Facility as and to the extent provided under Section 5.1 hereof), and that, except as expressly provided to the contrary in Article 5 hereof, KCAB has made no representations or warranties regarding the condition of the Exclusive Premises or its suitability for Tenant's proposed use.

Section 2.7 – Operation of Exclusive Premises Generally.

(a) Without limiting any other requirement set forth in this Agreement or the Concession Agreement, Tenant shall conduct its operations on the Exclusive Premises and within the Airport in a commercially reasonable manner in order to minimize the emanation of noise, vibration, dust, fumes, and odors, and so as not to interfere with the use and operation of the Airport, adjacent areas on or surrounding the Airport, or adjacent areas surrounding the Exclusive Premises.

(b) KCAB and Tenant acknowledge that the operation of the business of Tenant from time to time on the Exclusive Premises, as well as Tenant's performance of its obligations under this Agreement and the Concession Agreement with respect thereto, will enhance the economic development of the Airport, and that the rights of Tenant to use the Exclusive Premises are subject to the rights of KCAB, as landlord, to monitor compliance with this Agreement and the Concession Agreement to ensure that the Exclusive Premises are used and operated as required by this Agreement and the Concession Agreement.

(c) If KCAB receives pervasive complaints from Customers of Tenant, KCAB shall have the right to implement a complaint monitoring system which may include Tenant providing KCAB with copies of any Customer complaints received and a copy of the written response to such complaint, as well as and such other documents as KCAB may reasonably require. Failure of Tenant to follow any such procedure shall result in a breach of this Agreement.

(d) Tenant shall respond in writing to complaints registered by KCAB's Police Department with respect to violations of traffic regulations committed on Airport roadways, or otherwise relating to the business operations of Tenant at the Exclusive Premises or the Airport by the agents, contractors, invitees, and licensees of Tenant, setting forth such action as has been taken or is immediately contemplated to remedy said violations.

Section 2.8 - Permits.

Tenant shall obtain all permits required for conduct of its operations at the Exclusive Premises, and at the Airport in accordance with applicable Laws. Upon commencement of operations at the Exclusive Premises and thereafter at KCAB's reasonable request, Tenant shall provide evidence to KCAB that Tenant has obtained or caused to be obtained such permits and registrations.

Section 2.9 - Use of Exclusive Premises in Compliance with Law.

(a) Tenant shall not use or occupy or permit the Exclusive Premises, RAC Common Areas, Common Equipment, the Public Areas or the Airport to be used or occupied, or do or permit anything to be done in or on the Exclusive Premises, RAC Common Areas, Common Equipment, the Public Areas or the Airport, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting the Exclusive Premises, RAC Common Areas, Public Areas or the Airport or make void or voidable any insurance then in force with respect thereto, or which will unreasonably increase the cost to obtain fire or other insurance thereon required to be furnished by Tenant under this Agreement, or which will constitute a public or private nuisance, or which will disrupt the safe, efficient, and normal operations of the Airport.

(b) Tenant shall not use or occupy the Exclusive Premises, RAC Common Areas, Common Equipment, the Public Areas or the Airport or permit the Exclusive Premises, RAC Common Areas, Common Equipment, the Public Areas or the Airport to be used or occupied, in whole or in part, in a manner which may violate, and Tenant shall at all times comply with, any and all present and future, ordinary and extraordinary, foreseen and unforeseen, laws, statutes, rules, regulations, directives, ordinances, or requirements of any federal, state, or municipal governments or of any other governmental, public, or quasi-public authorities now existing or hereafter created (collectively, "**Laws**"), to the extent such governments or authorities have jurisdiction over the Exclusive Premises RAC Common Areas, Common Equipment, the Public Areas or the Airport, whether or not KCAB also is liable for compliance.

(c) Tenant may, in good faith (and whenever necessary, in the name of, but without expense to KCAB), and after having secured KCAB to its reasonable satisfaction by a surety company bond in an amount, from a company, and in form and substance reasonably satisfactory to KCAB, against loss or damage if KCAB shall be exposed to any as the result thereof, contest the validity of any such Laws and, pending the determination of such contest, may postpone compliance therewith, except that Tenant shall not so postpone compliance therewith as to subject KCAB to the risk of any fine or penalty, loss of any permit or license, adverse impact on the Airport or Airport operations, or prosecution for a crime, or to cause the Exclusive Premises or any part thereof to be condemned or to be foreclosed upon.

Section 2.10 - Commencement of Operations.

Tenant shall promptly take possession of its Exclusive Premises, and commence the construction of its Tenant Improvements therein on the Tenant Access Date and commence business operations of its Permitted Uses on the Rent Commencement Date. Tenant shall be required to commence its business operations on the Rent Commencement Date and not on an earlier date unless KCAB agrees with tenants, in writing, to an earlier date to commence business operations in the Consolidated Rental Car Facility. The parties hereto acknowledge and agree that the exact monetary value of any losses, damages and/or injuries suffered by KCAB due to the Tenant's failure to commence its business operations on the Rent Commencement Date is extremely difficult and impractical to calculate. Therefore, on the Rent Commencement Date and for each day thereafter that Tenant does not commence its business operations the parties agree that the sum of five Hundred Dollars (\$500.00) per day shall be due and owing by Tenant to KCAB as liquidated damages. Such liquidated damages shall continue to accrue on a daily basis until Tenant commences its operations. The parties agree that such \$500.00 per day represents a fair and reasonable estimate of the monetary value of such losses, damages and/or injuries to KCAB. Nothing herein shall diminish KCAB's right to terminate or exercise any other remedy available to KCAB. Once Tenant commences its operations from the Consolidated Rental Car Facility, Tenant shall not be permitted to utilize its current on-airport location for any Rental Car Purposes. Notwithstanding the foregoing Tenant shall be permitted to use such current facility for parking and repair and maintenance purposes for those vehicles used by Tenant in its Rental Car Business. Nothing contained herein shall obligate, or be interpreted to obligate or require, KCAB to continue to lease such current location to Tenant.

Section 2.11 – Prohibition against Transporting Customers.

(a) On the Rent Commencement Date (or such other date as may be directed by KCAB) except for rental car customers with limited mobility requiring transportation assistance to the Terminal, the Tenant shall be prohibited from transporting its rental car customers from any location on and off the Airport to the Terminal by any means.

(b) Tenant agrees that for any violation by Tenant of the obligations under the first sentence of Subsection 2.11(a) above, KCAB, in its sole and absolute discretion, shall have the right, in addition to its rights and remedies provided elsewhere in this Agreement and at law, to impose the following on Tenant as liquidated damages for such violation:

(i) For the first violation in any period of twelve (12) consecutive months, the liquidated damages amount shall be \$125.00.

(ii) For the second and any subsequent violation during any period of twelve (12) consecutive months during the Term of this Agreement, the liquidated damages amount shall be \$250.00 per violation.

(c) The parties hereto acknowledge and agree that the exact monetary value of any injuries suffered by KCAB for violating Section 2.11(b) is extremely difficult and impractical to calculate. As a result, the parties agree that such sums for liquidated damages represent a fair and reasonable estimate of the monetary value of injuries to KCAB. Tenant further acknowledges and agrees that the prohibition on transporting its customers from any location to the Terminal and curbside pick-up, and drop-off operations is a critical element of the operations within the Airport. The failure of Tenant to comply with such prohibition vitally affects the safety and needs of the traveling public and the Airport and constitutes a material breach of this Agreement and of the Concession Agreement for which money damages are insufficient. Therefore, Tenant specifically acknowledges and agrees that KCAB shall, without limitation of its other rights and remedies, be entitled to seek an order of specific performance of the provisions of this Section 2.11 issued by a court of competent jurisdiction in

connection with any violation by Tenant of the terms and provisions hereof without the need to post a bond.

Section 2.12 - Restrictions on Tenant.

Except as may otherwise be expressly provided in this Agreement, Tenant shall not, without the prior written consent of KCAB in each instance, which consent may be granted or withheld in KCAB's sole and absolute discretion:

- (i) Place, construct, or maintain in or about the Consolidated Rental Car Facility any advertisement media, including, without limitation, searchlights, flashing lights, loudspeakers, phonographs, televisions, radios, antennas, or other similar media or device;
- (ii) Solicit business or distribute handbills or other advertising or promotional materials in, on, or about the Exclusive Premises, or other buildings and structures in the area of the Airport, except that Tenant shall be entitled to engage in radio, television, and newspaper advertising as is customarily used for Tenant's type of business;
- (iii) Keep or permit animals of any kind in or about the Consolidated Rental Car Facility except dogs trained to assist sight-impaired or other disabled persons;
- (iv) Use or permit any portion of the Consolidated Rental Car Facility to be used as living or sleeping quarters;
- (v) Sell, distribute, display, or offer for sale any item which, in KCAB's good faith judgment, is inconsistent with the quality of operation of the Airport, or which may tend to detract from the image of the Airport;
- (vi) Do or permit to be done anything in connection with Tenant's occupancy or advertising which, in KCAB's reasonable judgment, may reflect unfavorably on KCAB or the Airport, or may confuse or mislead the public as to any apparent partnership or similar relationship between KCAB and Tenant. Tenant shall not have or acquire any property right or interest in the name "**Cincinnati/Northern Kentucky International Airport**" or "**CVG**" or any variation thereof;
- (vii) Except as expressly provided to the contrary in this Agreement, conduct any auction (except with the prior written consent of KCAB at KCAB's sole and absolute discretion), fire, bankruptcy, distress, clearance, or going-out-of-business sale on the Exclusive Premises or post any sign or advertisement regarding such activity in or about the Exclusive Premises;
- (viii) Use or permit the Consolidated Rental Car Facility to be used in any manner or permit anything to be brought into or kept therein which would (a) violate the certificate of occupancy, (b) cause structural injury to any part of the Consolidated Rental Car Facility, (c) impair or interfere with the proper operation and maintenance of improvements in the Airport, or (d) violate any of Tenant's other obligations under this Agreement or the Concession Agreement;

- (ix) Permit a work of visual art, as defined in 17 U.S.C. § 107, to be installed in the Consolidated Rental Car Facility. In addition, any request by Tenant to KCAB to grant its written consent to such installation shall be accompanied by a written waiver, in a form acceptable to KCAB, of the artist's rights under the Visual Artists Rights Act of 1990, Pub. L. 101-650; or
- (x) Permit parking of automobiles of persons (other than employees, agents, licensees, and invitees of Tenant at the Exclusive Premises), no public parking being allowed.

ARTICLE 3

TERM

Section 3.1- Term of Agreement.

The term of this Agreement (the "Term") shall commence on the Effective Date and shall expire on the Expiration Date, unless sooner terminated in accordance with the terms and provisions hereof.

Section 3.2 - Operation of Exclusive Premises after Term.

In the event of continued occupancy by Tenant of all or a portion of the Exclusive Premises after expiration or termination of the Concession Agreement, such occupancy shall be deemed to be on a month-to-month basis and the Rent payable by Tenant for such continued occupancy shall be at the then current annual Rent if KCAB has consented in writing to such month-to-month occupancy; or in the event KCAB has not given such consent, at 150% of the annual rate of the Rent last payable, on a per diem basis, which rate shall increase to 200% of the annual rate of the Rent last payable, on a per diem basis, if such failure continues for sixty (60) days following the termination or expiration of the Concession Agreement. Except as expressly provided to the contrary hereunder, no occupancy by Tenant after the expiration or other termination of the Concession Agreement shall be construed to extend the term of the Concession Agreement.

Section 3.3 - Return of the Exclusive Premises.

At the termination or expiration of the Concession Agreement, Tenant shall return the Exclusive Premises in good condition and repair, subject to ordinary wear and tear, in a broom clean condition, and Tenant shall remove all Personal Property, and Trade Fixtures, if any, of Tenant from the Exclusive Premises prior to the date of termination. Tenant shall repair any and all damage to the Exclusive Premises caused by Tenant's removal of the Personal Property, and Trade Fixtures. All such removal and repair required of Tenant pursuant to this Section 3.3 shall be at Tenant's sole cost and expense. If Tenant fails to remove any items required to be removed by Tenant hereunder or fails to repair any resulting damage prior to or within ten (10) days after termination of the Concession Agreement, then KCAB may (but shall not be obligated to) remove said items, and repair any resulting damage, and Tenant shall pay the cost of any such removal and repair, together with interest thereon at the Default Rate from and after the date such costs were incurred until receipt of full payment therefor. Tenant shall also furnish to KCAB as to existing Tenant Improvements if not previously delivered to KCAB, and KCAB shall have the right to use, a full set of the "**as-built**" plans and specifications for all Tenant Improvements, and all final reports prepared by or for Tenant on the environmental or physical condition of the Exclusive Premises.

Section 3.4 - Reversion to KCAB.

On the last day of the Term or upon any termination or expiration of the Concession Agreement, Tenant's right to possession of the Exclusive Premises shall revert to KCAB without the necessity of any

further action by either party hereunder. Tenant shall deliver to KCAB, Tenant's executed counterparts of any service and maintenance contracts that are in Tenant's possession and are then affecting the Exclusive Premises, true and complete maintenance records for the Exclusive Premises, all original licenses and permits then pertaining to the Exclusive Premises, permanent certificates of occupancy then in effect for the Exclusive Premises, and all assignable warranties and guarantees then in effect which Tenant has received in connection with any work or services performed or equipment installed in the Exclusive Premises, together with a duly executed assignment of any of the foregoing as may be requested by KCAB, and all financial reports, documents, books, and records whatsoever relating to the maintenance or condition of the Exclusive Premises.

Section 3.5 - No Assurance of Continued Participation in Consolidated Rental Car Facility.

KCAB has advised Tenant of KCAB's intent to make continued participation in the Consolidated Rental Car Facility subject to and conditioned upon the execution of a Concession Agreement from time to time during the Term hereof, including, without limitation, the periodic rebidding of such Concession Agreements from time to time during the Term hereof. Tenant, acknowledges that KCAB has not given Tenant any assurances that Tenant will be given the opportunity to continually participate in the Consolidated Rental Car Facility. The entry into a Concession Agreement is expressly conditioned upon a Tenant's simultaneous execution of this Agreement.

ARTICLE 4
PAYMENTS

Section 4.1 - Place of Payment.

For the Exclusive Premises that Tenant is leasing under the Concession Agreement, in addition to amounts due under the Concession Agreement, Tenant shall pay Rent on or before the first of each month under this Agreement for the term of the Concession Agreement and all other amounts owed to KCAB under this Agreement without set-off, deduction, or discount, except as expressly provided in this Agreement, in lawful money of the United States, to KCAB by delivery to the Chief Financial Officer, Kenton County Airport Board, Cincinnati/Northern Kentucky International Airport, P.O. Box 752000, Cincinnati, Ohio 45275-or to such other place or person as KCAB may direct Tenant by written notice. Payment of Rent is independent of every other covenant and obligation in this Agreement. KCAB shall not be obligated to bill Tenant for Rent. Payment by Tenant to KCAB of compensation pursuant to this Agreement shall not be considered to be a tax and shall be in addition to and exclusive of all license fees, taxes, CFCs, or franchise fees, which Tenant may now or in the future be obligated to pay to KCAB.

Section 4.2 - Ground Rent.

Tenant shall pay Ground Rent to KCAB commencing on the Rent Commencement Date and thereafter during the term of a Concession Agreement. Attached hereto as Exhibit "D" is the calculation of the total ground rent owed each year to KCAB applicable to the Consolidated Rental Car Facility. Each Tenant is responsible to pay the Tenant's Proportionate Share of the Ground Rent each year which shall be payable in monthly installments in advance equal to one twelfth (1/12) of the applicable yearly amount, commencing on the Rent Commencement Date and on the first day of each and every calendar month of the term of the Concession Agreement; provided, however, the Concession Agreement expires or terminates on a date that is not the last day of any calendar month, the monthly installment of Ground Rent for such month shall be adjusted ratably (based on the number of days of such month). Exhibit "D" attached hereto is based on estimates of the square footage of the Property and the Consolidated Rental Car Facility. Tenant

shall continue to pay Ground Rent based on such estimates until such time as the as-built measurements are available for the Property and the Consolidated Rental Car Facility, when the Ground Rent will be recalculated based upon the as-built measurements and Tenant shall be responsible to pay to KCAB any underpayments based on actual measurements within thirty (30) days after written notice to Tenant (a failure to pay within said thirty(30) days will thereafter be at the Default Rate) and KCAB shall be responsible to reimburse Tenant for any overpayments by Tenant in the form of a credit against future Ground Rent due hereunder by Tenant.

Section 4.3 Customer Service Building - O&M Fee.

Tenant shall pay Customer Service Building O & M Fee commencing on the Rent Commencement Date in even monthly installments and thereafter during the term of a Concession Agreement for the portion of the Customer Service Building leased to Tenant under the Concession Agreement equal to annual per square foot charge of the operation and maintenance component of the Terminal rent, or successor to the concept of Terminal rent, then being charged to airlines under the Airport Use Agreement as determined in the reasonable discretion of the Chief Financial Officer; provided that the settlement procedure under the Airport Use Agreement shall not apply to Tenant. The payment of Customer Service Building O & M Fee shall be included with Tenant's payment of Ground Rent. The Customer Service Building O & M Fee will adjust each year based on KCAB's fiscal year, and the Chief Financial Officer shall notify the Tenant of the new Customer Service Building O & M Fee for the ensuing fiscal year prior to the beginning of KCAB's fiscal year. If the Concession Agreement expires or terminates on a date that is not the last day of any calendar month, the monthly installment of Customer Service Building O & M Fee shall be adjusted ratably (based on the number of days of such month).

Section 4.4. Facility Rent.

If the Bonds are paid in full prior to the end of the Term from sources other than CFC Revenue for the reason that the CFO believes in his/her reasonable discretion there is or may be a default of the rate covenants or debt service requirement under the CFC Bonds, then, in addition to Ground Rent, each Tenant under a Concession Agreement, starting the first day of the month after the Bonds are paid in full, shall pay Facility Rent to KCAB for the Tenant's Exclusive Premises in an amount equal to Fair Rental Value (except for the Customer Service Building). The payment of Fair Rental Value for Tenant's Exclusive Premises shall be included with Tenant's payment of Ground Rent and the Customer Service Building O & M Fee for the remainder of the term of the Concession Agreement. The term "**Fair Rental Value**" as used herein shall mean the fair rental value for Exclusive Premises in the Consolidated Rental Car Facility for a period equal to the balance of the Term, determined as if unencumbered by this Agreement. Fair Rental Value shall be determined pursuant to the following procedure: Not less than thirty (30) days prior to KCAB's imposition of Facility Rent, KCAB shall, at its cost and expense, hire an appraiser, licensed in the Commonwealth of Kentucky, and knowledgeable, experienced and qualified in the valuation of airport properties and commercial leases, to prepare a fair market analysis report to determine the then fair market value (i) of the Improvements located on the Premises (including, without limitation, the building(s), all other fixed Improvements located on the Premises), and (ii) rental of the Improvements on an annual per square foot basis. Promptly upon receipt of the report (and, in all events, within 10 day of receipt), KCAB shall submit to Tenant a true, correct and complete copy of the report.

If Tenant disputes the appraiser's valuation, Tenant may give written notice of such dispute to KCAB within thirty (30) days after Tenant's receipt of the report and, in such event, the Parties shall select a mutually acceptable independent appraiser, licensed in the Commonwealth of Kentucky, and knowledgeable, experienced and qualified in the valuation of airport properties and commercial leases, to prepare a fair market analysis report to determine the then fair market value (i) of the Improvements located on the Premises (including, without limitation, the building(s), and all other fixed Improvements located on the Premises), and (ii) rental of the Improvements on an annual per square foot basis. If the Parties cannot

agree on an appraiser, then each Party shall select an appraiser meeting the qualifications set forth above, who shall, in turn, select a third appraiser to prepare the report and such third appraiser shall then prepare the report. The costs of the appraiser selected, whether by mutual agreement or as selected by the Parties' chosen appraisers, shall be split equally between the Parties. The report shall be provided to the Parties within forty-five (45) days of such appraiser's appointment. The average of the then fair market value of each of the (a) Improvements located on the Premises (including, without limitation, the building(s), and all other fixed Improvements located on the Premises), and (b) rental of the Improvements on an annual per square foot basis as set forth in the two reports (the original report prepared for KCAB and the report by the second appraiser) shall be used by KCAB to establish the annual per square footage rate for Facility Rent. Promptly following receipt of such second report, KCAB shall promptly (and in all events within 10 days) notify Tenant of the (x) average fair market value of the Improvements, (y) average fair market rental for the Improvements on an annual per square foot basis, and (z) the annual Facilities Rent.

If Tenant does not, as applicable, dispute the original appraiser's valuation, Tenant shall pay Facilities Rent in equal monthly installments, in advance, without demand and without any deduction, holdback or set off whatsoever, by the first day of each and every month throughout the Term.

After the first Agreement Year establishing Facility Rent each Agreement Year thereafter the Facility Rent shall increase based upon the Consumer Price Index.

If the Bonds are paid in full as provided herein and Facility Rent is imposed, then KCAB may consult with the Tenants to discuss the future use of available CFCs.

Section 4.5 - Utilities.

As part of the Consolidated Rental Car Facility to be constructed hereunder by or at the direction of KCAB, KCAB shall cause utility lines and connections to be brought to the Exclusive Premises. Tenant shall thereafter be responsible for connecting, at its sole cost and expense, the Exclusive Premises to the available utility lines and connections and to obtain from the applicable utility service providers utilities for all required services; provided, however, Tenant may not enter into any agreement with any other municipality or local government to provide utility services without notice to, and approval by, KCAB of the conditions for furnishing such utility service. Tenant shall promptly pay for all utility services directly to the appropriate utility companies for its Exclusive Premises (other than Exclusive Premises in the CSB). KCAB has no responsibility to furnish Tenant with any utilities and makes no representations or warranties as to the availability of utilities, except as expressly provided to the contrary herein. KCAB does not warrant that any utility services will be free from interruptions caused by war, insurrection, civil commotion, riots, acts of God, Government action, repairs, renewals, improvements, alterations, strikes, lockouts, picketing, whether legal or illegal, accidents, and inability to obtain fuel or supplies, or any other causes. Any such interruption of utility service shall never be deemed an eviction or disturbance of Tenant's use and possession of the Exclusive Premises or any part thereof, or render KCAB liable to Tenant for damages, or relieve Tenant from the performance of Tenant's obligations under this Agreement.

