

**NEW ISSUE - BOOK-ENTRY ONLY**

**Ratings: See "RATINGS" herein**

*In the opinion of Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 1998 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the exclusion from gross income of interest on any 1998 Bond for any period during which such 1998 Bond is held by a person who is a "substantial user," within the meaning of Section 147(a) of the Internal Revenue Code of 1986 of any project refinanced with the proceeds of the 1998 Bonds or the 1998 Subordinated Bonds (as defined herein) or is a "related person" to such substantial user. Special Tax Counsel observes, however, that interest on the 1998 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Co-Bond Counsel will render opinions as to the exclusion from gross income for federal income tax purposes of interest on the 1998 Bonds solely in reliance upon and subject to the assumptions, qualifications, reliances, exclusions, exceptions and limitations provided in the opinion of Special Tax Counsel. In the opinion of Co-Bond Counsel, under existing law, the 1998 Bonds are exempt from all present intangible personal property taxes imposed by the State of Florida. Special Tax Counsel and Co-Bond Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 1998 Bonds. See "TAX MATTERS" herein.*



**GREATER ORLANDO AVIATION AUTHORITY**  
**\$46,640,000**  
**Airport Facilities Refunding Revenue Bonds,**  
**Series 1998**  
**of the City of Orlando, Florida**

**Dated: August 15, 1998**

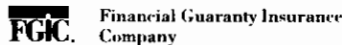
**Due: As Shown on Inside Cover**

The \$46,640,000 Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida (the "1998 Bonds") are revenue bonds of the City of Orlando, Florida (the "City") issued by the Greater Orlando Aviation Authority (the "Authority"), an agency of the City, under and pursuant to the Constitution and laws of Florida, particularly the Act (as defined herein) and other applicable provisions of law, and pursuant to the Airport Facilities Revenue Bond Resolution, adopted by the Authority on June 13, 1978, as amended and supplemented from time to time (the "Airport Facilities Revenue Bond Resolution"), and as specifically supplemented by that certain Supplemental Airport Facilities Revenue Bond Resolution, adopted by the Authority on August 19, 1998 (the "1998 Supplemental Resolution" and, together with the Airport Facilities Revenue Bond Resolution, collectively the "Bond Resolution"). See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" attached hereto as APPENDIX B and "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C.

The 1998 Bonds are issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the 1998 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the 1998 Bonds will not receive physical delivery of certificates. Transfers of beneficial interests in the 1998 Bonds will be effected through the DTC book-entry system as described herein. Interest on the 1998 Bonds will be paid on April 1 and October 1 of each year, commencing April 1, 1999. Payments of principal of and the redemption price, if any, with respect to the 1998 Bonds will be made at the principal corporate trust office in Chicago, Illinois or the corporate trust agency in New York, New York, of The First National Bank of Chicago (the "Trustee"). Interest will be paid by check or draft mailed by the Trustee to the registered owners of the 1998 Bonds, as their addresses appear on the books of registry maintained by the Trustee, at the close of business on the Record Date (as defined herein). See "DESCRIPTION OF THE 1998 BONDS - Book-Entry Only System," herein. However, owners of \$1,000,000 or more principal amount of 1998 Bonds may arrange for principal, interest and premium, if any, with respect to the 1998 Bonds to be paid by wire transfer upon certain conditions set forth in the Bond Resolution.

The 1998 Bonds are subject to mandatory redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE 1998 BONDS" herein. The 1998 Bonds are not subject to optional redemption prior to maturity. A maturity schedule for the 1998 Bonds is set forth on the inside front cover page of this Official Statement.

The scheduled payment of principal of and interest on all of the 1998 Bonds will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the 1998 Bonds by Financial Guaranty Insurance Company as described herein. For a description of the terms and provisions of such policy, including the limitations thereof, see "Municipal Bond Insurance" herein.



FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The 1998 Bonds are being issued for the purpose of providing funds sufficient, together with other available funds of the Authority, to refund Subordinated Indebtedness (as defined in the Bond Resolution) incurred upon the termination of the 1995 Swap (as defined herein) and pay certain costs of issuance of the 1998 Bonds. See "THE 1998 REFUNDING PROGRAM" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The 1998 Bonds are payable solely from and secured by a pledge of certain revenues derived by the Authority from the operation of the Airport System (as defined herein) and other funds as described herein and are junior and subordinate to the pledge of and prior lien on such revenues created by that certain Trust Agreement (as defined herein) securing \$1,025,000 outstanding Prior Lien Bonds (as defined herein). The 1998 Bonds are being issued as part of a common plan of finance with those certain Greater Orlando Aviation Authority Airport Facilities Variable Rate Subordinated Refunding Revenue Bonds, 1998 Series A, B, C and D of the City of Orlando, Florida (collectively, the "1998 Subordinated Bonds"), the proceeds of which will be used, in part, to refund certain series of outstanding Airport Facilities Revenue Bonds (as defined herein, the "Refunded Bonds"). Following the issuance of the 1998 Subordinated Bonds, there will be \$672,620,000 total aggregate principal amount of Airport Facilities Revenue Bonds outstanding, all of which will be on a parity with the 1998 Bonds as to pledge of, lien on and source of payment from the Available Revenues (as defined herein) or Revenues (as defined herein). See "SECURITY FOR THE 1998 BONDS" herein. The Authority has entered into Lease and Use Agreements with certain airlines serving the Airport (as defined herein) which provide for the payment of fees and charges by such airlines as more fully described herein. See "AIRLINE REVENUES AND OTHER REVENUE SOURCES" herein.

THE 1998 BONDS ARE NOT OBLIGATIONS OF THE STATE OF FLORIDA OR GENERAL OBLIGATIONS OF THE AUTHORITY, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 1998 BONDS, OR THE INTEREST OR PREMIUM, IF ANY, THEREON. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of the 1998 Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The 1998 Bonds are offered when, as and if issued, and subject to the approval of legality by Holland & Knight LLP, Orlando, Florida, and Stewart, Joyner & Jordan-Holmes, P.A., Tampa, Florida, Co-Bond Counsel. Certain legal matters will be passed on for the Authority by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Tax Counsel, and by Foley & Lardner, Orlando, Florida, General Counsel to the Authority. Certain legal matters in connection with the 1998 Bonds will be passed on for the Underwriters by Nabors, Giblin & Nickerson, P.A., Orlando, Florida, and Long & Pryor, P.A., Orlando, Florida, Co-Counsel to the Underwriters. It is expected that the 1998 Bonds in definitive form will be ready for delivery in New York, New York on or about September 1, 1998.

**JACKSON SECURITIES**  
INCORPORATED

**J. P. MORGAN & CO.**

**SUNTRUST EQUITABLE SECURITIES**

**HANIFEN, IMHOFF INC.**

**FIRST UNION CAPITAL MARKETS**  
A division of Wheat First Securities, Inc.

**WILLIAM R. HOUGH & CO.**

Dated: August 26, 1998

*SUPPLEMENT TO THE OFFICIAL STATEMENT DATED AUGUST 26, 1998*

*GREATER ORLANDO AVIATION AUTHORITY  
\$46,640,000  
AIRPORT FACILITIES REFUNDING REVENUE BONDS,  
SERIES 1998  
OF THE CITY OF ORLANDO, FLORIDA*

This Supplement supplements and amends the Official Statement, dated as of August 26, 1998, relating to the Greater Orlando Aviation Authority Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida (the "Official Statement"). This Supplement should be read in conjunction with the Official Statement.

The description set forth in the first two paragraphs of the section of the Official Statement captioned "LITIGATION - Ad Valorem Taxes" is amended to read as follows:

1. Ad Valorem Taxes. In June 1993, the Orange County Property Appraiser (the "Property Appraiser") issued a Notice of Disapproval of Application for Property Tax Exemption with respect to the Hotel within the terminal complex at the Airport. For the year 1993, the Property Appraiser appraised the Hotel real property at a value of \$28,023,031 (resulting in a tax of \$598,070, if paid in March 1994) and the personal property at a value of \$8,628,597 (resulting in a tax of \$184,152 if paid in March 1994). The Authority appealed the denial of exemption to the Value Adjustment Board. Adopting the recommendation of a Special Master, the Value Adjustment Board determined that the property is entitled to a "governmental exemption." The Orange County Property Appraiser filed suit in Circuit Court on December 13, 1993, seeking to overturn the decision of the Value Adjustment Board.

On September 24, 1998, the Circuit Court held that the Hotel property is subject to ad valorem taxation and is not subject to an exemption from such taxation. The Circuit Court confirmed the Property Appraiser's valuation of the real property and personal property and confirmed the amount of taxes payable by the Authority for 1993. The Authority is considering whether to appeal the Circuit Court's decision.