Section 4.6 - Annual Requirement Deficiency.

(a) For each Agreement Year, Tenant shall pay, to the Trustee the Annual Requirement Deficiency to the extent such Annual Requirement Deficiency is imposed by KCAB. KCAB shall charge an Annual Requirement Deficiency to Tenant in the event that KCAB determines an Annual Shortfall existed, exists or will exist for an Agreement Year. KCAB shall impose the Annual Requirement Deficiency by notice to Tenant after KCAB determines that an Annual Requirement Deficiency shall be due hereunder and the Tenant shall pay the Annual Requirement Deficiency to the Trustee on or before the date designated by KCAB; provided KCAB shall provide at least thirty (30) days advance notice. The aggregate Annual Requirement Deficiency charged hereunder with respect to an Agreement Year shall

equal the Annual Shortfall for such Agreement Year and shall be payable by Tenant to the Trustee, and without any abatement deduction or set-off whatsoever. KCAB agrees that the Annual Requirement Deficiency shall be used only for Total Annual Costs and not for general airport purposes not covered within Total Annual Costs. Annual Requirement Deficiency payments shall not be collected by a pass-through fee or any other means by Tenant from its Customers. If a Tenant defaults in the payment of an Annual Requirement Deficiency, the remaining Tenants shall, within five (5) days after the due date, pay to the Trustee the defaulting Tenant's portion of the Annual Requirement Deficiency based on each Tenant's Proportionate Share excluding however the defaulting Tenant's Exclusive Premises from the calculation. If the defaulting Tenant subsequently pays to KCAB the defaulting Tenant's Annual Requirement Deficiency any such amounts collected by KCAB shall be paid by KCAB directly back to the Tenants that paid on behalf of the defaulting Tenant. In the event any other tenant has paid the obligation owing from a defaulting tenant hereunder, then the KCAB agrees to exercise its rights under the Security Deposit hereunder and the financial guarantee required under the Concession Agreement, of the defaulting tenant and reimburse such amounts to the tenant(s) paying the obligation of the defaulting tenant. Nothing herein shall be interpreted to mean that KCAB is required to exercise its rights under the defaulting party's Security Deposit or financial guarantee before seeking payment of such amounts from any other tenants occupying the Consolidated Rental Car Facility. In addition to the foregoing, KCAB agrees to avail itself to its rights and remedies under Article X against a tenant in default of the provisions of Section 10.1(a).

(b) If an Annual Requirement Deficiency is imposed under Section 4.6(a) and if the CFO, in his or her sole discretion, determines: (i) that the occurrence giving rise to the imposition is temporary in nature and not reasonably foreseeable to be repeated; (ii) that the occurrence will not result in a sustained need to continue to impose the payment of an Annual Requirement Deficiency in order to prevent a default under the CFC Bonds until the maturity thereof; and (iii) once the occurrence is removed the CFC Collections are projected to be sufficient to pay for Mandatory Eligible Costs for the remainder of the Term of this Agreement; then the CFO shall reimburse the base amount of the Annual Requirement Deficiency that was paid by the Tenant, together with other tenants that have made such payments, from the CFC Surplus Fund to the extent of available amounts within the CFC Surplus Fund during the remainder of the Term in a manner and as determined by the CFO.

(c) KCAB shall use the CFC Stabilization Fund consistent with the terms of the rate covenants of the CFC Bond Documents.

Section 4.7 - CFC Collections.

(a) KCAB adopted the CFC Ordinance imposing a CFC on Customers. The CFC Ordinance and the Bond Documents may be amended as needed and approved from time to time by KCAB in its reasonable discretion. CFC Revenue will be used for the Project, including without limitation, the use of CFC Revenues for Mandatory Eligible Cost. In the event CFC Revenues are insufficient to pay for Mandatory Eligible Costs, the CEO agrees to request that KCAB increase the CFC rate under the CFC Ordinance sufficient to pay Mandatory Eligible Costs; provided Tenant recognizes and understands that any increase to the current CFC rate will be in the sole discretion of KCAB.

(b) Tenant acknowledges that its Concession Agreement with KCAB requires Tenant to promptly remit to KCAB or its designee any and all CFCs required to be charged and collected pursuant to and in accordance with its Concession Agreement, and at the times required under this Agreement, the CFC Ordinance and the Bond Documents, as the case may be (regardless of whether such amounts are actually collected).

(c) Tenant shall not intentionally divert Automobile rentals to other locations to avoid the imposition or collection of CFCs, all as more specifically set forth under its Concession Agreement.

Section 4.8 - Airport Commercial Charges.

In addition to the payments specified in this Article 4, and any other charges provided in this Agreement, Tenant agrees to pay, or to cause its contractors, operators, and/or agents to pay, all commercial and other charges incurred by Tenant in the use of the Airport or its facilities and at the rates prescribed therefor by KCAB; provided, such rates and charges shall be uniformly applied by KCAB on other similarly situated parties operating at the Airport from time to time.

Section 4.9 - Liability for Payments and Other Obligations.

In the event that a tenant is in default under this Agreement, Ground Rent and the Annual Requirement Deficiency shall be calculated as if the defaulting tenant were not a party to this Agreement and the remaining Tenants shall remain liable for the full amount of Ground Rent and the Annual Requirement Deficiency. The payment by the remaining Tenants shall not relieve the defaulting Tenant of any of its obligations to KCAB (or the Trustee as appropriate) and in the event that KCAB thereafter actually receives all or any portion of such unpaid amounts from the defaulting Tenant, which the remaining Tenants have theretofore paid to KCAB, KCAB shall apply such payments to amounts due under this Agreement. In the event any other tenant has paid the obligation owing from a defaulting tenant hereunder, then the KCAB agrees to exercise its rights under the Security Deposit hereunder and the financial guarantee required under the Concession Agreement, of the defaulting tenant and reimburse such amounts to the tenant(s) paying the obligation of the defaulting tenant. Nothing herein shall be interpreted to mean that KCAB is required to exercise its rights under the defaulting party's Security Deposit or financial guarantee before seeking payment of such amounts from any other tenants occupying the Consolidated Rental Car Facility. In addition to the foregoing, KCAB agrees to avail itself to its rights and remedies under Article X against a tenant in default of the provisions of Section 10.1(a).

Section 4.10 - Taxes.

(a) Tenant shall pay, all taxes, assessments, and levies, general and special, including special assessments, ordinary and extraordinary, foreseen or unforeseen, of every name, nature, and kind whatsoever, including water rates or rents, sewer rates or rents, excises, licenses, and permit fees (the foregoing collectively referred to as "**Impositions**"), which Impositions are attributable to Tenant or which at any time are taxed, charged, assessed, levied, or imposed upon the fee or upon the leasehold estate or upon the reversionary estate in the Exclusive Premises or upon any other property, equipment, or facility used in the operation or maintenance of the Exclusive Premises and any improvements located thereon, or upon any rents received from the Exclusive Premises. Tenant shall pay all Impositions before they shall become delinquent.

(b) Tenant may in good faith and with due diligence contest the amount or validity of Impositions by appropriate legal proceedings, so long as such Impositions are paid when due and there is no risk of sale or forfeiture of the Exclusive Premises or upon any other property, equipment, or facility used in the operation or maintenance of the Exclusive Premises and any improvements located thereon or any interest therein to satisfy such Imposition.

(c) If under applicable law any Imposition may at the option of the taxpayer be paid in installments, Tenant may elect to pay such Imposition in installments as the same from time to time become due under applicable law, together with such interest as may accrue thereon as the result of such installment payment. Nevertheless, if any such installments become due and are payable after the termination or earlier termination of the Concession Agreement, Tenant, at Tenant's option, shall either pay all such installments and accrued interest becoming due after the expiration of the Concession Agreement not later than the date for the payment of the last installment of the Ground Rent, or shall then deposit with

KCAB security satisfactory to KCAB sufficient to pay such installments (and interest then or thereafter accruing thereon) as and when the same become due.

(d) Tenant or its designee shall furnish KCAB, within ten (10) days after the date when any Imposition would become delinquent, receipts of the appropriate taxing or other authority, or other evidence reasonably satisfactory to KCAB, evidencing the payment of the Impositions.

ARTICLE 5 CONSTRUCTION, MAINTENANCE AND REPAIR

Section 5.1 - Consolidated Rental Car Facility Improvements.

(a) KCAB shall at its own cost and expense (except as expressly provided to the contrary herein and subject to KCAB's receipt of funds attributable to the Bonds), and as soon as reasonably practicable following the Effective Date, excluding work that has already been completed with available CFCs, commence the remaining construction upon the Property of the Project in accordance with the Plans and Specifications with the reservation by KCAB to make any major or minor alterations in its sole and absolute discretion, provided that KCAB will inform Tenants of any alterations that it reasonably determines to be a major alteration. KCAB shall thereafter pursue completion of the Project, subject to Force Majeure Delays and delays attributable to the acts or omissions of Tenant and/or Tenant's or KCAB's contractor(s). KCAB shall not be liable for any delays in the completion of the Project. Ownership of the USTs shall be held in the name of KCAB.

(b) KCAB does not warrant the accuracy of any of the information provided by third parties as part of the Project and shall have no liability arising out of any inaccurate information provided by third parties as part thereof; provided, to the extent that KCAB has actual knowledge of any such inaccurate information, KCAB shall so advise Tenant and such third parties and shall direct such third parties to correct such inaccurate information. KCAB's approval of the Plans and Specifications shall not impose upon KCAB or its officials, officers, employees, or agents any liability or obligation with respect to the design or construction of the Project, or the compliance of the Project with any applicable Laws; provided: (i) that except to the extent arising from any acts of God or acts or omissions of any third party or Tenant, or any of their respective members, officers, employees, agents, contractors, or representatives, and subject to the availability of adequate CFC Collections therefor as determined by KCAB, (aa) KCAB shall be responsible for correcting any defects in, or any non-compliance with applicable Laws that after construction become known resulting from, the initial design or construction of the foundation, roof, structural components, or exterior walls of the Consolidated Rental Car Facility for the period of any third party warranty applicable to such portion of the Consolidated Rental Car Facility, and to the extent of any such warranty is applicable; and, (bb) KCAB shall be responsible for correcting any defects in, or any non-compliance with applicable Laws that after construction become known resulting from, the initial design or construction of the foundation, roof, structural components, or exterior walls of the Consolidated Rental Car Facility. This includes the period beyond any applicable warranty. However, in such case, the Tenant, and not KCAB, shall be responsible for the cost of such repair or correction; (ii) that with respect to any other matter which KCAB shall reasonably cooperate with Tenant (at no cost or expense to KCAB) with respect to any action, claim, or proceeding Tenant may elect to bring against the architect, engineer, general contractor(s), or any subcontractor(s) in connection with the defective design or construction of the Consolidated Rental Car Facility, or any portion thereof; (iii) that subject to KCAB's obligations under clause (i) above, KCAB shall assign to Tenant, or otherwise make available to Tenant the benefit of, any

and all warranties and guarantees received by KCAB, together with other rights and remedies of KCAB, if any, in connection with the design and construction of the Consolidated Rental Car Facility, or any portion thereof and (iv) upon the written request of Tenant, but subject to KCAB's obligations under clause (i) above, KCAB shall commence and pursue on behalf of Tenant (and at Tenant's sole cost and expense) any action, claim, or proceeding reasonably necessary to enforce the rights of Tenant and/or KCAB hereunder as against the architect, engineer, general contractor(s), or any subcontractor(s) in connection with the design or construction of the Consolidated Rental Car Facility, or any warranties, guarantees, or other claims relating thereto.

(c) KCAB shall (i) endeavor to notify Tenant in writing at least sixty (60) days prior to the Tenant Access Date, and (ii) notify Tenant in writing promptly upon the Consolidated Rental Car Facility Substantial Completion, (iii) after Substantial Completion, conduct a joint inspection of the Exclusive Premises with Tenant and from such inspection, agree upon a written list of the “**Punch List**” items identifying touch-up work, minor repairs, and incomplete items necessary to complete the Exclusive Premises in substantial accordance with the Plans and Specifications. As soon thereafter as reasonably practicable, KCAB shall promptly commence work on the Punch List items and shall diligently pursue such work to completion, subject to Force Majeure Delay and delays attributable to Tenant, any of the Tenants, or any of their respective officers, agents, employees, agents, contractors, guests, invitees, or licensees. After KCAB completes the Punch List items, makes mutually agreeable arrangements for the completion thereof or Tenant waives any such Punch List items, KCAB shall deliver written notice to Tenant, granting Tenant permission to access the Consolidated Rental Car Facility for the purpose of commencing construction of its Tenant Improvements therein at such time as the Consolidated Rental Car Facility is sufficiently completed such that Tenant is reasonably able to so commence construction of its Tenant Improvements hereunder such date being referred to herein as the “Tenant Access Date”.

(d) Except for the construction of the Project as specified herein, KCAB shall not be required to perform any work or construct any improvements, or perform environmental remediation or clean-up in or to the Consolidated Rental Car Facility throughout the Term hereof.

(e) EXCEPT AS EXPRESSLY PROVIDED TO THE CONTRARY IN THIS ARTICLE 5 OR IN SECTION 2.6 OF THIS AGREEMENT, AND SUBJECT TO KCAB'S OBLIGATION TO CONSTRUCT THE PROJECT IN ACCORDANCE WITH THE PLANS AND SPECIFICATIONS, AS THEY MAY BE AMENDED FROM TIME TO TIME BY KCAB, KCAB MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PROJECT, INCLUDING, BUT NOT LIMITED TO THE CONSOLIDATED RENTAL CAR FACILITY OR THE EXCLUSIVE PREMISES OR THAT THE EXCLUSIVE PREMISES SHALL BE SUITABLE FOR TENANT'S PURPOSES OR NEEDS.

Section 5.2 - Americans with Disabilities Act.

(a) Tenant shall cause any Tenant Improvements constructed by or at the direction of Tenant, to comply with Title III of the provisions of the Americans with Disabilities Act of 1990, as hereafter amended from time to time, and regulations promulgated thereunder, whether or not such obligation is also imposed upon the owner of the Exclusive Premises, and the other provisions of Subsection 6.1 of this Agreement. Such modifications and improvements shall be made pursuant to the provisions of Section 5.3 hereof.

(b) KCAB shall cause the initial construction of the Consolidated Rental Car Facility to comply with Title III of the provisions of the Americans with Disabilities Act of 1990.

Section 5.3 - Construction of Tenant Improvements.

For the initial Tenant's signatory to this Agreement, each such Tenant covenants and agrees and it is an express condition of this Agreement that Tenant shall, with due diligence and at Tenant's sole cost and expense, commence, the construction within the Exclusive Premises, or such portion thereof of the Tenant Improvements, all in accordance with this Section 5.3 hereof, and other terms and provisions of this Agreement; provided that after the expiration or termination of the initial Concession Agreement, Tenant shall be obligated to make Tenant Improvements based upon the terms and timing as set forth in such subsequent Concession Agreement.

(a) Tenant shall not commence construction of its Tenant Improvements in the Exclusive Premises without KCAB's prior written approval of the Tenant Improvement Plans which approval shall not be unreasonably withheld, conditioned, or delayed, and receipt of all necessary KCAB, county, and other governmental approvals, licenses, and permits in connection therewith.

(b) Following approval of its Tenant Improvement Plans hereunder, and subject to compliance with the other terms and provisions hereof, Tenant shall notify KCAB in advance of the date Tenant will commence construction of its Tenant Improvements in the Exclusive Premises and its proposed construction schedule with respect thereto.

(c) Prior to commencement of construction (and to the extent required), Tenant will, procure the approval of the final Tenant Improvement Plans by any and all federal, state, municipal, and other governmental authorities, offices, and departments having jurisdiction in the Exclusive Premises. KCAB will cooperate with Tenant in procuring such approval, provided that KCAB shall have given its prior approval to such final Tenant Improvement Plans.

(d) Neither the approval by KCAB of the Tenant Improvement Plans, nor any other action taken by KCAB with respect thereto under the provisions of this Agreement, shall constitute an opinion or representation by KCAB as to the sufficiency of said Tenant Improvement Plans, or such design standards as KCAB shall have in effect from time to time, compliance with any Laws, or ability of Tenant to receive any permits from any department or agency of KCAB or other jurisdictions, nor impose any present or future liability or responsibility upon KCAB. Approval shall not constitute approval of KCAB or its departments or agencies for any construction, extension, or renovation of any public utilities or public ways which may be necessary to service the Exclusive Premises. In any case where more than one standard, code, regulation, or requirement applies to construction or the Tenant Improvement Plans, the strictest shall control.

(e) Prior to the execution of any contracts for construction, engineering, or architectural services, Tenant shall furnish to KCAB the names of the person or entity whom Tenant desires to employ and the proposed form of contract. KCAB shall have the right to approve the architect, engineer, and contractor, including any proposed contract for their services, which approval shall not be unreasonably withheld or delayed. Such architect, engineer, and contractor shall be licensed in the discipline being contracted for, experienced in design and construction of improvements in airport-related work comparable to those for which its services are being required by Tenant and not be debarred under any state or federal statute, regulation, or proceeding. In addition, all such contracts shall include the matters required by Section 6.1 hereof and other provisions of this Agreement and shall include such other terms as may be reasonably requested by KCAB regarding construction practices at the Airport.

(f) Tenant shall also deliver to and for the benefit of KCAB, no later than thirty (30) days prior to commencement of construction of Tenant Improvements, dual performance and payment bonds. Performance and payment bond or bonds are required by KCAB and shall comply with all

applicable KCAB requirements. The surety bond or sureties issuing the bond must be acceptable to KCAB and must be in the form provided by KCAB. The bond shall name KCAB as co-obligee.

(g) Within ninety (90) calendar days after the Rent Commencement Date Tenant shall provide or cause the construction contractor(s), architect(s), and engineer(s) to provide KCAB with the items and information set forth on Exhibit E. In the event Tenant fails to provide such items and/or information to KCAB as required hereunder, KCAB may give Tenant written notice that this provision has not been complied with and set forth in such notice the items and/or information that Tenant has failed to provide. In the event Tenant fails to provide such items and/or information set forth in the notice within ten, (10) days after such notice, then the Tenant shall be required to pay to KCAB the amount of \$250.00 per day beginning on the eleventh, (11th) day after KCAB's notice, and continuing on each day thereafter that Tenant fails to provide the required items and/or information to KCAB. Tenant acknowledges that it is important that KCAB be given the items and information set forth in Exhibit E and that the failure to provide same will be detrimental to KCAB. Tenant acknowledges that the exact monetary value of such detriment is extremely difficult and impractical to fix. Therefore the parties agree that the above described daily amount represents a fair and reasonable estimate of the monetary value of such loss and/or detriment. Nothing herein shall diminish KCAB's right to terminate this Agreement or exercise any other remedy available to KCAB for failure of Tenant to comply with the provisions set forth herein.

(h) Once commenced, Tenant shall diligently prosecute construction, and Tenant shall substantially complete the Tenant Improvements within the time required by this Agreement. If any work does not comply with the provisions of this Agreement, KCAB may, by notice to Tenant require that Tenant stop the work and take steps necessary to cause corrections to be made.

(i) Tenant shall pay all costs of the construction incurred by Tenant when due, and shall require all contractors to deliver sworn statements of persons furnishing materials and labor before any payment is made and waivers of lien for all work for which payment is made, in order to prevent attachment of mechanic's liens or other liens by reason of work, labor, services, or materials furnished with respect to the Exclusive Premises.

(j) During the course of construction, Tenant at its sole expense, will carry or cause to be carried, the insurance required to be carried pursuant to Article 7.

(k) During the course of the construction, KCAB, and its architects, engineers, agents, and employees with responsibilities relating to the Exclusive Premises may enter upon and inspect the Exclusive Premises for the purpose of verifying that the Tenant Improvements are proceeding in accordance with the requirements of this Agreement. With respect to any such entry and inspection on behalf of KCAB, persons requiring entry shall present proper identification to Tenant. No right of review or inspection shall make KCAB responsible for work not completed in accordance with the Tenant Improvement Plans or applicable Laws. Tenant shall keep at the Exclusive Premises all Tenant Improvement Plans, shop drawings, and specifications relating to such construction, which KCAB may examine at all reasonable times and, if required by KCAB, Tenant shall also furnish KCAB with copies thereof.

(l) Any work performed at the direction of Tenant, even though performed by Contractors, shall be the responsibility of Tenant. During any construction by Tenant, Tenant shall be solely responsible for the support, maintenance, safety, and protection of the facilities of KCAB resulting from such construction activities, and for the safety and protection of all persons or employees and of all property therein. All work shall be performed in accordance with (and all Tenant Improvements, when completed, shall comply with) the Tenant Improvement Plans, the Consolidated Rental Car Facility, Tenant Design Criteria Manual, in effect from time-to-time, and other documents submitted to and approved by KCAB, with such design standards as KCAB shall have in effect from time to time, Airport and construction

conditions in effect at the time of construction, and any other applicable federal, state, or local Laws, and with the requirements set forth in Article 6 and Article 8 hereof. Once work is completed, Tenant must furnish "**as built**" plans and specifications to KCAB.