The Authority has also filed lawsuits against the Property Appraiser with respect to the assessment of ad valorem taxes for the 1994 tax year, the 1995 tax year, the 1996 tax year and the 1997 tax year. These cases have been stayed pending final determination of the 1993 litigation. For the 1994 tax year, taxes were assessed in the amount of \$621,815 on the Hotel real property and \$175,289 on the Hotel personal property (each if paid in March 1995); for the 1995 tax year, the taxes assessed were \$630,817 on the Hotel real property and \$163,799 on the Hotel personal property (each if paid in March 1996); for the 1996 tax year, the taxes assessed were \$635,894 on the Hotel real property and \$150,230 on the Hotel personal property (each if paid in March of 1997); and for the 1997 tax year taxes assessed were \$707,401 on the Hotel real property and \$133,524 on the Hotel personal property (each if paid in March 1998). The Authority and the Property Appraiser have stipulated that, if the 1993 case is ultimately determined in favor of the Property Appraiser, interest will not apply with respect to ad valorem taxes paid within thirty (30) days after issuance of a tax bill following such final determination.

If the Circuit Court's decision is upheld on appeal, the Authority would be obligated to pay ad valorem real property and personal property taxes on an annual basis, in which event the Authority expects that such ad valorem taxes will be provided for in the Authority's Annual Budget and paid by rates, fees and other charges for the use of the Airport. No provision has been made for the payment of these taxes in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A.

September 26, 1998

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

**GREATER ORLANDO AVIATION AUTHORITY**

**\$46,640,000**

Airport Facilities Refunding Revenue Bonds,  
Series 1998  
of the City of Orlando, Florida

**\$42,530,000 Serial Bonds**

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>
1999	\$3,070,000	4.000%	3.71%	2007	\$3,235,000	5.000%	4.45%
2000	3,045,000	5.000	3.88	2008	3,040,000	5.000	4.50
2001	3,060,000	5.000	3.98	2009	2,815,000	5.250	4.58
2002	3,115,000	5.000	4.03	2010	2,620,000	5.250	4.65
2003	3,055,000	4.000	4.10	2011	2,425,000	5.250	4.73
2004	3,030,000	4.100	4.20	2012	2,030,000	5.250	4.80
2005	3,085,000	4.200	4.25	2013	1,725,000	5.250	4.85
2006	3,180,000	5.000	4.35				

**\$4,110,000 5.50% Term Bond due October 1, 2017 to Yield 5.00%**

(Accrued interest from August 15, 1998 to be added)

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**Greater Orlando Aviation Authority**  
**One Airport Boulevard**  
**Orlando, Florida 32827-4399**  
**(407) 825-2001**

**Authority Board Members**

<b><u>Name</u></b>	<b><u>Position</u></b>
William Miller, Jr., C.P.A.	Chairman
C. Howard McNulty	Vice-Chairman
Glenda Hood	Mayor, City of Orlando
Linda W. Chapin	Chairman, Orange County Commission
Robert T. Hattaway	Member
James H. Pugh, Jr.	Member
Alan Starling	Member

**City Council Commissioners**

Glenda Hood, Mayor  
Don Ammerman  
Betty T. Wyman  
C. Bruce Gordy  
Bill Bagley  
Daisy Lynum  
Ernest Page

**Airport Management**

<b><u>Name</u></b>	<b><u>Position</u></b>
Egerton K. van den Berg	Executive Director and Authority Secretary
Linda J. Lindsey, C.P.A.	Chief Financial Officer and Authority Treasurer
Dayci Burnette	Authority Assistant Secretary and Manager of Board Services
James H. Bradley	Senior Director of Engineering and Construction
C.W. Jennings	Senior Director of Airports
Keith Phildius	Senior Director of Marketing
Lee Tillotson	Senior Director of Planning and Special Projects
Danny Wilson	Senior Director of Properties

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**General Counsel**

FOLEY & LARDNER  
Orlando, Florida

**Co-Bond Counsel**

HOLLAND & KNIGHT LLP  
Orlando, Florida

STEWART, JOYNER & JORDAN-HOLMES, P.A.  
Tampa, Florida

**Special Tax Counsel**

ORRICK, HERRINGTON & SUTCLIFFE LLP  
Los Angeles, California

**Airport Consultant**

LEIGH FISHER ASSOCIATES  
San Francisco, California

**Consulting Engineer**

ZHA INCORPORATED  
Orlando, Florida

**Financial Advisors**

RAYMOND JAMES & ASSOCIATES, INC.  
Orlando, Florida

R.D. JORDAN & COMPANY  
Tampa, Florida

**Auditors**

ERNST & YOUNG LLP  
Orlando, Florida

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**No dealer, salesman or any other person has been authorized by the Authority, the City or the Underwriters to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 1998 Bonds and there shall be no sale of the 1998 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.**

**The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority since the date hereof or the earliest date as of which such information is given.**

**This Official Statement is not to be construed as a contract with the purchasers of the 1998 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.**

**IN CONNECTION WITH THE OFFERING OF THE 1998 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1998 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 1998 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.**

**THE 1998 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 1998 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE 1998 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 1998 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**Table of Contents**

(The Table of Contents for this Official Statement is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Official Statement or the Appendices attached hereto.)

	<u>Page</u>
INTRODUCTION .....	1
THE AUTHORITY .....	1
AUTHORIZATION AND PURPOSE OF THE 1998 BONDS .....	2
AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION .....	3
THE PLAN OF FINANCE .....	3
ESTIMATED SOURCES AND USES OF FUNDS .....	4
DESCRIPTION OF THE 1998 BONDS .....	5
Form and Denomination .....	5
Book-Entry Only System .....	5
No Optional Redemption of 1998 Bonds .....	7
Mandatory Sinking Fund Installments .....	7
Selection of 1998 Bonds to be Redeemed .....	8
Notice of Redemption .....	8
Payment of Redeemed 1998 Bonds .....	9
SECURITY FOR THE 1998 BONDS .....	9
General .....	9
Airline Rates and Charges .....	9
Revenues .....	10
Available Revenues .....	11
Flow of Funds .....	12
Bond Insurance .....	18
Rate Covenant .....	18
Refunding Bonds .....	18
Additional Bonds .....	19
MUNICIPAL BOND INSURANCE .....	20
SUBORDINATED INDEBTEDNESS .....	22
1998 Subordinated Bonds .....	22
Commercial Paper Program .....	22
Hotel Financing .....	23
Cargo Facility Bonds .....	23
Florida Department of Transportation Loans .....	23
INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS .....	23
1994 Swap .....	24
1995 Swap .....	24
1998 Gulf Breeze Swap .....	24
Proposed 1998 Subordinated Bonds Swap .....	25

Forward Purchase Agreements .....	25
1998 Gulf Breeze Loan .....	25
<b>AIRLINE REVENUES AND OTHER REVENUE SOURCES .....</b>	<b>25</b>
Payments By Airlines Pursuant to Lease and Use Agreements .....	25
Passenger Facility Charges .....	27
Concessions and Other Consumer Revenue Sources .....	28
Other Terminal Area Revenue Sources .....	28
Airfield Area Revenue Sources .....	28
Tradeport and Other Area Revenue Sources .....	28
<b>REPORT OF THE AIRPORT CONSULTANT .....</b>	<b>28</b>
<b>AUTHORITY FINANCIAL FACTORS .....</b>	<b>30</b>
Debt Service Requirements .....	30
Historical Financial Results .....	31
Management Discussion and Analysis .....	33
<b>THE AIRPORT SYSTEM .....</b>	<b>35</b>
General .....	35
Authority Management .....	36
Description of the Airport Facilities .....	37
Current Projects and Future Capital Improvements .....	39
Enplaned Passengers at the Airport .....	40
Airlines Serving Orlando International Airport .....	42
Airline Market Shares .....	43
International Airline Traffic .....	45
The Tradeport .....	46
Taxation of Facilities, Rentals and Services .....	47
Insurance .....	47
<b>THE SIGNATORY AIRLINES AND FUTURE AIRLINE TRAFFIC .....</b>	<b>48</b>
The Signatory Airlines .....	48
Key Factors That Will Affect Future Airline Traffic .....	48
<b>REGULATORY MATTERS .....</b>	<b>48</b>
Contamination Assessment and Rehabilitation or Abatement .....	48
Wetland Mitigation .....	49
<b>LITIGATION .....</b>	<b>49</b>
<b>TAX MATTERS .....</b>	<b>51</b>
<b>LEGAL MATTERS .....</b>	<b>53</b>
<b>RATINGS .....</b>	<b>53</b>
<b>UNDERWRITING .....</b>	<b>53</b>
<b>FINANCIAL ADVISORS .....</b>	<b>54</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>54</b>
<b>DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS .....</b>	<b>54</b>

CONTINUING DISCLOSURE .....	54
MISCELLANEOUS .....	55
AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT .....	55

APPENDIX A - REPORT OF THE AIRPORT CONSULTANT	
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION	
APPENDIX C - SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT	
APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS	
APPENDIX E - FORM OF MUNICIPAL BOND INSURANCE POLICY	
APPENDIX F - AUDITED AND UNAUDITED FINANCIAL STATEMENTS	
APPENDIX G - FORM OF CO-BOND COUNSEL OPINION	
APPENDIX H - FORM OF SPECIAL TAX COUNSEL OPINION	
APPENDIX I - FORM OF CONTINUING DISCLOSURE UNDERTAKING	

## OFFICIAL STATEMENT

*relating to*

### **Greater Orlando Aviation Authority**

**\$46,640,000**

**Airport Facilities Refunding Revenue Bonds,  
Series 1998  
of the City of Orlando, Florida**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover and Appendices attached hereto, is to set forth information concerning the Greater Orlando Aviation Authority (the "Authority"), the Airport System (as defined herein), the City of Orlando, Florida (sometimes referred to herein as the "City"), and certain other information in connection with the sale of the \$46,640,000 Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida (the "1998 Bonds"). The 1998 Bonds are junior and subordinate to the Prior Lien Bonds (as defined herein) as to the pledge of, lien on, and source of payment from Revenues (as defined herein). As of August 1, 1998, Prior Lien Bonds in the principal amount of \$1,025,000 were outstanding. As of August 1, 1998, the Authority had \$1,006,255,000 principal amount of Airport Facilities Revenue Bonds outstanding (the "Outstanding Airport Facilities Revenue Bonds"), of which \$380,275,000 principal amount will be refunded with the proceeds of the 1998 Subordinated Bonds (as defined herein) to be issued contemporaneously with the 1998 Bonds and other available funds of the Authority. The 1998 Subordinated Bonds are Subordinated Indebtedness subordinate in lien to the 1998 Bonds. The 1998 Bonds are Refunding Bonds issued pursuant to the Bond Resolution (as defined herein) on a parity with the Outstanding Airport Facilities Revenue Bonds as to the pledge of, lien on and source of payment from Available Revenues (as defined herein) before the Retirement Date of Prior Lien Bonds (March 1, 2000) and Revenues (as defined herein) after the Retirement Date of Prior Lien Bonds. Following the issuance of the 1998 Bonds and the 1998 Subordinated Bonds, there will be \$672,620,000 total aggregate principal amount of Airport Facilities Revenue Bonds outstanding. Subject to certain conditions, Additional Bonds and Refunding Bonds may be issued under the Bond Resolution on a parity with the Outstanding Airport Facilities Revenue Bonds and the 1998 Bonds. See "SECURITY FOR THE 1998 BONDS - "Refunding Bonds" - "Additional Bonds" herein. The Outstanding Airport Facilities Revenue Bonds, the 1998 Bonds and any Additional Bonds and Refunding Bonds hereafter issued are collectively referred to herein as the "Bonds." The Authority also has incurred and may continue to incur indebtedness and other obligations that are junior and subordinate to the Prior Lien Bonds and the Bonds. See "SUBORDINATED INDEBTEDNESS" and "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS" herein.

Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meanings set forth in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Certain Definitions" attached hereto as APPENDIX B.

### THE AUTHORITY

The Authority was established pursuant to Chapter 57-1658, Special Laws of Florida 1957, as recodified and amended (the "Act"), as an agency of the City. The Orlando International Airport (the "Airport") is owned by the City, but pursuant to an Operation and Use Agreement dated September 27, 1976, by and between the City and the Authority, as amended (the "Airport Custody Agreement"), the City transferred to the Authority custody, control and management of the Airport for a term that will expire on September 30, 2026, subject to certain conditions. Under the Airport Custody Agreement, the Authority pays the City for specific services rendered in accordance with schedules negotiated with the City. Unless extended by the City and the Authority, upon the expiration of the term of the Airport Custody Agreement, the custody, control

and management of the Airport will revert to the City and the City shall automatically assume all of the liabilities of the Authority with respect to the Airport, but all such liability, including debt service on any Bonds which are outstanding after the expiration date of the Airport Custody Agreement, shall continue to be payable solely from Revenues and other amounts pledged pursuant to the Bond Resolution. Any such liabilities of the Authority which extend beyond the term of the Airport Custody Agreement will not be a general obligation of the City and neither the faith and credit nor the taxing power of the City will be pledged for the payment of any such liabilities, including the payment of principal, interest or premium on the Bonds.

The Authority operates the Airport System for the accommodation of air commerce and transportation. The Authority also operates the Orlando Executive Airport (formerly known as Herndon Airport) as a general aviation airport. The Orlando Executive Airport does not constitute a part of the Airport System and revenues derived from the operation of the Orlando Executive Airport are not pledged to payment of the Bonds or the interest or the premium, if any, thereon. However, for a description of certain amendments to the Airport Facilities Revenue Bond Resolution (as herein defined), which, when they become effective, will allow the Authority to include the Orlando Executive Airport within the definition of the Airport System upon meeting certain conditions. See "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C. Inclusion of the Orlando Executive Airport within the definition of the Airport System will also require the consent of a Majority-In-Interest of the Signatory Airlines (as defined herein) during the period that the Lease and Use Agreements are in effect.

The Authority is governed by a seven-member board. Five members are appointed by the Governor of the State of Florida, subject to confirmation by the State Senate, one member is elected from the Orlando City Council by a vote of the Orlando City Council, and one member is elected from the Orange County Board of County Commissioners by a vote of the Orange County Commissioners. One of the five members of the Authority board appointed by the Governor must be a resident of Osceola County. Members appointed by the Governor are appointed for four-year terms and the elected government officials serving as board members are elected for two-year terms. All Authority members may be reappointed, provided that maximum consecutive service for appointed members may not exceed eight years. The Authority elects its own officers.

### **AUTHORIZATION AND PURPOSE OF THE 1998 BONDS**

The 1998 Bonds are being authorized and issued under and pursuant to the Act and the Airport Facilities Revenue Bond Resolution, adopted by the Authority on June 13, 1978, as amended and supplemented from time to time (the "Airport Facilities Revenue Bond Resolution") and as specifically supplemented by that certain Supplemental Airport Facilities Revenue Bond Resolution, adopted on August 19, 1998, (the "1998 Supplemental Resolution," and together with the Airport Facilities Revenue Bond Resolution, collectively, the "Bond Resolution"). A summary of certain provisions of the Bond Resolution is set forth under the caption "SECURITY FOR THE 1998 BONDS" herein and in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" attached hereto as APPENDIX B. Under the Act, the Authority is authorized to issue revenue bonds to finance airport facilities and refunding revenue bonds of the City to refund outstanding bonds or other indebtedness of the Authority.

The proceeds of the 1998 Bonds, together with other available funds of the Authority, shall be used to refund Subordinated Indebtedness (as defined in the Bond Resolution) in the amount of \$47,574,001 incurred upon the termination of the 1995 Swap (as defined herein), which was entered into as an interest rate hedge in anticipation of the refunding of the Refunded Bonds (as defined herein) maturing after October 1, 1998, and to pay certain costs of issuance of the 1998 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS - 1995 Swap" herein. As part of a common plan of finance with the 1998 Bonds, the Authority intends to issue its 1998 Subordinated Bonds (as defined herein) for the purpose of refunding the Refunded Bonds (as defined herein). See "THE PLAN OF FINANCE" below.

## **AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION**

On November 5, 1997, the Authority adopted a Supplemental Airport Facilities Revenue Bond Resolution which was amended by that certain Supplemental Airport Facilities Revenue Bond Resolution adopted on November 19, 1997 (collectively, the "1997 Supplemental Resolution") which, in part, provided certain amendments to the Airport Facilities Revenue Bond Resolution. Certain of the amendments to Airport Facilities Revenue Bond Resolution set forth in the 1997 Supplemental Resolution require the consent of the holders of 100% of the Bond Obligation, and others require the consent of the holders of 66 $\frac{2}{3}$ % of the Bond Obligation prior to becoming effective. For a discussion of such amendments, see "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C. Purchasers of the 1998 Bonds, by their purchase and acceptance thereof, will be deemed to have irrevocably consented, in writing, to the amendments to the Airport Facilities Revenue Bond Resolution set forth in the 1997 Supplemental Resolution which require Bondholder consent. The Authority has covenanted that it will require each holder of Additional Bonds and Refunding Bonds issued after the adoption of the 1997 Supplemental Resolution to consent to the proposed amendments to the Airport Facilities Revenue Bond Resolution set forth in the 1997 Supplemental Resolution.