(m) If Program Costs actually expended by KCAB are less than the available Program Costs as determined by KCAB, then only with respect to and to the extent of such unused portion of the Program Costs, KCAB agrees to pay: (i) the actual and documented costs, in an amount not to exceed Three Hundred Thousand and No/100 Dollars (\$300,000.00), of a licensed professional construction representative hired to act as the collective representative of the Tenants with respect to design and construction of the Project; and/or (ii) a pro-rata share of the cost of Tenant's Improvements; provided that any Tenant procurements under (i) or (ii), must comply with Kentucky bidding laws, applicable to KCAB, and in such cases the Tenant shall utilize KCAB's standard bid format and related documents, prepare public advertisements for bids, conduct any necessary pre-bid conference, review the bids received, prepare a written analysis of the bids received, prepare a recommendation for an award and receive KCAB's approval before an award.. All such work performed shall comply with applicable Kentucky law, including, Kentucky Revised Statutes Chapter 424, Kentucky bidder preference under KRS 45A.494, adhere to the government provisions under this Agreement and all other Applicable Laws. Tenant shall be required to provide proof satisfactory to KCAB that Tenant complied with Kentucky bidding laws applicable to KCAB. If KCAB approves, in writing, payment under this subsection (m), KCAB retains the right to reject payment of any invoice, or portion thereof, in its sole and absolute discretion or that contains unauthorized, improper, or insufficiently documented costs, charges, or compliance with Kentucky law.

Section 5.4 –Maintenance and Repair Obligations.

(a) Tenant/Manager. Attached hereto as Exhibit "C" and made a part hereof is a Maintenance Responsibility Chart for the Consolidated Rental Car Facility allocating maintenance, operation, repair and replacement responsibility among KCAB, the Tenant and the Manager for the primary structure, interior components, mechanicals, signage, IT, utilities, janitorial services, roadways (including snow removal), and other miscellaneous areas and items. The Tenant will, at all times during the Term hereof, at its sole cost and expense, operate and keep its areas of responsibility and shall cause the Manager to keep its areas of responsibility in good condition and repair, replacement and in a safe, secure, clean and sanitary condition, and in full compliance with any and all applicable laws and such Rules, Regulations and standards as KCAB will maintain in effect from time to time, including, without limitation, the Maintenance Operating Manual. If the Manager defaults in its maintenance obligations (whether by default, withdrawal, or otherwise), then Tenant and the remaining Tenants shall remain joint and severally liable for the performance of any and all maintenance obligations of the Manager. In the event that Tenant, or Manager on Tenant's behalf, fails to perform any of its obligations hereunder, and fails to cure or commence to cure such failure within fourteen (14) days after written notice from KCAB, or to thereafter diligently proceed to complete such cure, KCAB may, but will not be obligated to, undertake any maintenance, repairs, alterations, improvements or additions as KCAB will direct or deem necessary for the maintenance, repair, safety, protection, preservation, or improvement, or as KCAB may be required to do by any governmental department or agency, or by the order or decree of any court or by any other proper governmental agency. Any and all costs and expenses of such repairs, alterations, improvements or additions made by KCAB hereunder will include a fifteen percent (15%) administrative fee and will be due and payable by Tenant to KCAB within fifteen (15) days following KCAB's invoice therefore. If not paid within such fifteen (15) day period, such costs and expenses will bear interest at the Default Rate until paid, and KCAB expressly reserves the ability to be reimbursed from Mandatory Eligible Costs if not paid.

(b) Major Repairs. If Tenant or Manager's responsibility under Section 5.4(a) constitutes a Major Repair, the Tenant or Manager, as applicable, shall be reimbursed from the Renewal and Replacement Fund; subject to the following: (i) the existence of sufficient funds in the Renewal and Replacement Fund

to pay for such Major Repairs after the payment of Mandatory Eligible Costs during the Term; (ii) Tenant or Manager, as applicable, shall have submitted to KCAB for approval the specifications for the Major Repairs and such other documents as KCAB may require for approval; and (iii) the Tenant or Manager, as applicable, shall have utilized KCAB's standard bid format and related documents, prepared a public advertisements for bids, conducted any necessary pre-bid conference, reviewed the bids received, prepared a written analysis of the bids received, prepared a recommendation for an award and received KCAB's approval before an award. All such work performed shall comply with applicable Kentucky law, including, Kentucky Revised Statutes Chapter 424, Kentucky bidder preference under KRS 45A.494, adhere to the government provisions under this Agreement and all other Applicable Laws. Tenant or Manager, as applicable, shall be required to provide proof satisfactory to KCAB that Tenant or Manager, as applicable, complied with Kentucky bidding laws applicable to KCAB.

(c) Tenant Reimbursement from Excess CFCs. To the extent Tenant desires to be reimbursed from Excess CFCs for some of the actual and reasonable costs incurred by Tenant in connection with the maintenance, operation, repair and replacement expenses of the Tenant under Section 5.4(a), including the hiring of a Manager, in order to be eligible for reimbursement, the Tenant shall have complied with Kentucky's bidding laws applicable to KCAB with respect to the procurement for such expenses and in such cases the Tenant shall utilize KCAB's standard bid format and related documents, prepare public advertisements for bids, conduct any necessary pre-bid conference, review the bids received, prepare a written analysis of the bids received, prepare a recommendation for an award and receive KCAB's approval before an award. All such work performed shall comply with applicable Kentucky law, including, Kentucky Revised Statutes Chapter 424, Kentucky bidder preference under KRS 45A.494, adhere to the government provisions under this Agreement and all other Applicable Laws. Tenant shall be required to provide proof satisfactory to KCAB that Tenant complied with Kentucky bidding laws applicable to KCAB. Any approvals by KCAB under this Section 5.4(c) and any reimbursement to Tenant under this Section 5.4(c) shall be in the sole and absolute discretion of KCAB. If KCAB approves, in writing, payment of Tenant's maintenance, operation, repair or replacement expenses, KCAB retains the right to reject payment of any invoice, or portion thereof, in its sole and absolute discretion, that contains unauthorized, improper, or insufficiently documented costs, charges or fails to comply with Kentucky law.

(d) KCAB. KCAB will be responsible for performing any maintenance, repairs and janitorial services for those areas and items of the Consolidated Rental Car Facility identified for maintenance responsibility of KCAB under the Maintenance Responsibility Chart, but, subject to KCAB's ability to be reimbursed for those costs as Mandatory Eligible Costs from Excess CFC Funds, the Renewal and Replacement Fund or from the Tenants if there are not sufficient Excess CFC Funds, or funds available in the Renewal and Replacement Fund in which case the Tenants shall be responsible for KCAB's costs and expenses based on a Tenant's Proportionate Share and such costs and expenses of such repairs, alterations, improvements or additions will be due and payable by Tenant to KCAB within fifteen (15) days following KCAB's invoice therefore. If not paid within such fifteen (15) day period, such costs and expenses will bear interest at the Default Rate until paid. KCAB shall be responsible to maintain the KCAB Space and the Public Areas of the CSB at its expense. Any repairs or replacements for which KCAB is responsible under this Section 5.4(d) which are required due to damage caused by, or as a result of, any act or omission of Tenant, or any of their respective officers, agents, employees, contractors, guests, invitees, or licensees, shall be performed by KCAB at the sole cost and expense of Tenant and such costs and expenses shall be due and payable to KCAB within fifteen (15) days following KCAB's invoice therefor, and if not paid within such 15-day period, shall bear interest at the Default Rate until paid and KCAB expressly reserves the ability to be reimbursed from Mandatory Eligible Costs if not paid. KCAB may, but shall not be required, to enter the Exclusive Premises at all reasonable times to perform any maintenance or repairs which are KCAB's responsibility hereunder, or as KCAB may be required to do by any applicable Laws, governmental department or agency, or by the order or decree of any court or by any other proper governmental agency.

Section 5.5 – Operating Agreement.

(a) No later than eighteen (18) months after the Effective Date, Tenant and each of the other Tenants will create and enter into the Operating Agreement which shall establish a Consortium which provides, among other things, for (i) the maintenance and repair of the Consortium areas of responsibility; (ii) the hiring of a Manager, reasonably acceptable to KCAB; (iii) disbursement mechanisms among the Tenants for reimbursements received by KCAB; (iv) the allocation and assumption of liability for sums due and payable by Tenant hereunder and sums due and payable by the other Tenants then (or that will be) operating and occupying a portion or portions of the Consolidated Rental Car Facility from time to time; (v) the allocation of responsibility to the Manager for all obligations of Manager set forth under Article 14 of this Agreement and as otherwise imposed on Manager under this Agreement and the respective joint and several liability of the Tenants if Manager fails to perform the obligations set for under Article 14 or to perform other duties or obligations of Manager as provided in this Agreement; and (vi) shall include a Maintenance Operating Manual for the Consolidated Rental Car Facility all of which must be acceptable to KCAB.

(b) The Operating Agreement shall be acceptable to KCAB in form and substance, shall remain in full force and effect, and shall not dissolve or be terminated during the Term. The Operating Agreement shall provide for execution of additional agreements or other operative documents to provide for the Tenants' and the Manager's rights and obligations relating to the Consolidated Rental Car Facility. The Operating Agreement shall provide for the circumstance when a new Tenant replaces an existing Tenant. Further, the Operating Agreement shall provide for the circumstance when, following a termination of a Concession Agreement due to default by a Tenant thereunder, KCAB either replaces the Tenant with a new Tenant by entering into a new Concession Agreement or, until replacement, permits the terminated Tenant's spaces and areas to be re-allocated among the remaining Tenants in the manner described herein. The Operating Agreement shall also provide for the circumstance where KCAB, at its sole option, may require the addition of another Tenant to the Consortium from time to time. The Operating Agreement may include provisions providing that responsibility for operating expenses, and other expenses which relate to the Consolidated Rental Car Facility may be payable by the Tenants; provided, however, that such provisions must provide that in the event of non-payment of any such amounts when due by any such Tenant or the failure of a Tenant to perform an obligation under this Agreement, such amount or obligation shall become the joint and several obligation of all Tenants payable to the entity to whom the money is owed. The Operating Agreement shall require the Manager to indemnify KCAB to the same extent that Tenant is required to indemnify KCAB and shall require the Manager to carry the same amount and type of insurance required to be carried by Tenant hereunder, and shall require KCAB to be named as an additional insured under such policies. The Manager's insurance shall be primary with respect to the maintenance, operation, repair and replacement obligations assigned to the Manager under the Maintenance Responsibility Chart for the Consolidated Rental Car Facility.

(c) Tenant agrees it will not, without KCAB's prior written consent, transfer, assign, or grant a security interest in the amounts paid relating to occupancy, construction, maintenance, and operation of the Consolidated Rental Car Facility under the Operating Agreement (provided that KCAB may permit the granting of a security interest in certain Agreement rights under the Operating Agreement to a trustee or any other person first approved by KCAB); provide for any cross-default between the Operating Agreement and any other agreement between Tenant and other Tenants; permit a termination of the Operating Agreement, except as expressly provided in the Operating Agreement; collect revenues more than one (1) month in advance (except for the initial investment in the Operating Agreement); evict any Tenant under the Operating Agreement; waive, cancel, release, modify, excuse, discount, set off, compromise, or discharge the Tenant under the Operating Agreement from any obligations under the Operating Agreement; amend or extend the Operating Agreement; or enter into any collateral agreement with the Tenants relating to the Exclusive Premises which is not included in the Operating Agreement.

Provided that the Tenant may include in the Operating Agreement other remedies available to the Manager and/or other Tenants under the terms of the Operating Agreement in the event of a Tenant's default under the terms of the Operating Agreement, including the ability to seek collection of amounts due and cease supplying fuel to any such Tenant.

(d) The Operating Agreement shall acknowledge this Agreement, be consistent with this Agreement, and require Tenants to comply with the terms of this Agreement and such other Tenants' Agreements. The Operating Agreement shall require the Tenants to give prompt notice to KCAB of any default by any Tenant thereunder. In addition to the foregoing, the Operating Agreement shall be expressly subordinated to this Agreement.

Section 5.6 - Lighting and Signs.

Any signs installed by Tenant on the Exclusive Premises shall be limited to the purpose of identifying Tenant, if applicable, (including, without limitation, the trade names, trademarks, logos, and brand names of Tenant), and not for any third party advertising. The number, general type, size, design, and location of such signs, and any modifications or replacements thereof, shall be subject to the prior written approval of KCAB in each instance, which approval shall not be unreasonably withheld or delayed so long as such signage complies with applicable Laws and applicable Airport signage standards, and is otherwise consistent with the appearance and architectural integrity of the Exclusive Premises. Signage shall be approved separately or as part of the Tenant Improvement Plans. No exterior or roof signs are permitted. All signage shall comply with such design standards and Terminal development guidelines as KCAB shall have in effect from time to time. Tenant shall not install any signage in the RAC Common Areas without the express written approval of KCAB.

Section 5.7 - Covenant Against Liens.

Tenant shall keep the Exclusive Premises free and clear of liens or claims of liens in any way arising out of the construction, improvement, or use thereof by Tenant. Tenant shall promptly take such steps as are necessary to release any claim for lien or attempted claim for lien arising out of the construction, improvement, or use thereof by Tenant. Tenant shall not be deemed to be in default hereunder in the event any lien shall attach or shall exist which is prohibited by or which is contrary to or in violation of the provisions of this Agreement, (a) if such lien shall arise as a matter of law, but the amount of said lien be not yet due and payable, or (b) if any such lien shall arise and Tenant shall continuously, diligently, and in good faith contest the same, or the validity thereof, by appropriate legal proceedings which shall operate to prevent the foreclosure of any such lien, provided that Tenant shall give advance written notification to KCAB that it is the intent of Tenant to contest the validity or collection thereof. In the event Tenant contests any such lien, Tenant shall give a satisfactory indemnity to KCAB or deposit with KCAB a letter of credit, or security reasonably satisfactory to KCAB in an amount equal to the amount of the claim or lien, plus such interest and penalties, court costs, or other charges as KCAB, any fee mortgagee, or title insurer may reasonably estimate to be payable by Tenant at the conclusion of such litigation or is required to provide insurance over any potential lien. In the event such letter of credit, or securities shall be so deposited, the same shall be held until such claim or lien shall have been released and discharged and shall thereupon be returned to Tenant, less any amounts expended by KCAB to procure such release or discharge, or any loss, cost, damage, reasonable attorneys' fees or expense incurred by KCAB by virtue of the contest of such lien.

Section 5.8 - Ownership of Improvements.

KCAB shall own all Tenant Improvements, now existing or hereafter constructed (excluding the Trade Fixtures, and Personal Property of Tenant). All USTs installed hereunder by KCAB or Tenant shall be owned by KCAB.

Section 5.9 - Alterations.

Tenant shall have the right from time to time after the completion of the initial Tenant Improvements, and at Tenant's sole cost and expense, to make alterations and changes in or to the Exclusive Premises (“Alterations”), provided Alterations may be made only with the written consent of KCAB, which consent shall not be unreasonably withheld or delayed. The provisions of Section 5.3 shall apply to and shall be complied with by Tenant as a condition to the performance of any Alteration. Furthermore, all Alterations shall be subject to the following:

(a) No Alteration of any kind shall: (i) change the general design, use, or character of the Exclusive Premises, (ii) reduce or impair, to any material extent, the value, rentability, or usefulness of the Exclusive Premises, or constitute waste, or (iii) give to any owner, lessee, or occupant of any other property or to any other person or corporation any easement, right-of-way, or any other right over the Exclusive Premises.

(b) Any Alteration shall be made with reasonable dispatch and in a good and workmanlike manner and in compliance with all applicable permits and authorizations and building and zoning Laws and with all other Laws. If any work does not comply with the provisions of this Agreement, KCAB may, by notice to Tenant, require that Tenant stop the work and take steps necessary to cause corrections to be made.

(c) After completion of Tenant Improvements, Tenant shall not demolish such Tenant Improvements without the prior written consent of KCAB. In connection with any such demolition, Tenant shall otherwise comply with all of the other provisions of this Section 5.9 as though said demolition were an Alteration. Tenant shall proceed diligently with its demolition and all demolition shall be completed within a reasonable time after its commencement.

Section 5.10 - Security Deposit.

(a) Tenant shall furnish KCAB, on or before the Tenant Access Date (and as a condition thereof), a surety bond, with surety approved by KCAB, or an irrevocable letter of credit issued in a form and by a bank approved by KCAB for the full and prompt performance by Tenant of all of Tenant's obligations hereunder in the amount of three (3) months' worth of Ground Rent, Facility Rent (if applicable), and Customer Service Building O & M Fee in the initial amount of _____) (the "Security Deposit"). At any time during the term of this Agreement, KCAB upon thirty (30) days' notice to the Tenant may require the Tenant to increase the Security Deposit, if in the sole discretion of KCAB, the Tenant's estimated rates and charges for any immediately following three month period exceed the amount then currently held by KCAB. If Tenant defaults under this Agreement, KCAB may use all or any part of the Security Deposit to make any defaulted payment, to pay for KCAB's cure of any defaulted obligation, or to compensate KCAB for any loss or damage resulting from any default. To the extent any portion of the Security Deposit is so used, Tenant shall, within five (5) days after demand from KCAB, restore the Security Deposit to its full amount. KCAB shall not be required to pay interest to Tenant on the Security Deposit. If Tenant shall perform all of its obligations under this Agreement and return the Exclusive Premises to KCAB at the end of the term of the Concession Agreement in the condition required hereunder and under the Concession Agreement, KCAB shall return all of the remaining Security Deposit to Tenant, within thirty (30) days after the end of the term of the Concession Agreement. The Security Deposit shall not serve as an advance payment of Rent or a measure of KCAB's damages for any default under this Agreement

(b) With respect to any Security deposited hereunder, such Security Deposit shall be separate and independent from any letter of credit, bond, or other security delivered under this Agreement.

ARTICLE 6 COMPLIANCE WITH ALL LAWS

Section 6.1 - Applicable Laws.

Without limiting the provisions of this Agreement, Tenant shall, at its sole cost and expense, comply, and shall cause its contractors and their respective agents and employees to comply, with all applicable Laws, including, without limitation, the following:

A. The Tenant, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Agreement for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Tenant shall maintain and operate such facilities and services in compliance with all applicable requirements imposed upon Tenant pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

B. Tenant, for itself, its personal representatives, successors in interest, and assigns, as part of the consideration hereof, does hereby covenant and agree that (1) no person, on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (2) that in the construction of any improvements and the furnishing of services, no person on the grounds of race, color, creed, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; (3) that the Tenant shall use the Assigned Premises in compliance with all other applicable requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

C. That in the event of breach of any of the above nondiscrimination covenants, the KCAB shall have the right to terminate this Agreement and re-enter and repossess said land and facilities, and hold the same as if said Agreement had never been made or issued. This provision shall not be effective until the procedures of 49 CFR, Part 21, are followed and completed including exercise or expiration of appeal rights.

D. The Tenant shall furnish its accommodations and/or services on a fair, equal, and nondiscriminatory basis to all users thereof, and it shall charge fair, reasonable, and nondiscriminatory prices for each unit of services, provided however, the Tenant may make reasonable and nondiscriminatory discounts, rebates and other similar types of price reduction to volume purchasers.

E. The Tenant assures that it shall undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, gender, or disability be excluded from participating in any employment activities covered in 14 CFR Part 152 Subpart E. The Tenant assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Tenant assures that it shall require that its covered suborganizations provide assurances to the Tenant that they similarly shall undertake any legally required affirmative action programs and that they shall require assurances from their suborganizations, as required by 14 CFR part 152, Subpart E, to the same effect.

F. The Tenant assures that it will comply with any statutes, Executive Orders, and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, gender, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates Tenant for the period during which Federal assistance is extended to the Airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, this provision obligates the Tenant or its transferee for the longer of the following periods:

(1) the period during which property is used by KCAB or any transferee for a purpose for which Federal assistance is extended or for another purpose involving the provision of similar services or benefits; or

(2) the period during which KCAB or any transferee retains ownership or possession of the property.

G. It is the policy of the Department of Transportation that Disadvantaged Business Enterprises, as defined in 49 CFR parts 23 & 26, shall have the maximum opportunity to participate in the performance of contracts financed in whole or in part with federal funds under this Agreement. Consequently, the Disadvantaged Business Enterprise (DBE) requirements of 49 CFR Parts 23 & 26 apply to this Agreement to the extent therein provided.

H. The Tenant agrees to insure that Disadvantaged Business Enterprises, as defined in 49 CFR, Parts 23 & 26, have the maximum opportunity to participate in the performance of contracts financed in whole or in part with Federal funds provided under this Agreement. In this regard, Tenant will take all necessary and reasonable steps in accordance with 49 CFR, Parts 23 & 26, to ensure that Disadvantaged Business Enterprises have the maximum opportunity to compete for and perform contracts. Tenant shall not discriminate on the basis of race, color, national origin, or gender in the award or performance of Department of Transportation-assisted contracts.

I. The Tenant hereby assures that it shall include the above provisions in all agreements entered into by it related to the terms, conditions and covenants of this Agreement.

J. The Tenant has been advised, and understands, that failure to carry out the requirements of this Article and of any legally applicable DBE regulations will constitute a breach of this Agreement.

K. As used herein, the term "**Department of Transportation**" means the United States Department of Transportation.

L. Nothing herein contained shall be deemed to grant the Tenant any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act for the conduct of any activity on the Airport, except that, subject to the terms and conditions hereof, the Tenant shall have the right to use the Airport under the provisions of this Agreement.

M. This Agreement is subject to and subordinate to the provisions of any agreement heretofore or hereafter made between the KCAB and the United States Government relative to the financing, operation or maintenance of the Airport, the execution of which has been required as a condition precedent to the transfer of rights or property to the KCAB for Airport purposes, or the acquisition or expenditure of funds for the improvement or development of the Airport, including the expenditure of Federal funds for the development of the Airport in accordance with the provisions of the Federal Aviation Act of 1958, as amended from time to time.

N. During the performance of this Agreement, the Tenant agrees to comply with all Federal, state and local laws respecting discrimination in employment and non-segregation of facilities including, but not limited to, requirements set out at 41 CFR 60-1.4, 60-250.4 and 60-741.4, which equal opportunity clauses are hereby incorporated by reference. Notification is hereby given that compliance with these clauses may require you to file annually certain reports (e.g. the EEO-1 Report and the VETS-100 Report) with the Federal government and may require Tenant to develop written Affirmative Action Programs for Women and Minorities, Covered Veterans and/or Persons with Disabilities.

ARTICLE 7 INDEMNITY, INSURANCE, DAMAGE OR DESTRUCTION

Section 7.1 - Indemnification.

A. Increase Liability: Tenant shall not do or permit any act or thing which will invalidate, suspend or increase the rate of any insurance policy carried by KCAB, covering the Consolidated Rental Car Facility or the Airport which, in the reasonable opinion of KCAB, may constitute a hazardous condition that will increase the risks normally attendant upon the operations contemplated under this Agreement. If, by reason of any failure on the part of Tenant after receipt of notice in writing from the KCAB to comply with the provisions of this paragraph, any insurance rate shall at any time be higher than it normally would be, then Tenant shall pay the KCAB, on demand, that part of all insurance premiums paid by KCAB which have been charged because of such violation or failure of Tenant.

B. Notice: Each party hereto shall give to the other prompt and timely written notice of any claim made or suit instituted coming to its knowledge which in any way directly or indirectly, contingently or otherwise, affects or might affect either, and each shall have the right to participate in the defense of the same to the extent of its own interest.

C. Hold Harmless: Tenant shall protect, defend, indemnify and hold the KCAB and its directors, officers, employees, agents, servants and representatives harmless from and against any and all liabilities, demands, suits, claims, losses, fines, causes of action, costs, damages, expenses or judgments arising by reason of the injury or death of any person or damage to any property, or other damages, including all reasonable costs of investigation and defense thereof (including, but not limited to, attorney's fees, court costs and expert fees), sustained in, on, or about the Exclusive Premises or arising out of any condition of Exclusive Premises, or arising out of the acts or omissions of Tenant, its agents, servants, employees, contractors, suppliers or invitees, upon or about the Airport, excepting such liability as may result from the sole negligence of the KCAB. Upon the filing of any claim with KCAB for damages arising out of incidents for which Tenant herein agrees to hold KCAB harmless, then and in that event, the KCAB shall notify Tenant of such claim and Tenant shall have the right to settle, compromise, or defend the same. KCAB shall have the right to defend against any such claim and if the KCAB elects to do so, Tenant shall be responsible for the KCAB's legal fees, costs and expenses in addition to any resulting liability. Any final judgment rendered against KCAB for any cause for which Tenant is liable hereunder shall be conclusive against Tenant as to liability and amount, where the time for appeal therefrom has expired. The provisions of this paragraph shall survive the expiration or termination of this Agreement.

In addition to Tenant's undertaking, as hereinabove stated, and as a means of further protecting KCAB its directors, officers, agents, servants representatives and employees, Tenant shall at all times during the Term of this Agreement carry insurance coverage as hereinafter provided.

Section 7.2 - Insurance Coverage Required.

A. Property Insurance.

KCAB, at all times during the Term hereof, shall maintain property insurance on the building and structure of the Consolidated Rental Car Facility. Such insurance shall be maintained with an insurance company or companies qualified and authorized under the laws of Kentucky at the full replacement value of the property so insured, provided that KCAB may maintain deductibles and/or other self-insured retentions as may be otherwise provided for by KCAB. Such insurance shall be maintained by KCAB during the Term hereof to the extent the coverages specified are insurable and obtainable at reasonable premiums as reasonably determined by KCAB.

B. Commercial General Liability and Umbrella Liability Insurance.

1. Tenant, at its expense, shall procure and maintain commercial general liability (CGL) and, if necessary, commercial umbrella insurance with a limit of not less than \$5,000,000 each occurrence. If such CGL insurance contains a general aggregate limit, it shall apply separately to operations under this Agreement.

2. CGL insurance shall be written on ISO occurrence form CG 00 01 10 96 (or a substitute form providing equivalent coverage) and shall include coverage arising from, but not limited to: premises, operations, contractors, subcontractors, consultants, products, completed operations, property damage, personal injury, death, advertising injury and liability assumed under an insured contract.

3. If Tenant shall use motor vehicles on the aircraft ramps, taxiways, or runways of the Airport and such vehicles are not escorted by escorts authorized and approved by the KCAB, the limit of the CGL insurance required to be maintained by the Tenant at its expense shall be increased to a limit of not less than \$10,000,000 each occurrence or any other increased amount as the KCAB may require.

C. Automobile and Umbrella Liability Insurance.

If Tenant uses motor vehicles on the Airport, Tenant shall, at its expense, maintain automobile liability and, if necessary, commercial umbrella insurance with a limit of not less than \$5,000,000 each accident. Such insurance shall cover liability arising out of any auto (including owned, hired and non-owned autos) while on Airport. Automobile liability insurance shall be written on ISO form CA 00 01, CA 00 12, CA 00 20 (or a substitute form providing equivalent coverage). If Tenant shall use motor vehicles on the aircraft ramps, taxiways, or runways of the Airport and such vehicles are not escorted by escorts authorized and approved by the KCAB, the limit of the automobile liability insurance required to be maintained by the Tenant shall be increased to a limit of not less than \$10,000,000 each accident. If necessary, the policy shall be endorsed to provide contractual liability coverage equivalent to that provided in CA 00 01.

D. Worker's Compensation and Employer's Liability Coverage.

Tenant shall, at its expense, procure and maintain its own worker's compensation and employer's liability insurance as provided under the rules and regulations of the Commonwealth of Kentucky.

E. Unemployment Insurance.

Tenant, at its expense, shall procure and maintain statutory unemployment insurance protection for all its employees.

F. Commercial Property Insurance.

Tenant, at its own expense, shall obtain commercial property insurance that provides for all risk coverage for all Tenant Improvements, Trade Fixtures, and Personal Property in the Exclusive Premises. Such insurance shall cover the full replacement cost. All insurance policies shall contain loss payable endorsements in favor of KCAB as its interest may appear hereunder.

G. Additional Insureds.

The Kenton County Airport Board shall be included as an insured under the CGL, using ISO additional insured endorsement CG 20 10 11 85 or substitute form providing equivalent coverage, and under the commercial umbrella, if any. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to KCAB. There shall be no endorsements or modifications of the CGL to make it excess over other available insurance; alternatively, if the CGL states that it is excess or pro-rata, that policy shall be endorsed to be primary with respect to KCAB as additional insured. The Kenton County Airport Board shall also be included as an insured under the commercial auto policy, using ISO designated insured endorsement CA 20 48. KCAB shall not have liability for any premiums charged for such coverage, and the inclusion of KCAB as additional insured is not intended to and shall not make the KCAB a partner or joint venture with Tenant in Tenant's operations at the Airport.

H. Proof of Insurance.

Within ten (10) days of execution of this Agreement, Tenant shall furnish KCAB with certificates evidencing existence of valid policies of insurance with the coverages specified, which certificates shall state that the coverages shall not be amended so as to decrease the protection below the limits specified herein or be subject to cancellation without at least thirty (30) calendar days advance written notice to KCAB. A renewal policy or renewal certificate shall be delivered to KCAB's Risk Manager at least thirty (30) calendar days prior to a policy's expiration date, except for any policy expiring on the expiration date of this Agreement or thereafter.

I. Failure to Maintain Insurance.

In the event Tenant shall at any time fail to have in effect the insurance required under the provisions of this Agreement, upon written notice to the Tenant of its intention to do so, KCAB shall have the right (but not the obligation) to secure the insurance required hereunder at the cost and expense of the Tenant. In the event Tenant shall at any time fail to furnish KCAB with the certificate or certificates required hereunder, KCAB may, at any time, after fifteen (15) calendar days of written notice to Tenant of its intention to do so, secure the required certificate or certificates at the cost of the Tenant. In either event Tenant agrees to reimburse KCAB for the cost thereof plus fifteen percent (15%) thereof for administrative overhead. This is without prejudice to any other right KCAB may have in law or equity, including the right to terminate this Agreement.

J. Contractor Bond and Insurance.

Tenant shall require that any contractor or contractors who perform any project in excess of \$100,000.00 in the aggregate hereunder on behalf of or for the benefit of the Tenant to furnish a performance bond with a good and sufficient surety in an amount not less than the full amount of the contract price for completing the finishing, fixturing, and furnishing of the Tenant Improvements and/or Alterations for the faithful performance of the contract by the contractor(s) and a good and sufficient payment bond in the full amount of the contract guaranteeing the payment of all persons performing labor and furnishing material in connection with the work. Tenant shall further require the contractor(s) to procure the Contractor's Commercial General Liability Insurance, Automobile Liability Insurance, Property Damage Insurance and Worker's Compensation Insurance, including Employer's Liability Insurance as required of Tenant

hereunder. Tenant shall, before the commencement of any work, furnish KCAB with evidence that the contractor or contractors are covered to the satisfaction of KCAB's Risk Manager. If at any time any surety required hereunder becomes irresponsive, KCAB shall have the right to require additional and sufficient sureties which the contractor shall furnish within ten (10) calendar days of written notice to do so.

K. Builders Risk Insurance.

During construction of Tenant's Improvements and/or Alterations, the Tenant, at its expense, shall procure and maintain builders risk insurance for the entire work under this Agreement to the full insurable value thereof, to cover the perils insured under ISO special causes of loss form (CP 10 30) or substitute form providing equivalent coverage. This insurance shall include the interest of subcontractors in the work and shall name KCAB as the loss payee.

L. Pollution Legal Liability Insurance.

The Tenant shall procure and maintain at its sole expense, Pollution Legal Liability Insurance with contractual liability coverage, insuring Tenant for claims alleging environmental impairment, where Tenant is legally or contractually obligated to protect KCAB from any and all claims and actions. Without limiting its liability, Tenant agrees to carry and keep in force insurance with a single limit liability of environmental impairment in a sum not less than Five Million Dollars (\$5,000,000) per claim, subject to a deductible in an amount acceptable to Chief Executive Officer in his or her sole discretion; with a Ten Million Dollar (\$10,000,000.00) aggregate policy limit. Such coverage shall include sudden and accidental pollution, pollution/environmental clean-up exposures related to underground storage tanks and shall be written on the broadest liability form which is customarily available. The coverage shall also comply with the U.S. Environmental Protection Agency Financial Responsibility Regulations for Underground Storage Tank Systems.

M. General Insurance Provisions.

Tenant's insurance shall be primary and noncontributory with respect to any other insurance available to or for the benefit of KCAB. Tenant's insurance policies shall contain a severability of interest clause. Any other insurance or self-insured retention of the KCAB shall be considered excess insurance only. All policies required hereunder must be satisfactory to KCAB, including the quality of the insurer, deductible, or retentions. By requiring insurance herein, KCAB does not represent that coverage and limits will necessarily be adequate to protect Tenant, and such coverage limits shall not be deemed as a limitation on Tenant's liability under the indemnities granted to KCAB under this Agreement. Failure of KCAB to demand such certificates or other evidence of full compliance with these insurance requirements or failure of KCAB to identify a deficiency from evidence that is provided shall not be considered as a waiver of Tenant's obligation to maintain such insurance. KCAB shall have the right, but not the obligation, of prohibiting Tenant from entering the Exclusive Premises until such certificates or other evidence of insurance has been placed in complete compliance with these requirements and approved by KCAB.

Section 7.3 - Damage and Destruction.

(a) If the Exclusive Premises are totally destroyed by storm, fire or other casualty, or damaged to the extent that, in KCAB's reasonable opinion, the damage cannot be restored, or if the damage is not covered by standard "**all risks**" property insurance (or such other property insurance as may be maintained by KCAB from time to time), KCAB shall have the right to terminate this Agreement and the Concession Agreement effective as of the date of such destruction or damage by written notice delivered to Tenant on or before thirty (30) days following KCAB's notice described in the next sentence, and Rent shall be pro-rated as of that date. KCAB shall provide Tenant with written notice no later than sixty (60) days following the date of such damage of the estimated time needed to restore and whether KCAB elects

to restore hereunder. KCAB agrees to consult with Tenant in the event Tenant desires to terminate this Agreement as a result of such total destruction or inadequate property insurance; provided that KCAB shall make the final decision whether or not to terminate this Agreement.

(b) If the Exclusive Premises are damaged by any such casualty but KCAB does not elect to terminate this Agreement as provided in Subsection 7.3(a) above, this Agreement shall remain in full force and effect, KCAB shall notify Tenant in writing no later than sixty (60) days after the date of such damage that such damage will be restored (and will include KCAB's good faith estimate of the date the restoration will be complete), and KCAB shall promptly commence to diligently restore the shell and core portions of the Exclusive Premises, as the same may be modified to conform to applicable Laws then in effect, but excluding any Tenant Work Items, as hereinafter defined) to substantially the same condition as before such damage occurred (any such activity being a "**KCAB Restoration**") as soon as reasonably practicable, subject to Force Majeure Events and delays attributable to the acts or omissions of Tenant. Tenant may not terminate this Agreement (and shall otherwise remain liable for the performance of all of its obligations hereunder in accordance with the terms and provisions hereof), except as expressly provided in Subsection 7.3(f) below, in the event of any such casualty. Ground Rent and Facility Rent, if any, and Customer Service Building O & M Fee shall be reduced or abated on a pro rata basis during the period of such KCAB Restoration based on the portion that is not tenantable or able to be used in connection with Tenant's business as a result of such casualty; provided, notwithstanding anything herein to the contrary, in no event shall any other payments due under this Agreement be subject to reduction or abatement hereunder.

(c) In the event of damage to, or destruction of, any Tenant Improvements, Alterations, or other Tenant work, or of the Trade Fixtures within the Exclusive Premises (collectively, the "**Tenant Work Items**"), by fire or other casualty, Tenant shall promptly, at its expense, repair, restore, or rebuild such Tenant Work Items to the condition existing prior to the happening of such fire or other casualty (any such activity being a "**Tenant Restoration**"). Rent shall not be reduced or abated during the period of such Tenant Restoration even if the Exclusive Premises is not tenantable and the Tenant Work Items are not usable, and Tenant may not terminate this Agreement, except as expressly provided in Subsection 7.3(f) below.

(d) Before Tenant commences or causes such Tenant Restoration, Tenant shall, in connection therewith, comply with the requirements of Article 5 hereof. KCAB may waive (but shall not be obligated to do so) any requirements of Article 5 after taking into consideration the degree of damage or destruction and Tenant Restoration.

(e) Provided that the insurer does not deny liability as to the insureds, and provided Tenant is not then in default hereunder, all sums arising by reason of loss under the Tenant property insurance shall be available to Tenant for the work. All proceeds shall be payable to KCAB which may disburse proceeds on satisfaction of conditions established by KCAB (which may include retention requirements, waivers of lien and sworn statements, architect's certificates, and other evidence of satisfactory completion and payment for work) or payable directly to Tenant or Contractors, at KCAB's option. Tenant shall deposit with KCAB any excess cost of the Tenant Restoration over the amount held by KCAB as proceeds of the insurance within thirty (30) days from the date of the determination of the cost of the Tenant Restoration; but in no event later than commencement of work. At all times the undisbursed balance remaining in the hands of KCAB shall be at least sufficient to pay for the cost of completion of the work free and clear of liens; any deficiency shall be paid to KCAB by Tenant. Tenant shall diligently pursue the repair or rebuilding of the Tenant Work Items (but in any event within the time period in which Tenant was required to complete the Tenant Improvements under Section 5.3). If Tenant does not repair or rebuild the Tenant Work Items or proceed diligently to repair or restore the Tenant Work Items and fails to cure or correct any such default after notice and expiration of applicable cure periods hereunder, or there

are insurance proceeds remaining after repair or rebuilding, all insurance proceeds shall belong to and be payable to KCAB, and Tenant shall assign all such proceeds to KCAB.

(f) In case of damage or destruction of all or any material portion of the Exclusive Premises which occurs during the last twelve (12) months of the Term, either Tenant or KCAB shall have the option of terminating this Agreement as of the date of such damage or destruction by notice in writing given to the other party within thirty (30) days after the occurrence of such damage or destruction. In such event, KCAB shall be entitled to the proceeds of any Tenant property insurance and Tenant shall assign all such insurance proceeds to KCAB.

(g) Notwithstanding anything in this Section 7.3 to the contrary, while the Bonds remain outstanding, the terms and provisions of the Bond Documents shall govern and control in the event of damage or destruction to the Exclusive Premises.

ARTICLE 8 AIRPORT MATTERS

Section 8.1 - Airport Conditions.

The following covenants, agreements, and restrictions shall apply to Tenant's use and occupancy of the Exclusive Premises and the Consolidated Rental Car Facility, which covenants, agreements and restrictions shall run with the land, for the benefit of KCAB and its successors and assigns in the ownership and operation of the Airport:

(a) Tenant shall neither construct nor permit to stand on the Exclusive Premises any building, structure, poles, trees, or other object, whether natural or otherwise, exceeding any existing or planned FAR Part 77 surfaces of the Airport, or which would otherwise materially or adversely interfere with the use and operation of the Airport.

(b) Tenant shall file a notice consistent with the requirements of FAR Part 77 (FAA Form 7460-1) prior to constructing any facility, structure, or item on the Exclusive Premises.

(c) KCAB reserves unto itself, its successors and assigns, for the use and benefit of the public, a right of flight for passage of aircraft in the airspace above the surface of the Exclusive Premises. This public right shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the airspace or landing at, taking off from, or operation on the Airport.

(d) Tenant's use of the Exclusive Premises shall be compatible with noise levels associated with the operation of the Airport, and KCAB reserves such interest or right as may be necessary to ensure that the Consolidated Rental Car Facility will be used only for such purposes.

(e) Tenant shall not use or permit any activity which could create a potential for attracting birds or other wildlife which may pose a hazard to aircraft operations at the Airport.

Section 8.2 - Other Legal Requirements.

Tenant shall comply, and shall cause its contractors to comply, with all applicable federal, state, and local Laws, without limitation, those promulgated by the FAA, which shall include, but not be limited to, the following:

(a) Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right to conduct any business, and KCAB reserves the right to grant to others the privileges and right of conducting any or all activities at the Airport (subject, however, to the terms and provisions of Subsection 2.3 hereof).

(b) This Agreement involves the use of or access to space on, over or under real property acquired or improved in connection with the Airport, and therefore involves activity which serves the public. Tenant, for itself, its personal representatives, successors in interest, and assigns, as part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that (i) no person on the grounds of race, creed, color, religion, age, sex, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of said facilities; (ii) that no person on the grounds of race, creed, color, religion, age, sex, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the construction of improvements on, over, or under such land and the furnishing of services thereon; and (iii) that Tenant shall use the Exclusive Premises in compliance with all other requirements imposed by or pursuant to regulations of the U.S. Department of Transportation.

(c) If, and only to the extent that, Tenant is then furnishing services in the United States, Tenant agrees to furnish such services in compliance with Federal Law and on a fair and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable, and not unjustly discriminatory prices for each unit of service; provided, that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions.

Section 8.3 - Airport Agreements, Ordinances and other Obligations.

Tenant's use and occupancy of the Exclusive Premises shall be and remain subject to (a) the provisions of any existing or future agreements between KCAB and the United States government, FAA, or other governmental authority relative to the operation or maintenance of the Airport, the execution of which has been or will be required as a condition precedent to the granting of federal or other governmental funds, including, without limitation, grant agreements, and (b) any use agreement heretofore or hereafter executed by KCAB with airlines operating at the Airport, and any ordinance or indenture, or both; and (c) the Bond Documents. KCAB, upon request, shall provide Tenant with copies of any such use agreements, ordinances, or indentures which so impact Tenant or this Agreement. Tenant further agrees that it shall not cause KCAB to violate any assurances made by KCAB to the federal government in connection with the granting of such federal funds.

Section 8.4 - Airport Security Act.

This Agreement is expressly subject to the Airport Security Act, the provisions of which are hereby incorporated by reference. In the event that Tenant, any of the Tenant or any of their respective employees, agents, contractors, subcontractors, suppliers of materials, or providers of services, in the performance of this Agreement, has: (i) unescorted access to secured areas located on or at the Airport; or (ii) capability to allow others to have unescorted access to such secured areas, Tenant shall be subject to, and further shall conduct with respect to the Tenant and any of their respective employees, agents, contractors, subcontractors, suppliers of materials, or providers of services and the respective employees of each, such employment investigations, including criminal history record checks, as KCAB, the TSA, or the FAA, or any successor entities thereto, may deem necessary. Further, in the event of any threat to civil aviation, as defined in the Airport Security Act, Tenant shall promptly report any information in accordance with those regulations promulgated by the Secretary of the United States Department of Transportation and by KCAB. Tenant shall, notwithstanding anything contained herein to the contrary, at no additional cost to KCAB, perform under this Agreement in compliance with those guidelines developed by KCAB, the TSA, or the FAA with the objective of maximum security enhancement.

Section 8.5 - Regulating the Airport; Airport Operation.

KCAB reserves the right to regulate, police, and further develop, improve, reconstruct, modify, or otherwise alter the Airport in KCAB's sole discretion. KCAB reserves the right, but shall not be obligated to Tenant, to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport. KCAB shall not have any obligation to continue to operate the Airport or any part as an airport for passenger or freight air transportation or at any particular level of operation and may at any time limit or discontinue use of the Airport or any means of access to or within the Airport in whole or part. In the event KCAB or its successor, abandons the Airport as an airline terminal or permanently removes all certificated passenger airline service from the Airport for longer than ninety (90) consecutive calendar days, Tenant shall have the right to terminate this Agreement upon written notice to KCAB. The foregoing shall not apply if the aforementioned events occur as a result of terrorist activity or natural disaster and KCAB has given written notice to Tenant that it intends to reconstruct the damaged improvements and resume airport operations.

Section 8.6 - Rules and Regulations.

Tenant shall observe and obey all rules and regulations governing the conduct and operation of the Airport promulgated from time to time by KCAB. In emergency cases KCAB shall deliver to Tenant such emergency rules and regulations as promptly as practical. Upon request, KCAB shall provide Tenant with copies of KCAB's current Airport rules and regulations.