## **THE PLAN OF FINANCE**

The 1998 Bonds are being issued as part of a common plan of finance with those certain Greater Orlando Aviation Authority Airport Facilities Variable Rate Subordinated Revenue Refunding Bonds, 1998 Series A, B, C and D of the City of Orlando, Florida (collectively, the "1998 Subordinated Bonds"). The 1998 Subordinated Bonds are being issued as Subordinated Indebtedness under the Bond Resolution and as Additional Subordinated Bonds under and pursuant to that certain Master Indenture of Trust for the Greater Orlando Aviation Authority Airport Facilities Subordinated Revenue Bonds of the City of Orlando, Florida by and between the Authority and The Bank of New York (as successor to NationsBank of Florida, N.A., the successor by merger to NCNB National Bank of Florida), as Trustee, as supplemented and amended from time to time, and as specifically amended and supplemented by that certain Third Supplemental Indenture of Trust, dated as of August 1, 1998, by and between the Authority and the Trustee (collectively, the "Master Indenture"). The proceeds of the 1998 Subordinated Bonds, together with other available funds of the Authority, shall be used to refund all of the \$30,655,000 outstanding principal amount of the Authority's Airport Facilities Revenue Bonds, 1987 Series of the City of Orlando, Florida (the "1987 Bonds"), and all of the \$349,620,000 outstanding principal amount of the Authority's Airport Facilities Revenue Bonds, Series 1988 of the City of Orlando, Florida (the "1988 Bonds") and pay a call premium in the amount of \$6,837,600 with respect to the 1988 Bonds maturing after October 1, 1998. The 1987 Bonds and the 1988 Bonds shall be collectively referred to as the "Refunded Bonds." In order to hedge its interest rate risk with respect to the then anticipated refunding of the Refunded Bonds maturing after October 1, 1998, the Authority entered into the 1995 Swap. The 1998 Bonds are being issued for the purpose of refunding Subordinated Indebtedness incurred by the Authority upon the termination of the 1995 Swap.

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### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 1998 Bonds, less accrued interest, are expected to be applied as follows:

**Sources:**

Principal Amount of 1998 Bonds	\$46,640,000.00
Accrued Interest	100,817.22
Net Premium on 1998 Bonds	1,476,867.50
Other Available Funds <sup>(1)</sup>	<u>89,896.21</u>
Total Sources	<u>\$48,307,580.93</u>

**Uses:**

Deposit to Debt Service Account	\$ 100,817.22
Termination Payment on 1995 Swap	47,574,001.00
Costs of Issuance <sup>(2)</sup>	<u>632,762.71</u>
Total Uses	<u>\$48,307,580.93</u>

<sup>(1)</sup> From the Discretionary Fund established under the Bond Resolution.

<sup>(2)</sup> Includes cost of a municipal bond insurance policy.

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## DESCRIPTION OF THE 1998 BONDS

### Form and Denomination

The 1998 Bonds will be dated August 15, 1998 and will mature and bear interest from their dated date to their respective maturity dates in the amounts and at the rates set forth on the inside cover page of this Official Statement. Interest on the 1998 Bonds will be paid by The First National Bank of Chicago, as Trustee for the 1998 Bonds (the "Trustee") on April 1 and October 1 of each year, commencing April 1, 1999, provided however, that if any such day is not a business day (i.e., a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the corporate trust offices of the Paying Agent are authorized by law or executive order to close), then such payment shall be made on the next business day thereafter without payment of additional interest. Interest will be paid by check or draft mailed by the Trustee to the registered owners thereof as their addresses appear on the registration books maintained by the Trustee, as Bond Registrar, at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the "Record Date"), irrespective of any transfer or exchange of such 1998 Bonds after such Record Date and before such interest payment date. The Trustee, Paying Agent and Bond Registrar is The First National Bank of Chicago, Chicago, Illinois. The principal of and Redemption Price, if any, of the 1998 Bonds will be payable at the offices of the Trustee as set forth on the cover page of this Official Statement. However, a registered owner of \$1,000,000 or more in principal amount of 1998 Bonds may arrange for the payment of principal, interest and Redemption Price, if any, with respect to the 1998 Bonds, by wire transfer in immediately available funds by written request made to the Trustee within certain times, and upon certain conditions, set forth in the Bond Resolution.

The 1998 Bonds will be issued in fully-registered form in the denomination of \$5,000 or integral multiples thereof. For every exchange or transfer of the 1998 Bonds, the Authority, the City and the Trustee, as Bond Registrar, may make a charge sufficient to reimburse it for any tax, governmental fee or other governmental charge required (other than by the City or the Authority) to be paid with respect to the registration of such transfer and may require that such amount be paid before any such new 1998 Bond is delivered. Neither the Authority nor the Trustee is required to exchange or transfer any 1998 Bond for a period of 20 days next preceding any selection of a 1998 Bond to be redeemed and thereafter until after the first publication or mailing of any notice of redemption, and, in addition, for a period of 20 days next preceding an interest payment date with respect to the 1998 Bonds.

The City, the Authority, the Bond Registrar and the Paying Agent may deem and treat the registered owner of any 1998 Bond as the absolute owner thereof for purposes of receiving payment of the principal thereof or interest and premium, if any, thereon. The 1998 Bonds may be exchanged, subject to certain provisions contained in the Bond Resolution, for an equal aggregate principal amount of 1998 Bonds in other authorized denominations of the same maturity upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any 1998 Bond will be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee with a duly executed instrument of transfer or authorization for exchange in form satisfactory to the Trustee.

### Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 1998 Bonds. The 1998 Bonds will be issued as fully-registered securities and initially will be registered in the name of Cede & Co., DTC's partnership nominee. One fully-registered 1998 Bond will be issued for each maturity in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law and a member of the Federal Reserve System. DTC qualifies as a "banking organization" within the meaning of the New York Banking Law, 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the

settlement among Participants of securities transactions, such as securities transfers and pledges of securities, in securities deposited with DTC through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Access to the DTC system is available to direct participants, such as securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (the "Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of beneficial interests in the 1998 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998 Bonds on DTC's records. The ownership interest of each actual purchaser of the 1998 Bonds (the "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, but Beneficial Owners are 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 purchased the 1998 Bonds. Transfers of ownership interests in the 1998 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such 1998 Bonds, except in the event that use of the book-entry system for such 1998 Bonds is discontinued.

To facilitate subsequent transfers, all 1998 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the 1998 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1998 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 1998 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of the Beneficial Owners.

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 such parties, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1998 Bonds registered in the name of Cede & Co. are being redeemed, then DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 1998 Bonds registered in the name of Cede & Co. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such 1998 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1998 Bonds registered in the name of Cede & Co. will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority, disbursement of such payments

to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1998 Bonds at any time by giving reasonable notice to the Authority or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, the 1998 Bonds are required to be printed and delivered to the Beneficial Owners.

The Trustee and the Authority will send any notice of redemption or other notice only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 1998 Bonds called for redemption or of any other action premised on such notice.

**THE CITY, THE AUTHORITY, AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE 1998 BONDS, FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE 1998 BONDS OR THE PROVIDING OF NOTICE OR PAYMENT TO PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 1998 BONDS FOR REDEMPTION.**

The City, the Authority and the Trustee cannot give any assurances that DTC, Participants or others will distribute payments of principal of, premium, if any, and interest on the 1998 Bonds paid to DTC or its nominee, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Official Statement.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but such information has not been independently verified by any of the parties to the subject financing and the Authority takes no responsibility for the accuracy thereof.

**No Optional Redemption of 1998 Bonds**

The 1998 Bonds are not subject to optional redemption prior to maturity.

**Mandatory Sinking Fund Installments**

The 1998 Bonds maturing on October 1, 2017 are subject to mandatory redemption prior to maturity, by operation of the Debt Service Account to satisfy Sinking Fund Installments, in part, by lot, on the dates and in the principal amounts set forth below, plus accrued interest to the redemption date:

<b><u>Year</u></b> <b><u>(October 1)</u></b>	<b><u>Principal Amount</u></b>
2014	\$1,570,000
2015	1,215,000
2016	810,000
2017*	515,000

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\*Maturity

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to the interest on the 1998 Bonds for which such Sinking Fund Installment was established) may, and if so directed by the Authority shall, be applied by the Trustee to the purchase of the 1998 Bonds for which such Sinking Fund Installment was established, or to

the redemption of such 1998 Bonds if they are then redeemable by their terms. Any such purchase or early redemption shall reduce the amount of 1998 Bonds to be redeemed on the scheduled sinking fund redemption date.

### **Selection of 1998 Bonds to be Redeemed**

The 1998 Bonds to be selected for mandatory sinking fund redemption shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any 1998 Bonds of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such 1998 Bonds for redemption, the Trustee shall treat each such 1998 Bond as representing that number of 1998 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such 1998 Bond to be redeemed in part by \$5,000.

### **Notice of Redemption**

Notice of redemption shall be mailed at least 30 days and not more than 60 days before the redemption date to the registered owners of any 1998 Bonds or portions of 1998 Bonds to be redeemed at their last addresses appearing upon the registration books maintained by the Trustee. Failure to mail such notice to a registered owner of a 1998 Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any 1998 Bond or portion thereof with respect to which no such failure or defect occurred. Any notice mailed as provided in the Bond Resolution shall be conclusively presumed to have been duly given, whether or not the owner of such 1998 Bond receives such notice.

In addition, each notice of redemption and payment of the Redemption Price shall meet the requirements set forth in (a), (b), (c), (d) and (e) below; provided, however, that failure of such notice or payment to comply with the following requirements shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as described above.

(a) Each notice of redemption shall set forth the date fixed for redemption, the complete name and series designation of the 1998 Bonds to be redeemed, the name and address of the Paying Agent, a contact person with the Paying Agent and his or her telephone number and the CUSIP numbers, if any, of the 1998 Bonds called for redemption, the date of publication of the notice, the Redemption Price, the date of the issue, the interest rate and the stated maturity date with respect to the 1998 Bonds to be redeemed; and with respect to owners of \$1,000,000 or more in principal amount to be redeemed, such notice shall be sent by certified mail, return receipt requested.

(b) Each notice of redemption shall be sent at least 35 days before the redemption date and to the extent possible, so that such notice is received at least two days prior to the general publication date by certified mail, return receipt requested or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the 1998 Bonds (such depositories now being The Depository Trust Company, New York, New York and Midwest Securities Trust Company, Chicago, Illinois) and to two or more national information services that disseminate notices of redemption of obligations such as the 1998 Bonds.

(c) Each notice of redemption shall be published one time in THE BOND BUYER, New York, New York, or in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the 1998 Bonds as directed by the Authority, such publication to be made at least 30 days prior to the date fixed for redemption.

(d) Upon the payment of the Redemption Price of the 1998 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear or be accompanied by an advice

showing the CUSIP number identifying, by issue and maturity, the 1998 Bonds being redeemed with the proceeds of such check or other transfer.

(e) A second notice of redemption shall be mailed in the manner provided above to any registered owner who has not tendered 1998 Bonds that have been called for redemption within 60 days after the applicable redemption date.

### **Payment of Redeemed 1998 Bonds**

Notice having been given in the manner required as described above, the 1998 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date at the Redemption Price, plus accrued interest to the redemption date. If less than all of a 1998 Bond shall be selected for redemption, the Paying Agent will deliver, upon the surrender of such 1998 Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the 1998 Bond so surrendered, 1998 Bonds of like maturity in any authorized denomination. If on the redemption date moneys for the redemption of the 1998 Bonds to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent, and if notice of redemption shall have been given in the manner required as described above, then interest on the 1998 Bonds so called for redemption shall cease to accrue from and after the redemption date. If moneys shall not be so available, such 1998 Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

### **SECURITY FOR THE 1998 BONDS**

Brief descriptions of the Prior Lien Bonds, the source of payment of the 1998 Bonds, the flow of funds before and after the Retirement Date of Prior Lien Bonds, a description of the Authority's rate covenant set forth in the Bond Resolution and certain other provisions of the Bond Resolution are provided herein. The descriptions provided herein are qualified in their entirety by reference to the provisions of the Bond Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" attached hereto as APPENDIX B.

### **General**

The 1998 Bonds are being issued as Refunding Bonds pursuant to the Bond Resolution. As such, the 1998 Bonds are on a parity with the Outstanding Airport Facilities Revenue Bonds as to the pledge of, lien on and source of payment from Available Revenues before the Retirement Date of Prior Lien Bonds and Revenues on and after the Retirement Date of Prior Lien Bonds. Additional Bonds and Refunding Bonds may be issued under the Bond Resolution on a parity with the Outstanding Airport Facilities Revenue Bonds and the 1998 Bonds. All of the Bonds are junior and subordinate to the Prior Lien Bonds as to the pledge of, lien on, and source of payment from Available Revenues.

**THE 1998 BONDS ARE NOT OBLIGATIONS OF THE STATE OF FLORIDA OR GENERAL OBLIGATIONS OF THE AUTHORITY, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 1998 BONDS, OR THE INTEREST OR PREMIUM, IF ANY, THEREON. THE AUTHORITY HAS NO TAXING POWER.**

### **Airline Rates and Charges**

The Lease and Use Agreements (as defined herein) provide a mechanism for setting the Authority's rates and charges for use of the Airport by the Signatory Airlines (as defined herein) and provide for the leasing of certain Airport facilities to the Signatory Airlines. Under the Lease and Use Agreements, fees and charges will be reviewed at least annually and adjusted as necessary so that for each Fiscal Year, Revenues

(as defined in the Lease and Use Agreements, which expressly exclude PFC Revenues) less certain deposits required under the Trust Agreement and certain deposits required under the Bond Resolution and less all amounts required to pay Subordinated Indebtedness (as herein defined), amounts required to pay third parties under interest rate swap agreements or other derivative financial product agreements approved by a Majority-In-Interest of Signatory Airlines and amounts required to be reimbursed to the PFC Account pursuant to the Bond Resolution due to withdrawals to cure deficiencies to the extent not previously reimbursed, shall at least equal (a) 1.25 times the sum of the aggregate principal (including Sinking Fund Installments) and interest (other than capitalized interest) to become due and payable in such Fiscal Year on the Prior Lien Bonds, the Outstanding Airport Facilities Revenue Bonds, the 1998 Bonds and any Additional Bonds and Refunding Bonds hereafter issued, less (b) Available PFC Revenues (as defined herein) for such Fiscal Year. See "AIRLINE REVENUES AND OTHER REVENUE SOURCES - Payments by Airlines Pursuant to Lease and Use Agreements" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS" attached hereto as APPENDIX D.

The Lease and Use Agreements expire on October 1, 2008. However, the expiration of the Lease and Use Agreements will not relieve the Authority of its obligations under the rate covenant contained in the Bond Resolution. See "SECURITY FOR THE 1998 BONDS - Rate Covenant" herein.

## **Revenues**

In 1974, pursuant to a Trust Agreement dated March 1, 1974 (the "Trust Agreement"), the City issued its Airport Revenue Bonds of 1974 (the "Prior Lien Bonds"). As of August 1, 1998, Prior Lien Bonds in the aggregate principal amount of \$1,025,000 were outstanding.

The Prior Lien Bonds are secured by a pledge of and first lien on Revenues and have a final maturity date of March 1, 2000. On and after the Retirement Date of Prior Lien Bonds, the Bonds will be payable from and secured by a pledge of and first lien on Revenues. The term "Revenues" is defined in the Bond Resolution as follows:

- (i) all income and revenues from all sources collected or received by the Authority in the operation of the Airport System, including without limitation except as expressly provided in the Bond Resolution, all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the Authority in its capacity as the operator of the Airport System in connection with the operation, improvement and enlargement of the Airport System, or any part thereof;
- (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the Airport System's benefit which are: (a) not restricted in application to a special purpose, and (b) otherwise lawfully available for the payment of charges with respect to the Prior Lien Bonds and the Bonds;
- (iii) income received on any investment of moneys held pursuant to the Bond Resolution and paid into the Revenue Fund pursuant to the terms of the Bond Resolution;
- (iv) income received on any investment of moneys held pursuant to the Trust Agreement and paid into the revenue fund established under the Trust Agreement;
- (v) amounts deposited in the revenue fund established under the Trust Agreement or into the Revenue Fund from the Prepaid Airline Fees and Charges Fund pursuant to the terms of the Bond Resolution; and
- (vi) after the Retirement Date of Prior Lien Bonds, Available PFC Revenues for the applicable period.

The term "Revenues" shall not include any revenue or income from any Special Purpose Facilities, except ground rentals therefor, or revenue or income from Orlando Executive Airport (formerly known as Herndon Airport) or any additions, extensions or improvements thereto; provided, however, that after the Retirement Date of Prior Lien Bonds, "Revenues" shall include the revenue or income from Special Purpose Facilities which are not pledged to the payment of obligations of the Authority issued to finance such Special Purpose Facilities; and provided further, that prior to the Retirement Date of Prior Lien Bonds, "Revenues" shall include all revenues and income included in the definition of "Revenues" under the Trust Agreement, whether or not such revenues and income have been specifically included or excluded from "Revenues" under the Bond Resolution.

The term "Revenues" shall not include PFC Revenues except after the Retirement Date of Prior Lien Bonds and then only to the extent that they constitute Available PFC Revenues for the applicable period. PFC Revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC Projects. For a description of certain limitations in the Bond Resolution regarding the amount of PFC Revenues included in the definitions of Revenues or Available Revenues, see "AIRLINE REVENUES AND OTHER REVENUE SOURCES - Passenger Facility Charges" herein.