ARTICLE 9 BOND FINANCING

Pursuant to the Bond Documents, KCAB anticipates the issuance of the Bonds in connection with the design and construction of the Project. Such Bonds are being issued pursuant to and in accordance with the Bond Documents, together with any and all related documents executed in connection therewith, and shall be and remain subject to the applicable terms, conditions, and provisions thereof, as the same may be amended or modified from time to time. This Agreement and the Concession Agreement, and the obligations hereunder and thereunder, are expressly conditioned upon KCAB obtaining satisfactory financing for the design and construction of the Project, which approval by KCAB shall be evidenced by KCAB, in its discretion, sending a notice to proceed for the second phase of the construction of the Project as such term is defined under the contract between KCAB and the construction manager dated August 6, 2017 for the construction of the Project.

ARTICLE 10 DEFAULT AND TERMINATION

Section 10.1 - Event of Default.

The occurrence of any of the following shall constitute an "**Event of Default**" hereunder:

(a) The failure by Tenant to pay any Rent or other sums payable hereunder, as required under this Agreement when due, and the failure to cure same within ten (10) Business Days after the giving of written notice thereof to Tenant;

(b) The failure by Tenant on or after the Effective Date of this Agreement to perform any representation, warranty, covenant, agreement, or final court order required to be performed by Tenant under this Agreement (other than as covered or described elsewhere in this Section 10.1) and the failure of Tenant to remedy such default within a period of thirty (30) days after written notice to Tenant, or such additional time as may be reasonably necessary to remedy such default so long as Tenant is at all times diligently and expeditiously proceeding to cure such default and in fact cures such default within a reasonable time; provided, however, that such additional time beyond thirty (30) days shall not apply to a default that creates a present danger to persons or property or that materially or adversely affects KCAB's interest in the Exclusive Premises or the Airport, or if the failure or default by Tenant is one for which KCAB (or any official, employee or other agent) may be subject to fine or imprisonment.

(c) The abandonment or vacation of the Exclusive Premises for a period in excess of seven (7) consecutive days;

(d) If Tenant shall suffer or permit any lien or encumbrance to attach to the Exclusive Premises or the leasehold interest of Tenant and Tenant shall not discharge said lien or encumbrance within thirty (30) days following written notice thereof, or within ten (10) days prior to any sale or disposition or forfeiture pursuant to such execution, whichever date shall first occur, subject to the provisions of Section 5.7 hereof;

(e) If Tenant shall fail to carry all required insurance under this Agreement and such failure continues for (i) thirty (30) days after written notice by KCAB to Tenant, so long as KCAB receives at least sixty (60) days' written notice from the insurer of any change, cancellation or non-renewal thereof or (ii) ten (10) days after written notice by KCAB to Tenant, in the event that KCAB receives less than sixty (60) days' written notice from the insurer of any change, cancellation or non-renewal thereof;

(f) Failure to comply with an order of a court of competent jurisdiction or proper order of a governmental agency relating to this Agreement within the required time period.

(g) The failure to deliver the estoppel certificate requested under this Agreement within Ten (10) Business Days after written notice of failure to deliver within the time period required therein;

(h) The default of Tenant under the Concession Agreement, or other agreement Tenant may presently have or may enter into with KCAB during the Term of this Agreement, and failure to cure said default within any applicable cure period. Tenant agrees that in case of an Event of Default under this Agreement, KCAB also may declare a default under any such other agreements;

(i) Any material permit of Tenant allowing it to do business in KCAB has been revoked and is not reinstated within ten (10) Business Days following such revocation;

(j) The filing by Tenant of a voluntary petition in bankruptcy occurring on or after the date of this Agreement, or if after the date hereof any involuntary petition in bankruptcy shall be filed against Tenant under any federal or state bankruptcy or insolvency act and shall not have been dismissed within sixty (60) days from the filing thereof;

(k) On or after the date of this Agreement, the admission, in writing, by Tenant of its inability to meet its debts generally as they mature;

(l) The taking by a court of competent jurisdiction for a period of sixty (60) days of all or substantially all of Tenant's assets pursuant to proceedings brought under the provisions of any federal

reorganization act on or after the date of this Agreement when possession is not restored to Tenant within sixty (60) days after such taking;

(m) The appointment of a receiver on or after the date of this Agreement of all or substantially all of Tenant's assets and Tenant's failure to vacate such appointment within sixty (60) days thereafter;

(n) The assignment by Tenant on or after the date of this Agreement of all or substantially all its assets for the benefit of its creditors; or

(o) Any failure of Tenant to comply with the terms and provisions of either the CFC Ordinance or the Bond Documents , and the failure of Tenant to cure the same within ten (10) days after the giving of written notice thereof to Tenant.

Section 10.2 - Remedies.

If KCAB so elects, with or without notice or demand, if an Event of Default occurs, KCAB may exercise any one or more of the following described remedies, in addition to all other rights and remedies provided elsewhere herein or at law or equity:

(a) KCAB may terminate this Agreement and the Term created hereby, in which event KCAB may forthwith be entitled to recover forthwith as damages: (i) all of the Rent accrued and unpaid for the period up to and including such termination date; (ii) any other sums for which Tenant is liable or in respect of which Tenant has agreed to indemnify KCAB under any provisions of this Agreement which may be then due and owing; (iii) an amount equal to nine (9) months of the total Rent then payable hereunder by Tenant at the time of such termination. The foregoing is subject to KCAB's duty to take reasonable efforts to mitigate its damages by re-letting the Exclusive Premises leased to Tenant, provided that in such case all costs associated with such re-letting shall be considered additional damages due to KCAB. If Tenant is the only Tenant in the Consolidated Rental Car Facility notwithstanding such termination Tenant shall remain liable for the Annual Requirement Deficiency through what would have been the end of the term of the Concession Agreement had this Agreement not been terminated. It is acknowledged and agreed by Tenant and KCAB that, in the event of a termination of this Agreement following a Tenant default hereunder, KCAB will suffer damages in an amount which, due to the special and unique nature of the transaction contemplated by this Agreement and the special and unique nature of the negotiations which preceded this Agreement, will be impractical or extremely difficult to determine, and such amount represents a reasonable estimate of the damages which KCAB will sustain in the event of a termination of this Agreement following a Tenant default hereunder; and (iv) any damages in addition thereto, including reasonable attorneys' fees and court costs, which KCAB sustains as a result of the breach of any of the covenants of this Agreement other than for the payment of Rent;

(b) If the Exclusive Premises are relet and a sufficient sum shall not be realized from such reletting after paying all of the costs and expenses of such repairs, changes, alterations, and additions and the other expenses of such reletting and of the collection of the rent accruing therefrom to equal or exceed the Rent provided for in this Agreement for the balance of its Term, Tenant shall satisfy and pay such deficiency upon demand therefor;

(c) The right to specific performance, an injunction, or other appropriate remedy;

(d) The right to money damages, including special and consequential damages;

(e) The right to deem Tenant non-responsible in future procurements by KCAB;

(f) In case of a default described in Subsection 10.1(b) relating to Tenant's obligations under Article 5 (including with respect to Tenant Improvements and Alterations), the right to take over construction of work, at Tenant's cost. Without limiting any other rights of KCAB, in the event KCAB takes over the work, KCAB shall be entitled to exercise all rights under the collateral assignments and other security granted to or available to KCAB under this Agreement, and sureties thereunder shall remain liable to KCAB upon such other security, and the proceeds thereof shall become the property of KCAB;

(g) The right to draw under the Security Deposit and to use the proceeds thereof, to pay or reimburse KCAB for performance of Tenants' obligations or compensate KCAB for any damages owed to KCAB by Tenant. KCAB agrees that, with respect to any Event of Default hereunder which can be cured to completion by the payment of money, KCAB shall, before exercising any of its other rights and remedies under this Section 10.2, but without prejudice to any such other rights and remedies, and without limiting Tenant's obligation to replenish the same, first draw upon or attempt to draw upon the Security Deposit and apply the proceeds of such draw towards the cure of such monetary Event of Default; and

(h) The right (but not the obligation) to cure any Event of Default hereunder, and if KCAB so elects, any and all costs and expenses incurred by KCAB in curing such default shall be deemed owing to KCAB hereunder, and shall be paid by Tenant to KCAB within thirty (30) days following KCAB's invoice therefor, and if not paid within such 30-day period, shall bear interest at the Default Rate.

Section 10.3 - Further Right to Terminate.

If KCAB's exercise of its remedies pursuant to Section 10.2 shall be stayed by order of any court having jurisdiction over any proceeding described above, or by federal or state statute, or if the trustee appointed in any such proceeding, Tenant or Tenant as debtor-in-possession shall fail to assume Tenant's obligations under this Agreement within the period prescribed therefor by law or within one hundred twenty (120) days after entry of the order for relief or as may be allowed by the court, or if said trustee, Tenant or Tenant as debtor-in-possession shall fail to provide adequate protection of KCAB's right, title, and interest under this Agreement or adequate assurance of the complete and continuous future performance of Tenant's obligations under this Agreement as provided in Section 10.5 below, then KCAB, to the extent permitted by law or by leave of the court having jurisdiction over such proceeding, and after the expiration of any such stay, shall have the right, at its election, to terminate this Agreement on five (5) days' written notice to Tenant, Tenant as debtor-in-possession or said trustee, and upon the expiration of said 5-day period, this Agreement shall cease and expire as aforesaid, and Tenant, Tenant as debtor-in-possession or said trustee, as the case may be, shall immediately quit and surrender the Exclusive Premises under the Concession Agreement.

Section 10.4 - Adequate Protection.

If an order for relief is entered or if a stay of proceeding or other acts becomes effective in favor of Tenant or Tenant's interest in this Agreement, in any proceeding which is commenced by or against Tenant under the present or any future applicable federal Bankruptcy Code or any other present or future applicable federal, state, or other Law, KCAB shall be entitled to invoke any and all rights and remedies available to it under such bankruptcy code, Law or this Agreement, including, without limitation, such rights and remedies as may be necessary to adequately protect KCAB's right, title, and interest in and to the Agreement or adequately assure the complete and continuous future performance of Tenant's obligations under this Agreement. Adequate protection and adequate assurance of the complete and continuous future performance of Tenant's obligations under this Agreement shall include, without limitation, the following requirements:

(a) that Tenant shall duly and timely comply with all of its obligations under this Agreement, including, but not limited to, the payment of Rent and other payments in accordance with the terms of this Agreement;

(b) that Tenant shall continue to use the Exclusive Premises for the Permitted Use in the manner required by this Agreement;

(c) that KCAB shall be permitted to supervise the performance of Tenant's obligations under this Agreement;

(d) that Tenant shall hire such security personnel as may be necessary to insure the adequate protection and security of the Exclusive Premises; and

(e) that if Tenant's trustee, Tenant, or Tenant as debtor-in-possession assumes this Agreement and proposes to assign the same (pursuant to Title 11 U.S.C. 365, as the same may be amended) to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to the trustee, Tenant, or Tenant as debtor-in-possession, then notice of such proposed assignment, setting forth: (i) the name and address of such person or entity; (ii) all of the terms and conditions of such offer; and (iii) the adequate assurance to be provided KCAB to assure such person's or such entity's future performance under the Agreement, including, without limitation, the assurances referred to in Title 11 U.S.C. 365(b)-(d) (as they may be amended), shall be given to KCAB by the trustee, Tenant, or Tenant as debtor-in-possession no later than twenty (20) days after receipt by the trustee, Tenant, or Tenant as debtor-in-possession of such offer, but in any event no later than thirty (30) days prior to the date that the trustee, Tenant, or Tenant as debtor-in-possession shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and KCAB shall thereupon have the prior right and option, to be exercised by notice to the trustee, Tenant, or Tenant as debtor-in-possession prior to the effective date of such proposed assignment, to accept an assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person or entity, less any brokerage commissions and other expenses which may be payable out of the consideration to be paid by such person or entity for the assignment of this Agreement. No guaranty from a guarantor shall be extinguished, modified, or prohibited in case Tenant becomes the subject of or seeks relief under any federal or state bankruptcy or insolvency laws, and Tenant shall not take a position to the contrary.

Section 10.5 - Force Majeure Delay.

No party shall be deemed to be in default in the performance of any obligation created under or pursuant to this Agreement, other than an obligation requiring the payment of a sum of money (which shall not be subject to Force Majeure Delay), if and as long as non-performance of such obligation shall be directly caused by Force Majeure Delay, and the time limit for such performance shall be extended for a period equal to the period of any such Force Majeure Delay (except and to the extent this Agreement provides for a limit or restriction on Force Majeure Delay). However, if in an emergency situation non-performance is due to a Force Majeure Delay which does not affect a self-help remedy which may be otherwise exercised by KCAB under Section 11.2 for such non-performance, then notwithstanding such Force Majeure Delay, KCAB shall still be entitled to such remedy with respect to those obligations to have been performed by the Non-Performing Party which are the subject of Force Majeure Delay. When it becomes aware of Force Majeure Delay, the party experiencing Force Majeure Delay shall notify the other party in writing of the existence and nature of any Force Majeure Delay within a reasonable time after the onset of any such Force Majeure Delay. The party experiencing Force Majeure Delay shall, from time to time upon written request of the other party, keep such other party fully informed, in writing, of all further developments concerning such Force Majeure Delay.

ARTICLE 11
SPECIAL RIGHTS OF KCAB

Section 11.1 - KCAB's Reserved Rights.

All rights not expressly granted to Tenant herein are reserved by KCAB, including, without limitation, the following rights (which may be exercised by KCAB's officers, employees, agents, licensees, contractors, or designees):

- (a) rights to air or space above the top level of the Consolidated Rental Car Facility;
- (b) upon notice to Tenant, to install and maintain signs on the Exclusive Premises (other than the Tenant Improvements) for purposes of wayfinding and compliance with applicable laws, codes and regulations;
- (c) to enter the Exclusive Premises upon giving Tenant not less than twelve (12) hours advanced written notice, to perform tests and other activities to assure compliance with the terms of this Agreement and to perform inspections for safety purposes and otherwise for compliance with applicable laws, codes and regulations;
- (d) to exhibit the Exclusive Premises at reasonable hours or for other reasonable purposes, upon the giving of reasonable notice, and to decorate, remodel, repair, alter, or otherwise prepare the Exclusive Premises for re-occupancy at any time after Tenant vacates or abandons the Exclusive Premises;
- (e) to maintain, replace, repair, alter, construct, or reconstruct existing and future utility, mechanical, electrical, and other systems, or portions thereof, on the Exclusive Premises, including, without limitation, systems for the supply of heat, water, gas, fuel, and electricity, and for the furnishing of sprinkler, sewerage, drainage, and telephone service, including all related lines, pipes, mains, wires, conduits, and equipment. In the exercise of such rights, KCAB shall not unreasonably interfere with the business conducted by Tenant in the Exclusive Premises or otherwise materially alter the systems to the Tenant's detriment.
- (f) to exercise such other rights as may be granted KCAB elsewhere in this Agreement;
- (g) upon the giving of reasonable notice, Tenant shall allow KCAB, and its officials, officers, agents, employees, and contractors, reasonable access to the Exclusive Premises for the purpose of examining the same to ascertain if Tenant is performing its obligations under the Agreement, and for conducting tests and inspections for any other reason deemed reasonably necessary by KCAB under the Agreement;
- (h) All such rights in this Section 11.1 shall be exercisable without notice (except as expressly provided in this Section 11.1) and (so long as such rights are exercised in accordance with the conditions set forth above, if any, for exercise of such rights) without liability to Tenant for damage or injury to property, person, or business, and without effecting an eviction or disturbance of Tenant's use or possession or giving rise to any claim for setoff or abatement of Rent or affecting any of Tenant's obligations under this Agreement. Notices under this Section 11.1 may be given verbally in an emergency or where entry does not materially affect Tenant's use and occupancy. Reasonable notice shall in no event require more than twenty-four (24) hours' notice.

Section 11.2 - KCAB's Right to Perform Tenant's Obligation.

In an emergency situation or upon occurrence of an Event of Default, KCAB may (but shall not in any way be obligated so to do), and without waiving or releasing Tenant from any obligation of Tenant hereunder, perform any act which Tenant is obligated to make or perform under this Agreement in such manner and to such extent as KCAB may deem desirable. KCAB shall also have the right to enter upon the Exclusive Premises for any purpose reasonably necessary in connection therewith and to pay or incur any other necessary and incidental costs and expenses, including reasonable attorneys' fees. All sums so paid and all liabilities so incurred by KCAB, together with interest thereon at the Default Rate, shall be deemed owing to KCAB hereunder and shall be payable to KCAB upon demand (provided, however, that no interest shall accrue on such sums if so incurred due to an emergency situation, and not as a result of an Event of Default by Tenant hereunder, so long as Tenant pays such sums to KCAB within thirty (30) days following KCAB's written invoice therefor). KCAB shall use reasonable efforts to give prior notice (which may be oral) of its performance, if reasonably feasible under the circumstances. The performance of any such obligation by KCAB shall not constitute a waiver of Tenant's default in failing to perform the same. Inaction of KCAB shall never be considered as a waiver of any right accruing to it pursuant to this Agreement. KCAB shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of Tenant or any other occupant of the Exclusive Premises or any part thereof, by reason of making repairs or the performance of any work on the Exclusive Premises or on account of bringing materials, supplies, and equipment into or through the Exclusive Premises during the course thereof in connection with KCAB's actions under this Section 11.2, and the obligations of Tenant under this Agreement shall not thereby be affected in any manner.

Section 11.3 - Restrictions on KCAB.

KCAB agrees that from and after the Rent Commencement Date and continuing for the remainder of the Term hereof (and except in the event of a fire, casualty, condemnation, or other Force Majeure Delay affecting the Consolidated Rental Car Facility), (i) KCAB will not permit any rental car service counters in the Terminal, (ii) except for rental car Customers with limited mobility requiring transportation assistance to the Terminal, KCAB will prohibit all On-Airport Rental Car Companies from transporting their respective Customers between the Consolidated Ground Transportation Facility and the Terminal as provided in Article 2, (iii) KCAB will require all Off-Airport Rental Car Companies to transport all of their respective rental customers between their respective customer facilities and the Consolidated Ground Transportation Facility, and not directly to or from the Terminal (and Tenant shall cooperate with KCAB at all times in connection therewith), and (iv) except to the extent otherwise expressly authorized by KCAB no On-Airport Rental Car Company or Off-Airport Rental Car Company will be allowed to pick up or drop off its customers at the Terminal.

ARTICLE 12 CONDEMNATION

Section 12.1 - Procedure.

In the event that at any time during the Term of this Agreement, all or a portion of the Exclusive Premises, or all access thereto, or Tenant's entire leasehold interest in all or a portion of the Exclusive Premises is taken or damaged by the exercise of power of eminent domain by any condemning authority ("**Condemnation Proceedings**"), then (whether or not this Agreement terminates by operation of law upon the exercise of such power), the share of any award resulting to KCAB or Tenant for the taking of their

respective interests in and to the Exclusive Premises or damages resulting to their respective interests by reason of the exercise of such power of eminent domain, shall be separately determined by the court having jurisdiction, not by the jury, and separate judgments with respect to such damages to KCAB and Tenant, respectively, and to each of their respective interests, shall thereafter be made and entered. KCAB and Tenant shall make such requests and petitions to the court as are consistent with the foregoing procedure.

Section 12.2 - Total Taking.

In the event that: (a) all of the Exclusive Premises are sought to be taken by the exercise of the power of eminent domain; or (b) under the threat of condemnation, all of the Exclusive Premises are conveyed to a condemning authority pursuant to an agreement between KCAB, Tenant, and such condemning authority; or (c) a portion of the Exclusive Premises are taken by eminent domain or conveyed as aforesaid under threat of condemnation and the remainder of the Exclusive Premises are not capable of being restored to a condition as may be reasonably required to fulfill the intent and purpose of this Agreement; or (d) all of the Exclusive Premises are taken by the exercise of the power of eminent domain for occupancy by a condemning authority for a temporary period and such temporary period extends beyond the date of the termination of the Concession Agreement the Concession Agreement shall terminate effective upon the date that the condemning authority legally acquires the right of possession to the Exclusive Premises. In the event of termination of the Concession Agreement as aforesaid, Ground Rent, Facility Rent and Customer Service Building O & M Fee and any other sum or sums of money and other charge whatsoever provided in this Agreement to be paid by Tenant shall be paid by Tenant up to the date of such termination. The amount of compensation and damages resulting to KCAB and Tenant and to their respective interests in and to the Exclusive Premises and in and to and in connection with this Agreement shall be determined in accordance with the provisions of Section 12.1 hereof.

In the event of a taking of the Exclusive Premises described in this Section 12.2 and the termination of the Concession Agreement as aforesaid, the entire award shall be disbursed as follows:

- (a) KCAB shall first be paid that portion of the award which represents the value of KCAB's interest in the Exclusive Premises, and the Consolidated Rental Car Facility.
- (b) The balance of any such award shall then be paid to Tenant after first deducting the following items (i) and (ii):
 - (i) The amount of Ground Rent, Facility Rent, and Customer Service Building O & M Fee and any other amount due and owing up to the date the condemning authority legally takes possession of the Exclusive Premises, which shall be paid to KCAB;
 - (ii) All Impositions which under the terms of this Agreement are provided to be paid by Tenant, which shall either be paid to KCAB to be used for the intended purpose or shall be applied directly to the payment of such Impositions.

Section 12.3 - Partial Taking.