The pledge of and lien on Revenues or Available Revenues securing the Bonds and the interest and premium, if any, thereon, is junior and subordinate in all respects to the pledge of and lien on Revenues pursuant to the Trust Agreement until all Prior Lien Bonds have been paid or deemed to have been paid in accordance with the terms of the Trust Agreement. The Bond Resolution provides that, on and after the date that all Prior Lien Bonds have been paid or deemed to have been paid, the Bonds, and the interest and premium, if any, thereon, will be payable from and secured by a pledge of and first lien on Revenues.

The Authority has covenanted in the Bond Resolution that it will not issue any additional bonds or other evidences of indebtedness under the Trust Agreement, or extend the maturity of any Prior Lien Bonds, except that Prior Lien Bonds may be authenticated and delivered in lieu of or in substitution for other Prior Lien Bonds in connection with servicing the Prior Lien Bonds.

#### **Available Revenues**

Prior to the Retirement Date of Prior Lien Bonds, the 1998 Bonds are payable from and secured by a pledge of and lien on Available Revenues and after the Retirement Date of Prior Lien Bonds, on all Revenues. The term "Available Revenues" is defined in the Bond Resolution as: (a) all moneys at any time on deposit in the discretionary fund established under the Trust Agreement, except for such moneys which are required to be deposited into the reserve account or redemption account in the airport system sinking fund or operation and maintenance fund established under the Trust Agreement, or are required to pay principal or interest on the Prior Lien Bonds, (b) all moneys at any time on deposit in the surplus fund established under the Trust Agreement which are not required to be deposited into the redemption account in the airport system sinking fund established under the Trust Agreement or to pay principal of or interest on Prior Lien Bonds and (c) Available PFC Revenues for the applicable period. Available Revenues do not include PFC Revenues in excess of Available PFC Revenues for the applicable period. PFC Revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC Projects.

The Authority has covenanted under the Bond Resolution that each month it will transfer all Available Revenues from the discretionary fund and surplus fund established under the Trust Agreement to the Revenue Fund established under the Bond Resolution.

The Bonds are also secured by all funds (and investment earnings thereon) held pursuant to the Bond Resolution, including amounts on deposit in the Debt Service Reserve Account, until applied for the purposes permitted by the Bond Resolution. The Bond Resolution requires an amount equal to the Maximum Aggregate Debt Service to be maintained in the Debt Service Reserve Account. The amount on deposit in the Debt Service Reserve Account after issuance of the 1998 Bonds will equal the Maximum Aggregate Debt Service.

## Flow of Funds

**Before Retirement Date of Prior Lien Bonds.** Before the Retirement Date of Prior Lien Bonds, the Bond Resolution requires that all Revenues shall be deposited into the revenue fund established under the Trust Agreement (the "Trust Agreement revenue fund") and applied on the first day of each month in accordance with the terms of the Trust Agreement. Moneys in the Trust Agreement revenue fund are to be used first to make required deposits into the sinking fund established under the Trust Agreement and credited to the interest, principal, reserve and redemption accounts held therein for the Prior Lien Bonds. Moneys in the Trust Agreement revenue fund are next used to make required deposits into the operation and maintenance fund established under the Trust Agreement in an amount equal to one-twelfth of the annual operating expenses of the Airport System included in the Authority's current Annual Budget. Moneys in the Trust Agreement revenue fund are next deposited, if necessary, into the operating reserve account established under the Trust Agreement, so that the balance therein will equal one-sixth of the annual operating expenses of the Airport System provided in the Authority's current Annual Budget. Moneys in the Trust Agreement revenue fund are next deposited, if necessary, into the renewal and replacement fund established under the Trust Agreement in an amount equal to one-twelfth of the amount required to be deposited in such fund as set forth in the Authority's current Annual Budget; provided that no deposits are required so long as the uncommitted moneys in such fund are equal to or greater than \$1,000,000 or such larger amount as the Airport Consultant (as defined herein) shall certify as necessary (\$9,250,000 for Fiscal Year 1998). Moneys remaining in the Trust Agreement revenue fund each month after making the foregoing required deposits are then deposited into the discretionary fund established under the Trust Agreement in an amount equal to one-twelfth of 7½% of the budgeted gross revenues, if such amount is available and in no event shall the deposit be less than \$10,000 per month. The balance, if any, then on deposit in the Trust Agreement revenue fund, after curing deficiencies for prior required payments, is deposited in the surplus fund established under the Trust Agreement.

The Authority has covenanted under the Bond Resolution that on the second day of each month all Available Revenues will be transferred from the discretionary fund and surplus fund established under the Trust Agreement to the Revenue Fund established under the Bond Resolution. Amounts in the Revenue Fund shall be applied monthly to the following funds and accounts established under the Bond Resolution, in the following order of priority:

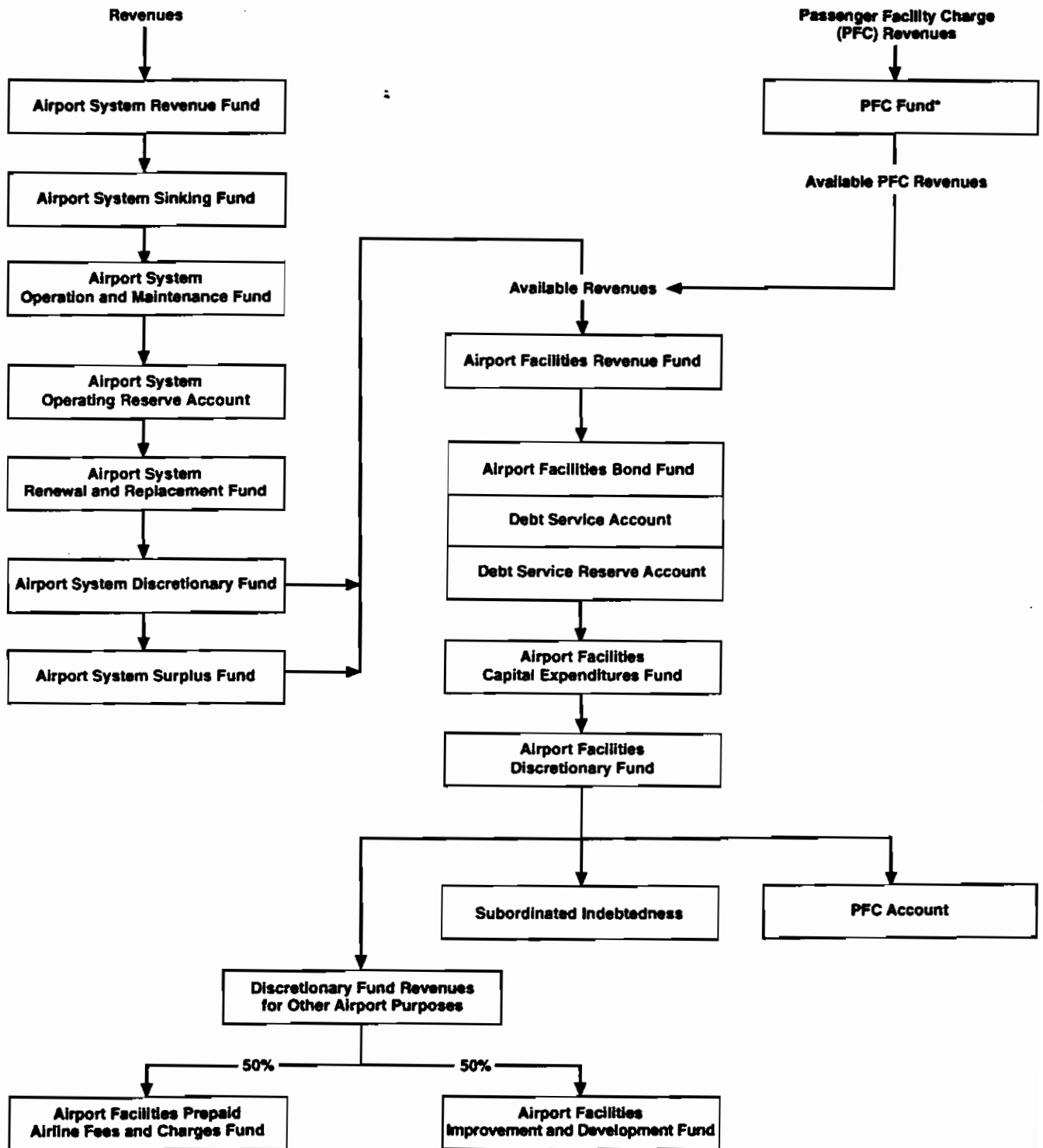
- (a) the amount, if any, to be deposited to the Debt Service Account in the Bond Fund so that the balance therein shall equal the Accrued Aggregate Debt Service; provided that, for purposes of computing the amount in said account, there shall be excluded the amount, if any, set aside in said account which was deposited therein from proceeds of each series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such series (or any Refunding Bonds issued to refund such Bonds) other than Capital Appreciation Bonds, to the last day of the then current month for the payment of Debt Service on the Bonds;
- (b) the amount, if any, to the Debt Service Reserve Account in the Bond Fund so that the balance therein shall equal the Debt Service Reserve Requirement;
- (c) one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount appropriated therefor in the current Annual Budget to the Capital Expenditures Fund plus any deficiencies from deposits in prior months; and
- (d) \$166,667 plus certain additional amounts (including amounts required to pay Subordinated Indebtedness, amounts required to pay third parties under interest rate swap agreements or other derivative financial product agreements and required deposits to the PFC Account), and any deficiencies from deposits in prior months, to the Discretionary Fund.

See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Application of Revenues - Prior to Retirement Date of Prior Lien Bonds" attached hereto as APPENDIX B. At the end of each Fiscal Year, after all deposits required to be made into each of the aforesaid funds and accounts have been made, the moneys remaining in the Revenue Fund, and not required to make up any deficiencies for prior required payments, shall be transferred in equal amounts (50% each) to the Improvement and Development Fund and the Prepaid Airline Fees and Charges Fund.

The following diagram presents a summary of the application of Revenues to various funds and accounts as governed by the provisions of the Trust Agreement and the Bond Resolution for the period before the Retirement Date of Prior Lien Bonds. A complete description of the application of Revenues is included in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Application of Revenues - Prior to Retirement Date of Prior Lien Bonds," attached hereto as APPENDIX B. "SECURITY FOR THE 1998 BONDS - Available Revenues" herein for a description of the types of income and revenues of the Authority included in the definition of "Available Revenues."

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## APPLICATION OF REVENUES BEFORE RETIREMENT DATE OF PRIOR LIEN BONDS



\* PFC Revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC projects.

***On and After Retirement Date of Prior Lien Bonds.*** On and after the Retirement Date of Prior Lien Bonds, the Bond Resolution requires that all Revenues shall be deposited into the Revenue Fund established under the Bond Resolution. Revenues deposited into the Revenue Fund shall be applied monthly to the following funds and accounts, in the following order of priority:

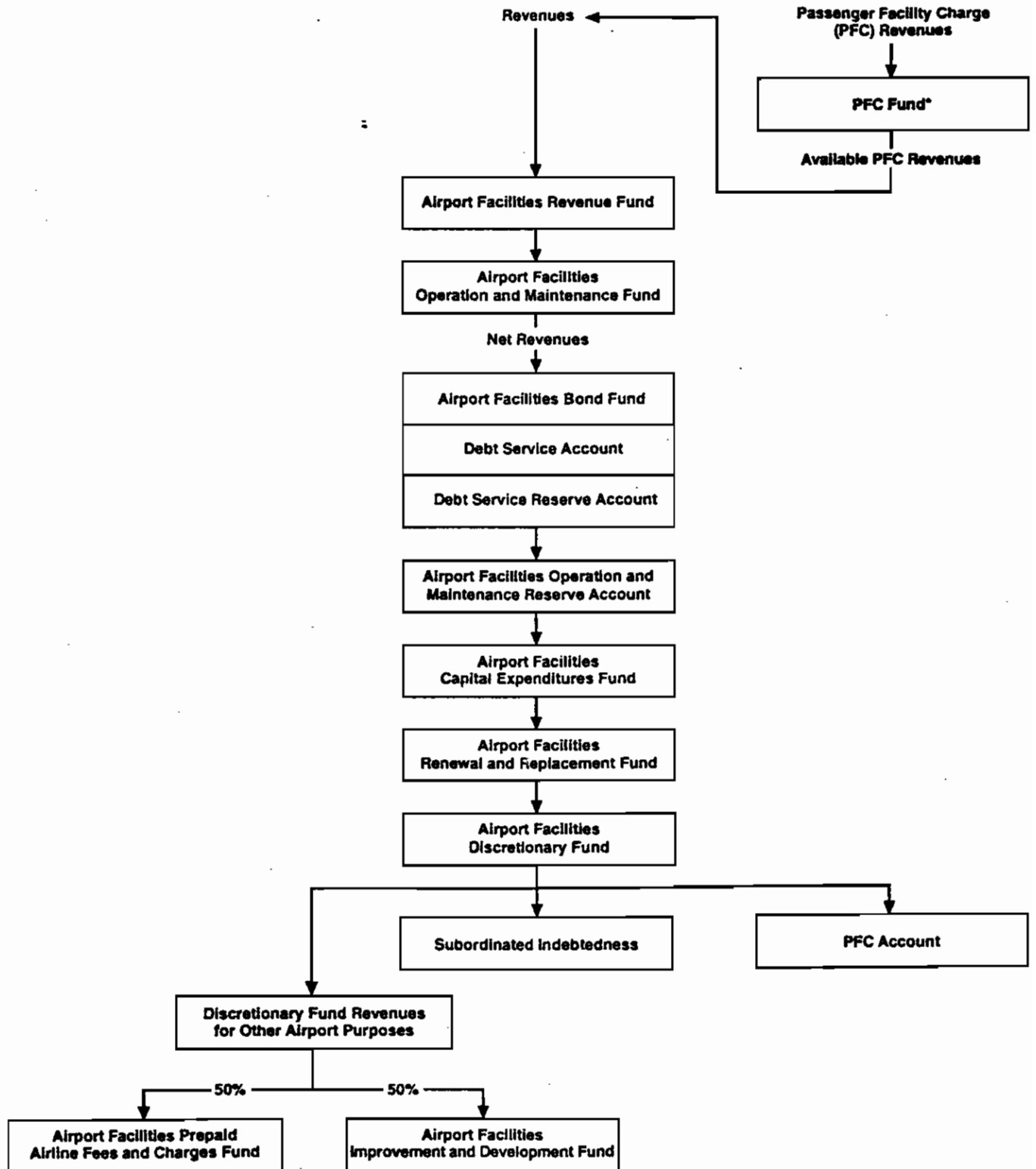
- (a) to the Operation and Maintenance Fund, an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the money appropriated for Operation and Maintenance Expenses for the then current Fiscal Year as set forth in the current Annual Budget;
- (b) the amount, if any, to be deposited to the Debt Service Account in the Bond Fund so that the balance therein shall equal the Accrued Aggregate Debt Service; provided that, for purposes of computing the amount in said account, there shall be excluded the amount, if any, set aside therein which was deposited from proceeds of each series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such series (or any Refunding Bonds issued to refund such Bonds) other than Capital Appreciation Bonds, to the last day of the then current month for the payment of Debt Service on the Bonds;
- (c) the amount, if any, to the Debt Service Reserve Account in the Bond Fund so that the balance therein shall equal the Maximum Aggregate Debt Service;
- (d) to the Operation and Maintenance Fund for credit to the Operation and Maintenance Reserve Account, an amount equal to one-twelfth (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount which is equal to the difference between the sum on deposit in the Operation and Maintenance Reserve Account at the beginning of the then-current Fiscal Year and one-sixth of the Operation and Maintenance Expenses set forth in the current Annual Budget;
- (e) one-twelfth (or such greater fraction if the period is less than 12 months, as may be appropriate) of the amount appropriated therefor in the current Annual Budget to the Capital Expenditures Fund plus any deficiencies from deposits in prior months;
- (f) one-twelfth (or such greater fraction if the period is less than 12 months, as may be appropriate) of the amount appropriated therefor in the current Annual Budget to the Renewal and Replacement Fund, provided that no further deposits are required so long as the uncommitted moneys therein are equal to or greater than \$1,000,000 or such larger amount as the Airport Consultant shall certify as necessary (currently \$9,250,000 for Fiscal Year 1998) plus any deficiencies from deposits in prior months; and
- (g) \$166,667 plus certain additional amounts (including amounts required to pay Subordinated Indebtedness, amounts required to pay third parties under interest rate swap agreements or other derivative financial product agreements and required deposits to the PFC Account) to the Discretionary Fund plus any deficiencies from deposits in prior months.

See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Application of Revenues - After Retirement Date of Prior Lien Bonds" attached hereto as APPENDIX B. At the end of each Fiscal Year, after all deposits required to be made into each of the aforesaid funds and accounts have been made, the moneys remaining in the Revenue Fund, and not required to make up any deficiencies, shall be transferred in equal amounts (50% each) to the Improvement and Development Fund and the Prepaid Airline Fees and Charges Fund.

The following diagram presents a summary of the application of Revenues to various funds and accounts as governed by the provisions of the Bond Resolution for the period on and after the Retirement Date of Prior Lien Bonds. A complete description of the application of Revenues is included in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Application of Revenues - After Retirement Date of Prior Lien Bonds" attached hereto as APPENDIX B. See "SECURITY FOR THE 1998 BONDS - Revenues" herein for a description of the types of income and revenues of the Authority included in the definition of "Revenues."

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# APPLICATION OF REVENUES AFTER RETIREMENT DATE OF PRIOR LIEN BONDS



\* PFC Revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC projects.