In the event that less than the entire Exclusive Premises and access thereto or Tenant's leasehold interest in less than the entire Exclusive Premises and access thereto is taken permanently by the exercise of the power of eminent domain, and if the remainder of the Exclusive Premises are capable of being restored to a condition reasonably required to fulfill the intent and purpose of this Agreement and the Concession Agreement, then in such event, this Agreement shall not terminate but shall remain in full force and effect and Tenant shall continue to perform and observe all of the obligations of Tenant hereunder, including the obligations to pay Rent and other payments as provided herein, and shall restore the Exclusive

Premises to a condition required to fulfill the interest and purpose of this Agreement and the Concession Agreement. Provided that if the total square footage of any of the Exclusive Premises is reduced by more than five (5) percent due to any partial taking, KCAB shall make an adjustment to the Ground Rent, effective on the date such space is taken by the condemning authority. The adjustment to the Ground Rent shall be based on the proportion of the Exclusive Premises taken to the total square footage of all of the Exclusive Premises leased to Tenant. However, effective as of the date the condemning governmental agency legally acquires the right of possession to such portion of the Exclusive Premises so taken and continuing thereafter during the remainder of the term of the Concession Agreement, Rent payable by Tenant during the remainder of the term of the Agreement shall be adjusted in an equitable manner as determined in the sole discretion of the CFO based on the property taken and how the Rent was determined.

In the event of such a partial taking, KCAB shall first be paid that portion of the award which represents the value of its interest in and to the Exclusive Premises and Consolidated Rental Car Facility as may have been taken as a result of such partial taking. Next, Tenant shall first be paid an amount of any award in trust sufficient to undertake the complete restoration of the Exclusive Premises as may be necessary as a result of such partial taking, after deducting therefrom and paying to or applying for the benefit of KCAB the amounts set forth in subparagraphs (i) and (ii) in Section 12.2 hereof. Tenant shall be entitled to receive and retain any balance remaining of such award made as a result of such partial taking. If the proceeds are insufficient to complete restoration of the Exclusive Premises, Tenant shall nevertheless perform such restoration at its cost, in accordance with the provisions of Article 5 of this Agreement.

Section 12.4 - Temporary Takings.

If the temporary use of the whole or any part of the Exclusive Premises shall be taken by Condemnation Proceedings as hereinabove referred to for a period which does not extend beyond the term of the Concession Agreement, this Agreement shall not terminate as to Tenant by reason thereof and Tenant shall continue to pay in full the Rent, and other payments herein provided to be paid or assumed or reimbursed by Tenant, and, except only to the extent that Tenant is prevented from so doing by reason of any order of the condemning authority, Tenant shall continue to perform and observe all of the covenants, conditions, and obligations hereof which are herein provided to be observed or performed by Tenant, all to the same extent and with the same force and effect as if such temporary use or taking had not occurred. Any award for such temporary taking, whether paid or by way of damages, rent, or otherwise shall be received, held and disbursed in the manner following:

(a) An amount equal to the sum of (x) the Ground Rent and Customer Service Building O & M Fee for the entire period of such temporary use or taking, plus (y) the estimated amount of the Facility Rent (computed on the basis of the most recently ascertainable information) shall be deposited with KCAB and shall be from time to time applied to the payment of Ground Rent, Facility Rent, and Customer Service Building O & M Fee as the same from time to time become due and payable;

(b) The amount jointly agreed upon by KCAB and Tenant as the estimated amount required to be expended upon the termination of such temporary use or occupancy to restore the Exclusive Premises as nearly as may be reasonably possible to the condition in which same was immediately prior to such taking, shall be reserved and shall be used and available for use for such purposes (and if no agreement is reached, then KCAB may deduct and retain an amount reasonably estimated by KCAB); and

(c) The remainder shall be paid over to and become the property of Tenant; however, the amount of any Rent or other charges then owing by Tenant to KCAB under the provisions of this Agreement, together with all other amounts owed to KCAB so deducted shall be paid to or upon the order of KCAB.

Section 12.5 - Taking Upon Possession.

The Exclusive Premises or any part thereof shall be deemed to be taken by Condemnation Proceedings within the meaning of the foregoing provisions upon the transfer of possession thereof to the condemning authority; provided, however, any valuation of KCAB's or Tenant's interests shall be as of the date of the filing of Condemnation Proceedings.

Section 12.6 - No Restriction.

Nothing in this Agreement or the existence of this Agreement shall be construed to restrict or in any way interfere with the exercise of eminent domain by KCAB. Notwithstanding anything herein to the contrary, KCAB agrees that it shall not voluntarily commence or seek commencement of Condemnation Proceedings against the Exclusive Premises except to the extent that KCAB, in connection with such Condemnation Proceedings (i) reimburses Tenant for the then-unamortized costs and expenses of any and all Tenant Improvements constructed in the Exclusive Premises, or any portion thereof, by Tenant (with such Tenant Improvements being amortized on a straight-line basis over a period of ten (10) years at a rate equivalent to the Discount Rate), and (ii) makes available to Tenant, reasonable alternate space for the provision of rental car services by Tenant to customers at the Airport.

Section 12.7 Bond Documents.

Notwithstanding anything in this Article 12 to the contrary, while the Bonds remain outstanding, the terms and provisions of the Bond Documents shall govern and control in the event of a partial, total or temporary taking.

ARTICLE 13 SUBLEASE AND ASSIGNMENT OF EXCLUSIVE PREMISES

Section 13.1 - General.

Except as otherwise set forth in this Article 13, Tenant shall not, without the prior written consent of KCAB in each instance: (a) assign, transfer, mortgage, pledge, hypothecate, or encumber, or subject to or permit to exist upon or be subjected to any lien or charge, this Agreement or any interest under it (including any sublease or easement); (b) allow to exist or occur any transfer of or lien upon the Exclusive Premises, this Agreement, or Tenant's interest herein by operation of law; (c) sublet the Exclusive Premises or any part thereof; or (d) permit the use or occupancy of the Exclusive Premises or any part thereof for any purpose not provided for herein or by anyone other than Tenant. The requirements of this Article 13 shall apply to any transaction or series of transactions that shall have the same effect as any of the aforementioned occurrences, and in no event shall this Agreement be assigned or assignable by voluntary or involuntary bankruptcy proceedings or otherwise, and in no event shall this Agreement or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings. KCAB may withhold its consent to any of the acts described in Subsection 13.1(a), Subsection 13.1(b), Subsection 13.1(c), or Subsection 13.1(d) in its sole and absolute discretion; provided however, KCAB agrees not to withhold its consent unreasonably to a sublease or assignment to a Related Party on the terms set forth in said Section 13.2. Tenant shall not grant a leasehold mortgage without KCAB's prior written consent, which consent may be withheld or conditioned in KCAB's sole and absolute discretion.

Section 13.2 - Notice and Consent.

Tenant shall notify KCAB in writing of the proposed commencement date of the assignment or subletting, and shall include the name and address of the proposed subtenant or assignee, a true and complete copy of the proposed sublease or assignment, and all related documents, and a financial statement

of the subtenant or assignee as reasonably requested by KCAB. Tenant agrees that the withholding by KCAB of its consent will be deemed reasonable if: (i) the proposed assignee or subtenant is not sufficiently financially responsible, experienced, and capable in KCAB's sole judgment to operate and use the Exclusive Premises for the Permitted Use in a manner required hereunder; (ii) the use of the Exclusive Premises by the proposed assignee or subtenant would, in KCAB's judgment, adversely affect the operation of the Airport or the Exclusive Premises; (iii) the proposed assignee or subtenant is in default under any agreement with KCAB; (iv) the proposed assignee or sublessee would not provide the same employment opportunities at the Exclusive Premises, would not conduct aviation related business, or would not generate comparable economic benefits to KCAB or the Airport; (v) there is then in existence an Event of Default, or there exists a set of circumstances which, with the giving of notice or the passage of time, will constitute an Event of Default; (vi) any of the terms or provisions of the assignment or transfer submitted to KCAB are not the same as given KCAB in the notice of subletting or assignment; (vii) the proposed assignee or subtenant does not comply with the provisions of this Agreement or (viii) if, in KCAB's sole judgment and discretion, the assignee or subtenant is not capable of performing or is not sufficiently qualified to perform Tenant's obligations. Tenant may not assign its right, title and interest under this Agreement prior to Substantial Completion of all of the Tenant Improvements. Following approval by KCAB of any sublease or assignment, Tenant shall deliver the final form of sublease or instrument of assignment to KCAB no later than thirty (30) days prior to the proposed commencement of such sublease or assignment.

Section 13.3 - Effect of Consent.

Consent by KCAB to any assignment or sublease shall not operate to relieve, release, or discharge the Tenant making such assignment or sublease of or from any obligations, whether past, present, or future, under this Agreement, and such Tenant shall continue fully liable hereunder except to the extent, if any, expressly provided for in such consent. Upon any such permitted assignment, the term "**Tenant**" as used in this Agreement shall refer to the assignee, provided that the assignor Tenant shall remain jointly and severally liable for the obligations of Tenant under this Agreement. Consent by KCAB in any one instance shall not be deemed to be a consent to or relieve Tenant from obtaining KCAB's consent to any subsequent assignment or subletting. Consent by KCAB shall be conditioned upon agreement by the subtenant or subtenants or assignees to comply with and be bound by all of terms, covenants, conditions, provisions, and agreements of this Agreement to the extent of the space sublet or assigned, and an agreement that KCAB shall have the right, but not the obligation, to enforce the terms and provisions of any such assignment or sublease affecting KCAB's interests and Tenant shall deliver to KCAB within thirty (30) days after execution, an executed copy of each such sublease or assignment containing an agreement of compliance by each such subtenant and assignee. Tenant shall pay all of KCAB's costs, charges, and expenses, including attorney's fees, incurred in connection with any assignment or sublease requested or made by Tenant.

Section 13.4 - Changes in Ownership Interest in Tenant.

Tenant acknowledges that KCAB is entering into this Agreement with Tenant based upon the information contained in its disclosure of direct and indirect ownership interests in Tenant furnished prior to execution of this Agreement or from time to time thereafter. If at any time there is a change in the direct or indirect ownership interests in Tenant which would change the information set forth in the prior disclosure statement, Tenant shall furnish KCAB an updated disclosure statement. At KCAB's election, in addition to any rights it may otherwise have under this Article 13, upon any such change in ownership interest, KCAB may treat such change as an assignment of this Agreement by Tenant subject to KCAB's approval.

Section 13.5 - Transfer by KCAB.

KCAB shall have the right, at any time and at its sole option, to sell, transfer, or otherwise convey its right, title, and interest in and to this Agreement and/or all or any portion of the Consolidated Rental Car

Facility or the Exclusive Premises, other than to an On-Airport Rental Car Company, an Off-Airport Rental Car Company, an affiliate of either an On-Airport Rental Car Company or an Off-Airport Rental Car Company, or a direct competitor of any On-Airport Rental Car Company, and in the event of any such sale, transfer, or conveyance by KCAB, the same shall operate to release KCAB from any future obligations and any future liability for or under any of the covenants or conditions, express or implied, herein contained in favor of Tenant, and in such event, and with respect to such obligations, covenants, and conditions, Tenant agrees to look solely to the successor in interest of KCAB in and to this Agreement. This Agreement shall not be affected by any such sale, conveyance or transfer.

ARTICLE 14 HAZARDOUS SUBSTANCES

Section 14.1 - Defined Terms.

(a) "**Claim**" shall mean any demand, cause of action, proceeding, or suit for damages (actual or punitive), injuries to person or property, damages to natural resources, fines, penalties, interest, or losses, or for the costs of site investigations, feasibility studies, information requests, health or risk assessments, contribution, settlement, or actions to correct, remove, remediate, Respond to, clean up, prevent, mitigate, monitor, evaluate, assess, or abate the Release of a Hazardous Material, or any other investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action at any time threatened, instituted, or completed pursuant to any applicable Environmental Law, or to enforce insurance, contribution, or indemnification agreements being made pursuant to a claimed violation or non-compliance with any Environmental Law against Tenant or against or with respect to any part of the Consolidated Rental Car Facility or any condition, use, or activity on the Consolidated Rental Car Facility (including any such action against KCAB), and any claim at any time threatened or made by any person against Tenant or against or with respect to the Consolidated Rental Car Facility or any condition, use, or activity on the Consolidated Rental Car Facility (including any such claim against KCAB), relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or in any way arising in connection with any Hazardous Material or any Environmental Law.

(b) "**Environmental Assessment**" shall mean a report (including all drafts thereof) of an environmental assessment of the Exclusive Premises and RAC Common Areas of such scope (including, but not limited to, the taking of soil borings and air and groundwater samples and other above and below ground testing) as may be recommended by a licensed consulting firm acceptable to KCAB and made in accordance with the recommendations of such consultant.

(c) "**Environmental Damages**" shall mean all Claims, demands, liabilities (including strict liability), losses, damages, causes of action, judgment, penalties, fines, costs and expenses (including fees, costs, and expenses of attorneys (whether incurred at, before or after any trial, proceeding, or appeal therefor, and whether or not taxable as costs), witnesses, consultants, contractors, experts, laboratories, deposition costs, and copying and telephone charges), of any and every kind or character, contingent or otherwise, matured or unmatured, known or unknown, foreseeable or unforeseeable, made, incurred, suffered, brought, or imposed at any time and from time to time, whether before, on or after the Expiration Date (other than any Pre-Existing Condition) to the extent arising from one or more of the following:

- (i) the presence of any Hazardous Material on the Consolidated Rental Car Facility on or before the expiration or termination of a Concession Agreement in violation of or requiring clean-up under any Environmental Law, or any escape, seepage, leakage, spillage, emission, release, discharge, or disposal of any Hazardous Material originating on or from the Consolidated Rental Car Facility, or the

migration or release or threatened migration or release of any Hazardous Material from the Consolidated Rental Car Facility before or on, the expiration or termination of a Concession Agreement; or

- (ii) any act, omission, event, or circumstance existing or occurring in connection with the handling, treatment, containment, removal, storage, decontamination, clean-up, transport, or disposal of any Hazardous Material which is at any time before, on, or after the expiration or termination of a Concession Agreement present from the Consolidated Rental Car Facility; or
- (iii) the breach of any representation, warranty, covenant, or agreement contained in Article 14 of the Agreement; or
- (iv) any Claim, or the filing or imposition of any environmental lien against the Consolidated Rental Car Facility, because of, resulting from, in connection with, or arising out of any of the matters referred to in subsections (i) through (iii) above, and including, but not limited to: (1) injury or damage to any person, property, or natural resource occurring on or off of the Consolidated Rental Car Facility, including, but not limited to, the cost of demolition and rebuilding of any improvements on real property; (2) the investigation or remediation of any such Hazardous Material or violation of Environmental Law, including, but not limited to, the preparation of any feasibility studies or reports and the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration, monitoring, or similar work required by any Environmental Law (including any of the same in connection with any foreclosure action or transfer in lieu thereof); (3) all liability to pay or indemnify any person or governmental authority for costs expended in connection with any of the foregoing; (4) the investigation and defense of any Claim, whether or not such Claim is ultimately defeated; and (5) the settlement of any Claim or judgment.

(d) **"Environmental Law"** shall mean any Federal, state, or local law, statute, ordinance, code, rule, regulation, license, authorization, decision, order, or injunction which pertains to health, safety, any Hazardous Material, or the environment (including, but not limited to, ground or air or water or noise pollution or contamination, and underground or above-ground tanks) and shall include, without limitation, the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Section 11001 et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq.; the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. Section 6901 et seq., as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq. ("**CERCLA**"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"); the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq.; the Clean Air Act, 42 U.S.C. Section 7401 et seq.; and any other local, state, or federal environmental statutes, and all rules, regulations, orders, and decrees now or hereafter promulgated under any of the foregoing, as any of the foregoing now exist or may be changed or amended or come into effect in the future.

(e) **"Hazardous Material"** shall mean any substance, whether solid, liquid, or gaseous, which is listed, defined, or regulated as a "**hazardous substance**," "**hazardous waste**," or otherwise classified as hazardous or toxic, in or pursuant to any Environmental Law; or which is or contains asbestos, radon, any polychlorinated biphenyl, urea formaldehyde foam insulation, explosive or radioactive

material, or motor fuel or other petroleum hydrocarbons; or is a hazard to the environment or to the health or safety of persons.

(f) **"On"** when used with respect to the Consolidated Rental Car Facility or any property adjacent to the Consolidated Rental Car Facility, means **"on, in, under, above, or about."**

(g) **"Pre-Existing Condition"** shall mean the presence of any Hazardous Material on the Consolidated Rental Car Facility prior to the date on which Tenant first enters onto the Exclusive Premises and commences performance of the Tenant Improvements therein, as more specifically described and set forth in the Existing Environmental Report (as hereinafter defined) or the Final Environmental Report (as hereinafter defined), as the case may be.

(h) **"Release"** or **"Released"** shall have the meaning set forth in CERCLA, including, but not limited to, any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of Hazardous Materials into the environment, as **"environment"** is defined in CERCLA.

(i) **"Response"** or **"Respond"** shall mean action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess, or abate the Release of a Hazardous Material or prevent or abate any public nuisance.

Section 14.2 - Tenant's Obligations with Respect to Environmental Matters.

(a) During the term of a Concession Agreement: (i) Tenant shall at its own cost comply with all Environmental Laws; (ii) Tenant shall not handle, generate, manufacture, process, treat, store, use, re-use, refine, recycle, reclaim, blend or burn for energy recovery, incinerate, accumulate speculatively, transport, transfer, dispose of, or abandon Hazardous Materials or authorize any of such activities on the Consolidated Rental Car Facility except as otherwise permitted in Subsection 14.2(b) hereof, and in any case without prior written disclosure to KCAB (other than for Hazardous Materials expressly permitted under Subsection 14.2(b) hereof); (iii) Tenant shall not take any action that would subject the Consolidated Rental Car Facility to permit requirements under RCRA or any other Environmental Laws for storage, treatment, or disposal of Hazardous Materials; (iv) Tenant shall not dispose of Hazardous Materials in dumpsters provided by KCAB for Tenant's disposal of ordinary refuse; (v) Tenant shall not discharge Hazardous Materials into drains or sewers; (vi) Tenant shall not cause or allow the Release of any Hazardous Materials on, to or from the Consolidated Rental Car Facility; (vii) Tenant shall at its own cost arrange for the lawful transportation and off-site disposal at a properly permitted facility of all Hazardous Materials that it generates or Releases; (viii) Tenant shall keep such records and obtain such permits as may be required for Tenant's activities under Environmental Laws; and (ix) Tenant shall comply with any applicable Airport storm water pollution prevention plan and spill prevention control and countermeasures plan in effect from time to time.

(b) Notwithstanding the foregoing, Tenant may use and dispose of on the Exclusive Premises and RAC Common Areas those Hazardous Materials normally used in connection with fueling, washing, servicing, and repairing Automobiles, as well as cleaning products normally and customarily used in maintaining and cleaning the Exclusive Premises and RAC Common Areas, as part of the Permitted Use so long as Tenant's use, storage, disposal, and transportation of such Hazardous Materials complies in all respects with all applicable Environmental Laws. Tenant shall establish and provide upon the request of KCAB written operating procedures for review and comment by KCAB covering the operation of fleet vehicles and the receipt, storage, and dispensing of Automobile fuel, including the operations and recordkeeping procedures applicable to fleet vehicles and the installation, maintenance, safety checks, and safety procedures applicable to storage and dispensing equipment. Tenant may also conduct such handling, storage, and disposal on the Exclusive Premises and RAC Common Areas of any Hazardous Materials

which Tenant may lawfully transport in the ordinary course of its business operations; provided, however, that all such handling, storage, disposal, and transportation on the Exclusive Premises or RAC Common Areas shall comply in all respects with applicable Environmental Laws. Said procedures and equipment shall comply with the applicable Laws and standards of the federal, state, and local governmental bodies having jurisdiction over said fuel and fuel dispensing procedures, equipment, or facilities.

Section 14.3 - Site Assessments and Information.

(a) Tenant acknowledges that it has received from KCAB that certain environmental report captioned "**Phase 1 Environmental Site Assessment for CONRAC Site**" dated **September 2018** (the "**Existing Environmental Report**"). As of the Effective Date, the Existing Environmental Report shall constitute the environmental baseline ("**Environmental Baseline**") for the Property for purposes of this Article 14. After the expiration or termination of each Concession Agreement thereafter, the Manager shall provide a Final Environmental Report (as hereinafter defined) to serve as the Environmental Baseline as to the subject matter thereof.

(b) If any Claim is made or threatened and if requested by KCAB, Manager will at its expense provide to KCAB, in each case as soon as is practicable under the circumstances, an Environmental Assessment of the Consolidated Rental Car Facility made after the date of KCAB's request. Manager shall select the environmental consulting firm to prepare such Environmental Assessment (which consulting firm shall be duly licensed and in good standing, and shall otherwise be reasonably acceptable to KCAB), will cooperate with such consulting firm making such Environmental Assessment, and will supply to the consulting firm, from time to time and promptly on request, all information available to Manager to facilitate the completion of the Environmental Assessment. Manager shall use its best efforts to facilitate KCAB's communication with the consulting firm and, at KCAB's request, require that the consulting firm permit KCAB, in writing, to rely on its Environmental Assessment. If Manager fails to furnish KCAB for its consideration and approval, within thirty (30) days after KCAB's request, with a copy of a proposed agreement with an acceptable environmental consulting firm to provide such Environmental Assessment, or if Manager fails to furnish to KCAB such Environmental Assessment within the time hereinabove required, KCAB may cause any such Environmental Assessment to be made at Manager's sole expense and risk. KCAB hereby reserves the right to enter upon the Exclusive Premises at any time and from time to time, upon reasonable notice (which may be written or oral), to make or cause to be made such Environmental Assessment. KCAB shall use reasonable efforts to coordinate access to the Exclusive Premises with Tenant so as to minimize any disruption of Tenant's business created thereby, and shall be responsible for promptly repairing any damages to the Exclusive Premises to the extent caused by the Environmental Assessment performed by or at the direction of KCAB. Tenant shall also cooperate in allowing and coordinating such access. KCAB may disclose any information KCAB ever has about the environmental condition or compliance of the Exclusive Premises to Persons or entities whom KCAB believes would use or need the information for a valid business or governmental purpose and any person to whom KCAB is required to disclose such information by law (including the Freedom of Information Act or similar requirements), but KCAB shall be under no duty to disclose any such information except as may be required by applicable Law. The duties of the Manager under this Section 14 shall likewise be the obligation of the Tenant to perform if Manager fails to perform such duties after notice to Tenant by KCAB. The Tenant shall be responsible to require the Manager in the Operating Agreement to perform its duties hereunder.

Section 14.4 - Copies of Notices.

During the Term, Tenant shall promptly provide KCAB with copies of all summons, citations, directives, information inquiries or requests, notices of potential responsibility, notices of violation or deficiency, orders or decrees, Claims, complaints, investigations, judgments, letters, notices of environmental liens or Response actions in progress, and other communications, written or oral, actual or

threatened, from the United States Environmental Protection Agency, Occupational Safety and Health Administration, Kentucky Environmental Protection Agency or other federal, state, or local agency or authority, or any other entity or individual, concerning (i) any Release of a Hazardous Material on, to, or from the Exclusive Premises, (ii) the imposition of any lien on the Exclusive Premises, or (iii) any alleged violation of or responsibility under Environmental Laws.

Section 14.5 - Tests and Reports.

Tenant shall deliver to KCAB, within ten (10) days after receipt by Tenant, any written report, citation, notice, or other writing, including, without limitation, any Environmental Assessment, having an effect on or relating to the environmental condition of the Consolidated Rental Car Facility or relating to Tenant's compliance with or pursuant to any Environmental Laws. Tenant shall deliver to KCAB written reports and summaries of any substantive oral reports of any environmental consultants which impact the Consolidated Rental Car Facility (other than to a *de minimis* extent) upon Tenant's receipt thereof and shall immediately advise KCAB in writing of any Claim, any Release of a Hazardous Material on, to, or from the Consolidated Rental Car Facility, or of the discovery of the existence of any Hazardous Material on the Consolidated Rental Car Facility in violation of, or requiring Response under, any applicable Environmental Laws, as soon as Tenant first obtains knowledge thereof, including a full description of the nature and extent of the Claim or Hazardous Material and all relevant circumstances. In addition, the Manager shall perform or cause to be performed a Phase I environmental assessment or other comparable environmental inspection of the Consolidated Rental Car Facility as required by KCAB (the "**Final Environmental Report**"), which Final Environmental Report shall be at least substantially similar in scope to the Existing Environmental Report, at any time during the 120-day period prior to the scheduled expiration of the Concession Agreement (or the anticipated termination hereof, if different), which Final Environmental Report shall be performed at Manager's sole cost and expense. In the event that the Final Environmental Report shows any recognized environmental conditions or otherwise indicates the presence or suspected presence of any Hazardous Materials in, on, or under the Consolidated Rental Car Facility which were not otherwise contained or referenced in the Existing Environmental Report or were not otherwise part of the Environmental Baseline hereunder, the Manager shall in such event also be required to remove and remediate any such recognized environmental conditions or other Hazardous Materials, as the case may be, required to be removed or remediated by, and in a manner otherwise consistent with, applicable Environmental Laws, and to perform any required restoration of the Consolidated Rental Car Facility in connection therewith, all in accordance with the terms and provisions of this Agreement and applicable Environmental Laws. In the event that Manager fails to submit such Final Environmental Report to KCAB or perform any required remediation work, as the case may be, within sixty (60) days prior to the scheduled expiration of the Concession Agreement (or the anticipated termination hereof, if different), KCAB shall have the right and option (but not the obligation) to perform or cause to be performed such Final Environmental Report or such required remediation work, as the case may be, at Tenant's sole cost and expense, in which event Tenant shall, in addition to its other obligations hereunder, reimburse KCAB for all costs and expenses of such Final Environmental Report or such required remediation work as the case may be, within thirty (30) days following KCAB's written invoice therefor.

Section 14.6 - Access and Inspection.

KCAB shall have access to the Exclusive Premises and to the books and records of Tenant relating to Hazardous Materials for the purpose of ascertaining the nature of the activities being conducted thereon and to determine the type, kind, and quantity of all products, materials, and substances brought onto the Exclusive Premises or made or produced thereon. KCAB shall have the right to enter the Exclusive Premises and conduct appropriate inspections or tests in order to determine Tenant's compliance with Environmental Laws; provided, KCAB shall use reasonable efforts to minimize any disruption of Tenant's business created thereby, and shall be responsible for promptly repairing any damages to the Exclusive Premises to the extent caused by KCAB or KCAB's contractor in performing such inspections or tests.

KCAB and its agents and representatives shall have the right to take samples, including, without limitation, (a) soil, water, and groundwater samples, in quantity sufficient for scientific analysis of all materials and substances present on the Exclusive Premises, and (b) samples of products, materials or substances brought onto or made or produced on the Exclusive Premises by Tenant or an occupant claiming by, through or under Tenant or otherwise present on the Consolidated Rental Car Facility.

Section 14.7 - Obligation to Respond.

(a) If the presence of Hazardous Materials at the Consolidated Rental Car Facility (1) gives rise to liability or to a Claim under any Environmental Law, (2) causes a significant public health effect, or (3) creates a nuisance, Manager shall promptly, without cost or expense to KCAB take all applicable action in Response, except as otherwise provided in this Section 14.7. Without limiting the foregoing, if at any time any Hazardous Material is discovered to exist on the Consolidated Rental Car Facility in violation of or requiring clean-up under any Environmental Law and regardless of the cause, (except if resulting from a Pre-Existing Condition or migration thereof from adjacent properties), then:

- (i) Manager shall promptly, without cost or expense to KCAB (and based on a scope of work and timetable first reviewed and approved by KCAB), cause the appropriate persons to Respond to and dispose of the Hazardous Material in compliance with all applicable Environmental Laws and under Manager's name and provide KCAB with satisfactory evidence thereof; and
- (ii) before performing the work, provide KCAB with a cost estimate, and if requested by KCAB, provide to KCAB within ten (10) days of KCAB's request (or earlier time period prescribed by KCAB in case of emergency) a letter of credit, financial security, or other written assurance evidencing to KCAB's reasonable satisfaction that all necessary funds are readily available to pay the costs and expenses of the actions required by subsection (i) above and to discharge any assessments or liens established against the Consolidated Rental Car Facility as a result of the presence of the Hazardous Material. As soon as practicable after completion of such remedial actions (but not more than thirty (30) days after completion), Manager shall obtain and deliver to KCAB an Environmental Assessment of Consolidated Rental Car Facility made after such completion, which shall state that all required remedial action as stated above has been taken and successfully completed in compliance with all Environmental Laws, and that there is no evidence or suspicion of any contamination or risk of contamination on the Consolidated Rental Car Facility, or any adjacent property in violation of any Environmental Law, with respect to any such Hazardous Material.

(b) KCAB may, but shall never be obligated to, upon not less than twenty (20) days' prior notice to Tenant (or such shorter time period prescribed by KCAB in case of emergency) and Manager's failure to cure within such time period, respond to or to cause the Response to the Hazardous Material if Manager fails to promptly commence such Response following discovery and thereafter diligently pursue the same as may be required in Subsection 14.7(a) hereof.

Section 14.8 - Environmental Indemnification.

In addition to the indemnifications set forth in Section 7.1 hereof, and in accordance with the provisions of said Section 7.1, Tenant hereby indemnifies and agrees to defend and hold each Indemnified Party harmless from and against and, if and to the extent paid, reimburse such parties upon demand made in accordance with this Article 14 for, any and all Environmental Damages, including, without limitation, any and all Claims made in connection with the Consolidated Rental Car Facility. Tenant's obligations

under this Article 14 shall survive the termination or expiration of this Agreement, and shall not be affected in any way by the amount of or the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies affecting the Consolidated Rental Car Facility.

Section 14.9 - Other Rights.

If any conflict exists between the provisions of this Agreement and the provisions of any other agreement between KCAB and Tenant relating to access to the Exclusive Premises, Claims, or Environmental Damages, the stricter provision shall control. Nothing in this Agreement shall limit or impair any rights or remedies of KCAB against Tenant or any other person under any other agreement, any Environmental Law or otherwise at law or in equity, including, without limitation, any rights of contribution or indemnification. Rights under this Article 14 granted to KCAB shall be exercisable by KCAB's officers, employees, agents, licensees, contractors, and designees.

Section 14.10 - Underground Storage Tanks.

Without limiting any other obligations it may have pursuant to any Environmental Law, Manager shall comply with all federal, state, and local Laws regarding the registration, installation, repair, operation, release from, upgrading or abandonment-in-place of the UST, either prior to or at any time on or after the Effective Date, and shall obtain all UST permits or approvals required pursuant to any Environmental Law. It is acknowledged and agreed that, following the initial installation thereof, Manager shall be responsible for the use, operation, maintenance, repair, replacement of the UST; provided that if Manager fails to perform such duties, as is the case with any duty of Manager under this Article 14, it shall be the duty of Tenant upon notice by KCAB. The Operating Agreement shall provide that upon the Expiration Date of this Agreement, at KCAB's option, any USTs for the Consolidated Rental Car Facility shall be required to be removed by the Manager. The Operating Agreement shall provide for the Manager to perform any removal required by KCAB in accordance with all Environmental Laws (as defined in Article 14 hereof) and otherwise in accordance with Article 14 hereof.

Section 14.11 - Disposal of Materials, Construction and Demolition Debris, Soil and Waste.

(a) Without limiting other provisions of this Article 14 or any other provisions of this Agreement, Tenant shall be responsible for the proper disposal of all materials, construction and demolition debris, soil, and other waste generated by the business operations of Tenant, and their respective officers, agents, employees, contractors, guests, invitees, or licensees, including, but not limited to, the construction of Tenant Improvements, or any activities as set forth in Section 14.7 hereof, all in accordance with Environmental Laws. Tenant shall identify to KCAB any disposal site or transfer station for materials, debris, soil, or other waste of which Tenant is disposing, prior to its disposal, and shall complete and execute any form required by KCAB identifying such site or station. Tenant shall not use or allow to be used for disposal or transfer any site or station not properly licensed. Any substitution, for whatever reason, shall be at Tenant's cost. Tenant shall pay the cost to remove waste to a properly licensed site or station.

(b) Tenant shall notify KCAB of any community meetings, media involvement, or media coverage related to the loading, hauling, or disposal of materials, construction debris, soil, and other wastes under this Agreement in which Tenant is asked to participate.

(c) Non-compliance with the terms and conditions of this Article 14 may affect Tenant's eligibility for future contracts or leases.

(d) Tenant shall haul materials, including, but not limited to, fuel of any nature, any construction debris, soil, and other wastes in vehicles and containers complying with all applicable Environmental Laws.

Section 14.12 - Miscellaneous Records.

Tenant must show evidence to KCAB of, and keep current throughout the term of a Concession Agreement, all permits of any kind (including waste hauling, special waste hauling, and disposal permits) and insurance certificates required by federal, state, KCAB, or other local governmental body or agency pursuant to any Environmental Law; copies of all load tickets, manifests, bills of lading, scale tickets, and other pertinent documents, including copies of all permits and licenses for the proposed transfer station or landfill; vehicle maintenance records; safety and accident reports; and records, reports, and permits required by OSHA. All such records and accounts shall be subject to review by KCAB and shall be made available to KCAB within ten (10) days following written request of the Chief Executive Officer, or other shorter reasonable period requested by the Chief Executive Officer. KCAB's review of any such records and accounts shall in no way serve to limit Tenant's obligations or liability under the terms and conditions of this Agreement or any Environmental Law.

Section 14.13 - No Liability of KCAB.

(a) KCAB shall have no liability to Tenant (except as expressly provided in this Agreement) or any permitted subtenant or occupant of the Consolidated Rental Car Facility or any portion thereof, or any of their respective members, employees, agents, partners, shareholders, officers, directors, contractors, licensees, or invitees, or other Persons whom Tenant has permitted entry or with whom Tenant has entered into a contract or understanding (oral or written) to use or occupy the Exclusive Premises, as a result of Hazardous Materials now or hereafter located on the Consolidated Rental Car Facility.

(b) KCAB MAKES NO REPRESENTATION OR WARRANTY AS TO THE ENVIRONMENTAL CONDITION OF THE CONSOLIDATED RENTAL CAR FACILITY AND, TENANT HEREBY WAIVES ANY AND ALL CLAIMS AGAINST KCAB, ITS OFFICIALS, OFFICERS, EMPLOYEES, CONTRACTORS, AND AGENTS WHICH MAY CURRENTLY EXIST OR WHICH MAY ARISE IN THE FUTURE BY CONTRACT, AT COMMON LAW, IN EQUITY, OR UNDER STATUTE, NOW OR THEN CURRENTLY IN EFFECT, AND WHICH RELATE TO ENVIRONMENTAL CONDITIONS ON, UNDER OR NEAR THE CONSOLIDATED RENTAL CAR FACILITY.

Section 14.14 - No Waiver.

Except as otherwise set forth or provided in this Article 14 or elsewhere in this Agreement, nothing contained in this Article 14 is intended to limit or waive any common law or statutory rights of KCAB or Tenant for liability to third parties for damage to property or injury to persons resulting from or arising in connection with Hazardous Materials located on the Property.

**ARTICLE 15
SPECIAL PROVISIONS**

Section 15.1 - Notices; Consents.

All consents and approvals in connection with this Agreement shall be in writing (except as otherwise provided herein) and shall be sent by U.S. registered or certified mail (proper postage prepaid and return receipt requested), by nationally-recognized commercial overnight delivery services (e.g. UPS, Federal Express, etc.), or by personal delivery, and addressed as follows:

(a) To KCAB: The Chief Executive Officer, Cincinnati/Northern Kentucky International Airport, P.O. Box 752000 Cincinnati, Ohio 45275-2000 or if by overnight

express service to: Chief Executive Officer, Cincinnati/Northern Kentucky International Airport, 77 Comair Boulevard, Erlanger, Kentucky 41018,

With copies to: Robert C. Ziegler, Ziegler & Schneider, 541 Buttermilk Pike, Suite 500, P.O. Box 175710, Covington, KY 41017.

And:

(b) To Tenant:

With copies to:

And:

or such other persons or addresses as either party may designate from time to time by written notice to the other. Mailed notices shall be deemed to have been given three (3) business days after deposit in the U.S. mail. Notice by nationally-recognized commercial overnight delivery service shall be deemed given the next business day following deposit with such service. Notice by personal delivery shall be deemed given upon personal delivery.

Section 15.2 - Severability.

If any provision of this Agreement shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or of any Law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part thereof.

Section 15.3 - General Interpretation.

Any headings of this Agreement are for convenience of reference only and do not define or limit the provisions thereof. In this Agreement, unless the context otherwise requires, the terms "**hereby**", "**herein**", "**hereof**", "**hereto**", "**hereunder**", and any similar terms used in this manner refer to this Agreement. All Section references, unless otherwise expressly indicated, are to sections in this Agreement. Words importing persons shall include firms, associations, partnerships, trusts, corporations, joint ventures, and other legal entities, including public bodies, as well as natural persons. Words importing gender shall be deemed and construed to include correlative words of other genders. Words importing the singular number shall include the plural and vice versa, unless the context otherwise indicates. Any references to any exhibit or document shall be deemed to include all supplements and/or amendments to any such exhibits or documents. All references to any person or entity shall be deemed to include any person or entity succeeding to the rights, duties, and obligations of such persons or entities in accordance with this Agreement.

Section 15.4 - Successors and Assigns.

All of the covenants, stipulations, and agreements herein contained shall run with the land and shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

Section 15.5 - Choice of Law.

This Agreement shall be deemed to have been made in and shall be construed in accordance with the laws of the Commonwealth of Kentucky.

Section 15.6 - Counterparts.

This Agreement has been executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

Section 15.7 - Submission to Jurisdiction; Subpoena.

Tenant hereby irrevocably submits to the original jurisdiction of those courts located within the County of Boone, Commonwealth of Kentucky, with regard to any controversy arising out of, relating to, or in any way concerning the execution or performance of this Agreement. Service of process on KCAB may be made, either by U.S. registered or certified mail addressed as provided for in Section 15.1 of this Agreement, or by personal delivery on the Chief Executive Officer. Service of process on Tenant may be made either by U.S. registered or certified mail, addressed as provided for in Section 15.1 of this Agreement, or by delivery to Tenant's registered agent for service of process in the Commonwealth of Kentucky. If Tenant is presented with a request for documents by any administrative agency or with a subpoena *duces tecum* regarding any documents which may be in its possession by reason of this Agreement, Tenant shall immediately give notice to KCAB. KCAB may contest such process by any means available to it before such records or documents are submitted to a court or other third party; provided, however, that Tenant shall not be obligated to withhold such delivery beyond that time as may be ordered by the court or administrative agency, unless the subpoena or request is quashed or the time to produce is otherwise extended.

Section 15.8 - No Partnership, Joint Venture or Third Party Benefit.

By entering into this Agreement, KCAB shall in no way be deemed a partner or joint venturer with Tenant, nor shall any term or provision hereof be construed in any way to grant, convey, or create any rights or interests to any person or entity not a party to this Agreement.

Section 15.9 - No Brokers.

KCAB and Tenant each represents and warrants to the other that it has dealt with no broker, finder, or agent with respect to this Agreement or the Exclusive Premises, and each agrees to indemnify, defend, and hold harmless the other party hereto from any commissions or finder's fees which any entity or person claiming through or by the actions of said indemnifying party may assert is due as a result of the execution of this Agreement or the demise of the Exclusive Premises to Tenant.

Section 15.10 - KCAB's Approval; Chief Executive Officer KCAB.

Whenever KCAB's approval or consent is required under this Agreement, KCAB may withhold its approval or consent in its sole discretion, except to the extent otherwise expressly provided herein. Wherever this Agreement provides that an act is to be taken or performed or approval or consent given by KCAB, such act may be taken or performed or approval or consent may be given by the Chief Executive Officer, or his or her designee, without further action by KCAB.

Section 15.11 - Incorporation of Exhibits.

The Exhibits attached hereto are incorporated herein as if set forth fully at each reference to any Exhibit herein.

Section 15.12 - Authority to Execute Agreement.

Tenant. Tenant shall, upon KCAB's request at any time and from time to time during the Term hereof, deliver to KCAB the following instruments and documents:

- (i) Tenant's Assistant Secretary's Certificate whereby Tenant warrants that Tenant is a duly authorized and existing limited liability company, duly qualified to do business in the Commonwealth of Kentucky, that Tenant has full right and authority to enter into this Agreement, and that each and all of the persons signing on behalf of Tenant are authorized to do so;
- (ii) Certificates of Good Standing issued by the Commonwealth of Kentucky and the state of organization of Tenant and bearing a current date;
- (iii) Certified copies of resolutions or by-laws authorizing Tenant's execution and delivery of this Agreement and performance of Tenant's obligations under this Agreement and a written opinion of Tenant's counsel addressed to KCAB that the execution and delivery of this Agreement is properly authorized; and
- (iv) Such legal opinions and certificates as KCAB may reasonably request from time to time in connection with Bond or other financings.

Section 15.13 - Limitation of Liability.

Tenant (and any person claiming by or through Tenant) shall look solely to insurance proceeds available to KCAB from time to time for enforcement of any liability of KCAB under this Agreement, and not any other funds or assets of KCAB whatsoever. Notwithstanding anything in this Agreement to the contrary, in no event shall KCAB be required to pay any amount on account of a breach or default (or alleged breach or default) hereunder in any twelve (12) month period which is greater than the aggregate of the Ground Rent and any Facility Rent received by KCAB during such period from Tenant. In addition to, and not in limitation of, the foregoing, KCAB's obligations under this Agreement, including, without limitation, KCAB's obligations under Section 5.1 and Section 5.4 hereof, shall be limited to the extent adequate funds for the performance of such obligations of KCAB hereunder are then available in the applicable reserves established from the proceeds of the Bonds pursuant to the Bond Ordinance, as such reserves exist and are constituted from time to time.

Section 15.14 - Estoppel Certificates.

(a) Tenant agrees that, at any time from time to time upon not less than twenty (20) days' prior request by KCAB, Tenant will execute an estoppel certificate certifying as to matters concerning the status of this Agreement and the parties' performance hereunder, including, but not limited to, the following matters: that this Agreement is unmodified and in full force and effect (or if modified, identifying the modifications); the date to which any Rent and other charges have been paid and the amount of the most recent Rent paid; that KCAB is not in default under any provision of this Agreement (or the nature of such default, in detail); that Tenant is in occupancy and paying Rent on a current basis with no offsets or claims.

(b) KCAB agrees that, at any time and from time to time upon not less than twenty (20) days' prior request by Tenant in connection with a proposed assignment of this Agreement, KCAB will execute, acknowledge, and deliver to Tenant a statement in writing signed by the Chief Executive Officer certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the Agreement is in full force and effect as modified and stating the modifications), and the date to which the Ground Rent has been paid, and stating whether or not, to the best knowledge of the signer of such certificate, KCAB has delivered a notice of default under Article 10 (which default has not been cured

or corrected), it being intended that any such statement delivered pursuant to this Section 15.14 may be relied upon by any permitted prospective assignee identified in the request.

Section 15.15 - Representations and Warranties.

In connection with the execution of this Agreement, Tenant represents and warrants as follows:

(a) That Tenant is financially able and competent to perform as required under this Agreement, and that Tenant is legally authorized to execute and perform or cause to be performed this Agreement under the terms and conditions stated herein;

(b) That all certifications, affidavits, information, and disclosures heretofore made or given by Tenant or its members or partners, or their respective officers, directors, and shareholders, to KCAB in connection with this Agreement have been completed in accordance with all Laws, are true and correct in all material respects and are deemed to be a material part of this Agreement, and that such representation and warranty shall be deemed to be remade by Tenant as to any future certifications, affidavits, information, or disclosures at the time they are made or given;

(c) That Tenant is a duly organized and existing limited liability company, duly qualified to do business in the Commonwealth of Kentucky, that Tenant has full right and authority to enter into this Agreement and that each and all of the persons signing on behalf of Tenant are authorized to do so; and

(d) That the representations and warranties contained herein are deemed made as of the date hereof and shall be deemed remade and continuing throughout the Term of this Agreement.

Section 15.16 - Time of the Essence.

Time is of the essence with respect to Tenant's obligations under this Agreement.

Section 15.17 - No Sales Tax Exemption.

Neither Tenant nor any contractor of Tenant shall be entitled to claim any exemption from sales or use taxes or similar taxes by reason of KCAB's ownership of fee title to the Exclusive Premises.

Section 15.18 - Entire Agreement.

This Agreement constitutes the entire agreement of the parties as to the subject matter of this Agreement together with the Concession Agreement. Upon termination or expiration of the Concession Agreement, Tenant's rights under this Agreement shall cease. KCAB has made no representation or warranties to, or agreements with, Tenant which are not set forth in this Agreement. This Agreement may not be modified or supplemented with respect to those provisions governing Tenant's obligation to pay Rent, or with respect to any other material terms or provisions hereof, except in accordance with the Bond Documents.

Section 15.19 - Exercise by KCAB of Governmental Functions.

Nothing contained in this Agreement shall impair the right of KCAB in the exercise of its governmental functions as it relates to the Airport or the Property.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers and their respective seals to be hereunto affixed the day and year first written above.

KENTON COUNTY AIRPORT BOARD

RENTAL CAR COMPANY

By: _____

By: _____

Chairman: _____

Its: _____

ATTEST

Witness _____

Secretary-Treasurer

Approved as to form and legality:

By: _____
Ziegler & Schneider, P.S.C.

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF
CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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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

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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

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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

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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

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

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.

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

Selected activity statistics for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
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.

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

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.

Cincinnati/Northern Kentucky International Airport

Management's Discussion and Analysis

Years Ended December 31, 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.

Cincinnati/Northern Kentucky International Airport

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

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):

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 91,985	\$ 104,139
Non-current assets		
Capital assets	707,410	714,610
Other non-current assets	<u>184,833</u>	<u>156,482</u>
Total assets	<u>984,228</u>	<u>975,231</u>
Deferred outflow of resources	<u>25,336</u>	<u>25,336</u>
Total assets and deferred outflow of resources	<u>\$ 1,009,564</u>	<u>\$ 1,000,567</u>
Liabilities		
Current liabilities	\$ 27,116	\$ 23,213
Non-current liabilities	<u>135,644</u>	<u>112,229</u>
Total liabilities	<u>162,760</u>	<u>135,442</u>
Deferred inflow of resources	<u>5,801</u>	<u>2,461</u>
Net position		
Unrestricted	39,324	54,915
Net investment in capital assets	653,494	657,937
Restricted	<u>148,185</u>	<u>134,772</u>
Total net position	<u>841,003</u>	<u>847,624</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,009,564</u>	<u>\$ 985,527</u>

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

Cincinnati/Northern Kentucky International Airport

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

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 depreciation 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.

Assets, Liabilities, and Deferrals

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.

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

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	<u>92,937</u>	<u>84,379</u>
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	<u>84,365</u>	<u>85,014</u>
Operating loss, before depreciation and amortization	<u>8,572</u>	<u>(635)</u>
Depreciation and amortization	<u>(42,730)</u>	<u>(43,523)</u>
Operating loss, after depreciation and amortization	<u>(34,158)</u>	<u>(44,158)</u>
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	<u>26,436</u>	<u>19,926</u>
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	<u>1,101</u>	<u>16,220</u>
Total changes in net position	<u>(6,621)</u>	<u>(8,012)</u>
Net position at the beginning of year	<u>847,624</u>	<u>855,636</u>
Net position at the end of year	<u>\$ 841,003</u>	<u>\$ 847,624</u>

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

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.

Cincinnati/Northern Kentucky International Airport

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

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):

	<u>2017</u>	<u>2016</u>
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	<u>(11,747)</u>	<u>(16,240)</u>
Net increase (decrease) in cash	4,623	(3,799)
Cash at the beginning of the year	<u>6,722</u>	<u>10,521</u>
Cash at the end of the year	<u>\$ 11,345</u>	<u>\$ 6,722</u>

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.

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Management's Discussion and Analysis

Years Ended December 31, 2017 and 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.

Cincinnati/Northern Kentucky International Airport Management's Discussion and Analysis Years Ended December 31, 2017 and 2016

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)

	<u>2017</u>	<u>2016</u>
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	<u>91,985</u>	<u>104,139</u>
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	<u>892,243</u>	<u>871,092</u>
Total assets	<u>\$ 984,228</u>	<u>\$ 975,231</u>
Deferred Outflow of Resources		
Pension	\$ 25,336	\$ 10,296
Total deferred outflow of resources	<u>\$ 25,336</u>	<u>\$ 10,296</u>
Total assets and deferred outflow of resources	<u>\$ 1,009,564</u>	<u>\$ 985,527</u>
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	<u>27,116</u>	<u>18,487</u>
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	<u>135,644</u>	<u>116,955</u>
Total liabilities	<u>\$ 162,760</u>	<u>\$ 135,442</u>
Deferred Inflow of Resources		
Pension	\$ 5,801	\$ 2,461
Total deferred inflow of resources	<u>\$ 5,801</u>	<u>\$ 2,461</u>
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	<u>\$ 841,003</u>	<u>\$ 847,624</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,009,564</u>	<u>\$ 985,527</u>

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	<u>92,937</u>	<u>84,379</u>
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	<u>84,365</u>	<u>85,014</u>
Operating income (loss), before depreciation and amortization	<u>8,572</u>	<u>(635)</u>
Depreciation and amortization	<u>(42,730)</u>	<u>(43,523)</u>
Operating loss, after depreciation and amortization	<u>(34,158)</u>	<u>(44,158)</u>
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	<u>26,436</u>	<u>19,926</u>
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	<u>1,101</u>	<u>16,220</u>
Total changes in net position	<u>(6,621)</u>	<u>(8,012)</u>
Net position at the beginning of year	<u>847,624</u>	<u>855,636</u>
Net position at the end of year	<u>\$ 841,003</u>	<u>\$ 847,624</u>

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)

	<u>2017</u>	<u>2016</u>
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	<u>22,508</u>	<u>5,103</u>
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	<u>676</u>	<u>965</u>
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	<u>(6,814)</u>	<u>6,373</u>
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	<u>(11,747)</u>	<u>(16,240)</u>
Net increase (decrease) in cash	4,623	(3,799)
Cash at the beginning of the year	<u>6,722</u>	<u>10,521</u>
Cash at the end of the year	<u>\$ 11,345</u>	<u>\$ 6,722</u>

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)

	<u>2017</u>	<u>2016</u>
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	<u>56,666</u>	<u>49,261</u>
Net cash provided by operating activities	<u>\$ 22,508</u>	<u>\$ 5,103</u>
Noncash capital and related financing activities:		
Reversion of ownership of capital assets, capital contributions	<u>\$ -</u>	<u>\$ 11,503</u>
Amortization of revenue bond premium, payment of revenue bond debt service interest	<u>\$ 1,052</u>	<u>\$ 526</u>

See report of independent auditors and accompanying notes to financial statements.

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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.

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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.

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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.

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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.

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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:

<u>Account Group:</u>	<u>Restrictions on Net Position:</u>
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).

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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.

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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

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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,

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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

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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.

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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.

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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.

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The limits related to portfolio diversification are as follows:

<u>Investment Types</u>	<u>Maximum Allowable % of Portfolio</u>	
	<u>Investment Type</u>	<u>Individual issuer, counterparty or depository</u>
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.

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(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	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
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	<u>\$ 251,831</u>	<u>\$ 250,945</u>	<u>\$ 238,675</u>	<u>\$ 237,768</u>

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.

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(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:

Investment Type	2017 Investment Maturities (at fair value)					Total
	1-3 months	4-6 months	7-9 months	10-12 months	13 -36 months	
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

Investment Type	2016 Investment Maturities (at fair value)					Total
	1-3 months	4-6 months	7-9 months	10-12 months	13 -36 months	
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

Cincinnati/Northern Kentucky International Airport

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(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	<u>\$ 250,945</u>	<u>\$ 49,163</u>	<u>\$ 201,782</u>	<u>\$ -</u>
		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	<u>\$ 237,768</u>	<u>\$ 61,319</u>	<u>\$ 176,449</u>	<u>\$ -</u>

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).

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(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:

	<u>2017</u>	<u>2016</u>
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
	<u>\$ 155,308</u>	<u>\$ 135,939</u>

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.

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Notes to Financial Statements
Years Ended December 31, 2017 and 2016

(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.

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Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(in thousands of dollars)

Useful Lives

The Airport's capital assets are depreciated over useful lives as follows:

	<u>Years</u>
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.

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Years Ended December 31, 2017 and 2016

(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.

	<u>2017</u>	<u>2016</u>
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
	<u>\$</u>	<u>7,988</u>

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(in thousands of dollars)

The required funding of bond principal and interest subsequent to December 31, 2017 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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
	<u>\$ 44,550</u>	<u>\$ 19,831</u>	<u>\$ 64,381</u>

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.

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Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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			Balance	Amounts Due	Amounts Due
	12/31/2016	Additions	Reductions	12/31/2017	within	after
					One Year	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			Balance	Amounts Due	Amounts Due
	12/31/2015	Additions	Reductions	12/31/2016	within	after
					One Year	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

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Years Ended December 31, 2017 and 2016

(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 SFRBs, 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.

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(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

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(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.

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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		Non	
	Hazardous	Hazardous	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 Airport and employees 2017, 2016, and 2015				
	100%	100%	100%	100%

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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:

<u>Description of Assumption</u>	<u>2017</u>	<u>2016</u>
Assumed investment rate of return	6.25%	7.50%
Assumed rate of inflation	2.30%	3.25%
Payroll growth assumption	2.00%	4.00%

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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	<u>\$ 10,296</u>	<u>\$ (2,461)</u>	<u>\$ 7,835</u>
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	<u>\$ 25,336</u>	<u>\$ (5,801)</u>	<u>\$ 19,535</u>

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

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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.

Cincinnati/Northern Kentucky International Airport
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

(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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Equivalent	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:

<u>Asset Class</u>	<u>1% Decrease 5.25%</u>	<u>Current Discount Rate 6.25%</u>	<u>1% Increase 7.25%</u>
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.

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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.

Cincinnati/Northern Kentucky International Airport
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

(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:

	<u>Claims Liability</u>
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	<u>\$ 421</u>
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	<u>\$ 474</u>
	<u>Reserve</u>
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	<u>\$ 4,503</u>
Contributions from Operations and Maintenance	5,537
Investment Income	18
Claims, premiums and fees incurred	(5,555)
Reserves at December 31, 2017	<u>\$ 4,503</u>

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.

Cincinnati/Northern Kentucky International Airport

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(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.

Cincinnati/Northern Kentucky International Airport
Required Supplementary Information
Years Ended December 31, 2017

(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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan's total pension liability	\$ 16,995,820	\$ 14,791,127	\$ 14,353,633	\$ 13,061,349
Plan's fiduciary net position	<u>\$ 8,905,233</u>	<u>\$ 8,151,573</u>	<u>\$ 8,519,002</u>	<u>\$ 8,615,148</u>
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%

Cincinnati/Northern Kentucky International Airport

Required Supplementary Information

Years Ended December 31, 2017

(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)

	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	\$ 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	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		Restricted Account Groups						Other Third Party Funding
	Investment in Capital Assets	Passenger Facility Charge	Police Forfeiture	Customer Facility Charge	Operations & Maintenance Reserve	Demolition of Excess Facilities	Bond Interest & Redemption	Bond Reserve	
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)

	Unrestricted Account Groups					
	Total	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	<u>92,937</u>	<u>92,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>84,365</u>	<u>77,717</u>	<u>-</u>	<u>5,555</u>	<u>-</u>	<u>770</u>
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	<u>(34,158)</u>	<u>15,220</u>	<u>-</u>	<u>(5,555)</u>	<u>-</u>	<u>(770)</u>
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 purposes 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	<u>26,436</u>	<u>(25,435)</u>	<u>(26,033)</u>	<u>5,555</u>	<u>(45)</u>	<u>20,378</u>
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	<u>1,101</u>	<u>-</u>	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total changes in net position	<u>(6,621)</u>	<u>(10,215)</u>	<u>(24,939)</u>	<u>-</u>	<u>(45)</u>	<u>19,608</u>
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)	<u>\$ 841,003</u>	<u>\$ (51,635)</u>	<u>\$ 20,982</u>	<u>\$ 4,503</u>	<u>\$ 9,951</u>	<u>\$ 55,523</u>

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	Restricted Account Groups							
	Investment in Capital Assets	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 purposes 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)

	Total	Unrestricted Account Groups				General Purposes
		Operations & Maintenance	Designated for Capital Projects	Group Health Coverage	Repair & Replacement Reserve	
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	<u>84,379</u>	<u>84,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>85,014</u>	<u>70,755</u>	<u>-</u>	<u>5,078</u>	<u>-</u>	<u>-</u>
Operating income (loss), before depreciation and amortization	(635)	13,624	-	(5,078)	-	-
Depreciation and amortization	(43,523)	-	-	-	-	-
Operating income (loss), after depreciation and amortization	<u>(44,158)</u>	<u>13,624</u>	<u>-</u>	<u>(5,078)</u>	<u>-</u>	<u>-</u>
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	<u>19,926</u>	<u>(18,410)</u>	<u>(9,447)</u>	<u>4,676</u>	<u>208</u>	<u>14,706</u>
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	<u>16,220</u>	<u>-</u>	<u>3,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total changes in net position	<u>(8,012)</u>	<u>(4,786)</u>	<u>(5,674)</u>	<u>(402)</u>	<u>208</u>	<u>14,706</u>
Net position at the beginning of year (deficit)	<u>855,636</u>	<u>(36,634)</u>	<u>51,595</u>	<u>4,905</u>	<u>9,788</u>	<u>21,209</u>
Net position at the end of year (deficit)	<u>\$ 847,624</u>	<u>\$ (41,420)</u>	<u>\$ 45,921</u>	<u>\$ 4,503</u>	<u>\$ 9,996</u>	<u>\$ 35,915</u>

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	Restricted Account Groups							
	Investment in Capital Assets	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	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

Cincinnati/Northern Kentucky International Airport
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

(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):

	<u>2017</u>
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	<u>\$ 1,555</u>



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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 no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes 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 no

Identification of major program:

<u>CFDA Number</u> 20.106	<u>Name of Federal Program or Cluster</u> Airport Improvement Program
------------------------------	--

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes no

Cincinnati/Northern Kentucky International Airport
Schedule of Findings and Questioned Costs, continued
Year Ended December 31, 2017

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.

**Cincinnati/Northern Kentucky International Airport
Schedule of Prior Year Audit Findings and Their Resolutions
Year Ended December 31, 2016**

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

Cincinnati/Northern Kentucky International Airport

Notes to Schedule of Passenger Facility Charges Collected and Expended

December 31, 2017

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.

To the members of the Kenton
County Airport Board
Hebron, Kentucky

Page Two

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

Cincinnati/Northern Kentucky International Airport Schedule of Passenger Facility Charge Findings and Questioned Costs Year Ended December 31, 2017

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.

**Cincinnati/Northern Kentucky International Airport
Schedule of Prior Year Passenger Facility Charge Findings and Their Resolutions
Year Ended December 31, 2016**

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'S OPINION

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL'S 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 \$103,130,000 Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) 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 authorizing resolution adopted by the Board on January 22, 2019 (the "Resolution"). The Series 2019 Bonds are issued and secured under the Master CFC Trust Indenture dated as of March 1, 2019 (the "Indenture"), between the Board and U.S. Bank National Association, as trustee. *Capitalized terms not otherwise defined in this letter are used as defined in the Indenture.*

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, the Indenture 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 Indenture 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 Indenture.
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 Indenture, are payable from and secured solely by the Trust Estate and those sources pledged for that purpose as provided in the Indenture. 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 not excluded from gross income for federal income tax purposes. 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 the Trust Estate or other funds created by the Indenture.

The rights of the owners of the Series 2019 Bonds and the enforceability of the Series 2019 Bonds and the Indenture 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

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The Board makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2019 CFC Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE BOARD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2019 CFC BONDS UNDER THE INDENTURE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2019 CFC BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2019 CFC BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF THE SERIES 2019 CFC BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2019 CFC Bonds. The Series 2019 CFC 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 CFC Bond certificate will be issued for each maturity of the Series 2019 CFC 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 the Series 2019 CFC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 CFC Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 CFC 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 CFC 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 CFC Bonds, except in the event that use of the book-entry system for the Series 2019 CFC Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 CFC 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 CFC 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 CFC Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 CFC 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 CFC Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 CFC Bonds, such as redemptions, defaults and proposed amendments to the Series 2019 CFC Bond documents. For example, Beneficial Owners of the Series 2019 CFC Bonds may wish to ascertain that the nominee holding the Series 2019 CFC 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 Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 CFC 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 such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 CFC 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 CFC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Series 2019 CFC 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 Trustee, on 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 Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium 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 Trustee, 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 depository with respect to the Series 2019 CFC Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2019 CFC 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, the Series 2019 CFC Bond certificates will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but neither the Board nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2019 CFC BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

Discontinuation of Book-Entry System

In the event that the book-entry-only system for the Series 2019 CFC Bonds is discontinued, the Trustee would provide for the registration of the Series 2019 CFC Bonds in the names of the Beneficial Owners thereof. The Board and the Trustee would treat the person in whose name any Series 2019 CFC Bond is registered as the absolute owner of such Series 2019 CFC Bond for the purposes of making and receiving payment of the principal thereof and interest thereon, and for all other purposes, except as otherwise described under the caption, "CONTINUING DISCLOSURE UNDERTAKING", and neither the Board nor the Trustee would be bound by any notice or knowledge to the contrary.

Each Series 2019 CFC Bond would be transferrable or exchangeable only upon the presentation and surrender thereof at the corporate trust office of the Trustee, duly endorsed for transfer or exchange, or accompanied by a written assignment duly executed by the owner or its authorized representative in form satisfactory to the Trustee. Upon due presentation of any Series 2019 CFC Bond for transfer or exchange, the Trustee would authenticate and deliver in exchange therefor, within a reasonable time after such presentation, a new Series 2019 CFC Bond or Series 2019 CFC Bonds, registered in the name of the transferee or transferees (in the case of a transfer), or the owner (in the case of an exchange), in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Series 2019 CFC Bond or Series 2019 CFC Bonds so presented. The Board or the Trustee would require the owner of any Series 2019 CFC Bonds to pay a sum sufficient to cover any tax, fee or other governmental charge required to be paid in connection with the transfer or exchange of such Series 2019 CFC Bonds.

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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 \$103,130,000 Cincinnati/Northern Kentucky International Airport Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the “Series 2019 CFC Bonds”), which have been duly authorized by the Resolution adopted by the Board on January 22, 2019 (the “Resolution”), and pursuant the Master CFC Trust Indenture, to be dated as of March 1, 2019 (the “Indenture”), by and between the Board and U.S. Bank, National Association as trustee (the “Trustee”).

In consideration of the issuance of the Series 2019 CFC Bonds by the Board and the purchase of such Series 2019 CFC 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 CFC 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 Indenture.

“1934 Act” means the Securities Exchange Act of 1934, as amended.

“Airport” means the Cincinnati/Northern Kentucky International Airport.

“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 CFC 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 Company or other entity using the Consolidated Rental Car Facility under a RAC Agreement or other agreement extending for more than one year from the date in question, which includes bond debt service as part of the calculation of rental payments or other payments thereunder, under which RAC Agreement or other agreement such Company or other entity has paid amounts in the form of an Annual Requirement Delinquency or similar payment equal to at least 20% of the debt service on the Series 2019 CFC Bonds for each of the prior two Fiscal Years of the Board. At the time of issuance of the Series 2019 CFC Bonds, the Board is the only Obligated Person.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Series 2019 CFC Bonds.

“Rule” means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

“SEC” means the Securities Exchange Commission.

“SEC Reports” means reports and other information required to be filed pursuant to Sections 13(a), 14 or 15(d) of the 1934 Act.

“Undertaking” means the obligations of the Board pursuant to this Continuing Disclosure Undertaking.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in Exhibit III. The Official Statement relating to the Series 2019 CFC 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 be 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 CFC Bonds or defeasance of any Series 2019 CFC 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 Indenture.

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 CFC 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 CFC 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 CFC Bonds, as determined by parties unaffiliated with the Board (such as the Trustee or bond counsel), or by approving vote of the

beneficial owners of the Series 2019 CFC 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 CFC Bonds are outstanding in accordance with their terms and the Board remains an Obligated Person with respect to the Series 2019 CFC 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 CFC 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 CFC 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 CFC 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 CFC 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) of the Airport 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) Market Share of Rental Car Brands, (c) Historical Rental Car Demand and CFC Collections, and (d) Debt Service Coverage, generally consistent with that contained in the Official Statement;

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; and

Note: As of the date of this Undertaking, there are no Obligated Persons, other than the Board.

(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.

(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 fiscal year ended 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. (Issuance of) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 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;²
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar proceedings of the obligated person;³
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of 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 the financial obligation of the obligated person, any of which reflect financial difficulties.

¹ Any scheduled redemption of the Series 2019 CFC Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a specified event within the meaning of the Rule.

² Repayment of the Series 2019 CFC Bonds is not secured by a lien on any property capable of release or sale or for which other property may be substituted.

³ Note that, for purposes of the event identified in item 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

EXHIBIT III

CUSIP NUMBERS

\$103,130,000

**KENTON COUNTY (KENTUCKY) AIRPORT BOARD
CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT
SENIOR CUSTOMER FACILITY CHARGE TAXABLE REVENUE BONDS
(CONSOLIDATED GROUND TRANSPORTATION FACILITY)
SERIES 2019**

<u>Year of Maturity</u>	<u>CUSIP⁺</u>
2022	491034AA2
2023	491034AB0
2024	491034AC8
2025	491034AD6
2026	491034AE4
2027	491034AF1
2028	491034AG9
2029	491034AH7
2030	491034AJ3
2031	491034AK0
2032	491034AL8
2033	491034AM6
2034	491034AN4
2039	491034AP9
2049	491034AQ7

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