## **Bond Insurance**

The scheduled payment of principal of and interest on all of the 1998 Bonds will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the 1998 Bonds by Financial Guaranty Insurance Company ("Financial Guaranty") as described herein. For a description of the terms and provisions of such policy, including the limitations thereof, see "Municipal Bond Insurance" herein.

**Subject to certain limitations set forth in the 1998 Supplemental Resolution, Financial Guaranty will be deemed to be the Bondholder of the 1998 Bonds for purposes of the provisions of the Bond Resolution relating to events of default and the exercise of remedies, the removal and appointment of fiduciaries and certain amendments to the Bond Resolution, except that Financial Guaranty shall not be deemed to be the Bondholder of the 1998 Bonds for purposes of consenting to amendments with respect to changes in the maturity, principal amount, interest rate or payment dates with respect to the 1998 Bonds. See APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."**

## **Rate Covenant**

The Authority has covenanted in the Bond Resolution that it will establish, fix, prescribe, and collect rates, fees, rentals and other charges for the use of the Airport System as shall be required in order that, in each Fiscal Year, Net Revenues less the amounts, if any, required to be deposited from Revenues or Available Revenues into the renewal and replacement fund and operating reserve account established under the Trust Agreement and into the Operation and Maintenance Reserve Account, the Capital Expenditures Fund and the Renewal and Replacement Fund established under the Bond Resolution, shall equal at least 1.25 times the sum of the Aggregate Debt Service and Prior Lien Debt Service for such Fiscal Year and, in any event, as shall be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues or Available Revenues under the Trust Agreement and the Bond Resolution. Amounts in the Prepaid Airline Fees and Charges Fund at the end of each Fiscal Year are required to be deposited into the Trust Agreement revenue fund prior to the Retirement Date of Prior Lien Bonds or to the Revenue Fund under the Bond Resolution on and after the Retirement Date of Prior Lien Bonds and are treated as Available Revenues or Revenues, as the case may be, in the first three months of the following Fiscal Year. The 1997 Supplemental Resolution sets forth certain proposed amendments to the Airport Facilities Revenue Bond Resolution regarding the Authority's rate covenant which will become effective upon receipt of the consent of the holders of 66⅔% of the Bond Obligation. See "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C for a description of such proposed amendments.

The Authority remains obligated under the Bond Resolution to establish, fix, prescribe and collect rates, fees, rentals and other charges as provided above until such time as there are no longer any Bonds Outstanding, notwithstanding the expiration or termination of the Lease and Use Agreements. See "AIRLINE REVENUES AND OTHER REVENUE SOURCES - Payments by Airlines Pursuant to Lease And Use Agreements" herein.

## **Refunding Bonds**

The Bond Resolution provides that Refunding Bonds may be issued to refund: (a) all Outstanding Bonds of one or more series or all or any portion of one or more maturities within a series, or (b) any Subordinated Indebtedness, or (c) all Prior Lien Bonds (or, if permitted by the Trust Agreement, Prior Lien Bonds of one series or any portion thereof) as follows:

1. Refunding Bonds may be issued to refund one or more series of Outstanding Bonds, or one or more maturities or any portion of a maturity, within a series, only upon satisfaction of the following conditions, among others:

(a) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, shall be held by the Trustee or one or more of the Paying Agents or (ii) Investment Securities and moneys, sufficient to satisfy the defeasance requirements of the Bond Resolution, shall be held in trust. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Defeasance" attached hereto as APPENDIX B for a description of the defeasance requirements of the Bond Resolution; and

(b) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority to the effect that either (i) issuance of the Refunding Bonds will not cause an increase in Aggregate Debt Service in the then-current or any future Fiscal Year, or (ii) the tests set forth in the Bond Resolution for the issuance of Additional Bonds in connection with issuance of the Refunding Bonds have been met, treating the Refunding Bonds as Additional Bonds for all purposes of such certificate and tests. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Additional Bonds" attached hereto as APPENDIX B for a summary of certain conditions and tests applicable to Additional Bonds.

2. Refunding Bonds may be issued to refund Subordinated Indebtedness upon satisfaction of the following conditions, among others:

(a) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority, in general stating that the conditions and tests applicable to the issuance of Additional Bonds have been satisfied; and

(b) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority (or of the trustee under the instrument authorizing such Subordinated Indebtedness, if there be such a trustee) stating, among other things, that provision has been duly made for the redemption or payment at maturity of such Subordinated Indebtedness.

3. Refunding Bonds may be issued to refund all Prior Lien Bonds (or, if permitted by the Trust Agreement, Prior Lien Bonds of one series or any portion thereof) upon receipt by the Trustee of, among other things, a certified copy of a resolution of the Authority providing for the redemption or payment of the Prior Lien Bonds being refunded and a counsel's opinion to the effect that all actions required by the Trust Agreement to provide for the redemption or payment of Prior Lien Bonds being refunded have been taken.

#### **Additional Bonds**

The Bond Resolution provides that one or more series of Additional Bonds may be authenticated and delivered upon original issuance at any time, for the purpose of paying the cost of any Additional Projects, subject to the following conditions and tests, among others:

1. Receipt by the Trustee of a certificate of an Authorized Officer of the Authority demonstrating that Net Revenues for any consecutive 12 month period out of the next preceding 18 months equaled at least 1.25 times the sum of Aggregate Debt Service and Prior Lien Debt Service for such 12 month period;

2. Receipt by the Trustee of a report of the Consulting Engineer setting forth (i) the estimated substantial completion and placed in service dates for the Additional Projects for which such series of Additional Bonds is being issued and for any other uncompleted Project, and (ii) an estimate of the Cost of Construction of such Additional Projects and of any other uncompleted Project; and

3. Receipt by the Trustee of a report of the Airport Consultant setting forth for each of the five Fiscal Years following the Fiscal Year in which the Consulting Engineer estimates such Additional Projects will be substantially completed and placed in service, estimates of (i) Net Revenues, (ii) amounts to be deposited from Revenues or Available Revenues into the renewal and replacement fund and operating reserve account established under the Trust Agreement, the Operation and Maintenance Reserve Account, the Capital Expenditures Fund and the Renewal and Replacement Fund, and (iii) the Aggregate Debt Service, including Aggregate Debt Service, as estimated by an Authorized Officer of the Authority, with respect to future series of Bonds, if any, which such Authorized Officer shall estimate (based on the estimate of the Consulting Engineer of the Cost of Construction of such Additional Project and any other uncompleted Additional Project) will be required to complete payment of the Cost of Construction of such Additional Project and any other uncompleted Project, and the Prior Lien Debt Service for each of the five Fiscal Years following the Fiscal Year in which the Additional Project is estimated by the Consulting Engineer to be substantially completed and placed in service, and demonstrating that the estimated Net Revenues in each of the Fiscal Years set forth in (i) above, less the sum of the amounts to be deposited in certain funds and accounts in each such Fiscal Year set forth in (ii) above is at least equal to 1.25 times the sum of the Aggregate Debt Service and Prior Lien Debt Service for the corresponding Fiscal Year as set forth in (iii) above.

The 1997 Supplemental Resolution sets forth certain proposed amendments to the provisions of the Airport Facilities Revenue Bond Resolution regarding the prerequisites to the issuance of Additional Bonds which will become effective upon receipt of the consent of the holders of 66 $\frac{2}{3}$ % of the Bond Obligation. See "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C for a description of such proposed amendments.

The 1997 Supplemental Resolution also sets forth certain proposed amendments to the Airport Facilities Revenue Bond Resolution which permit the Authority to issue Additional Bonds that are additionally secured by Supplemental Revenues. Such amendments require the consent of the holders of 66 $\frac{2}{3}$ % of the Bond Obligation. See "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C for a discussion of those items which constitute "Supplemental Revenues" and the terms and conditions under which such "Supplemental Revenues" may be pledged to secure Additional Bonds upon the effectiveness of such amendments.

### **MUNICIPAL BOND INSURANCE**

The following information has been furnished by Financial Guaranty for use in this Official Statement. Reference is made to APPENDIX E attached hereto for a specimen of Financial Guaranty's policy.

Concurrently with the issuance of the 1998 Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "Policy") relating to the 1998 Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the 1998 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"),

on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of 1998 Bonds or the Paying Agent of the nonpayment of such amount by the Authority. The Fiscal Agent will disburse such amount due on any 1998 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in financial Guaranty. The term "nonpayment" in respect of a 1998 Bond includes any payment of principal or interest made to an owner of a 1998 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, non-appealable order of a court having competent jurisdiction.

The Policy is non-cancelable and the premium will be fully paid at the time of delivery of the 1998 Bonds. The Policy covers failure to pay principal of the 1998 Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the 1998 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date of its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that certain amendments or supplements to the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the 1998 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement.

This Official Statement contains a section regarding the ratings assigned to the 1998 Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the 1998 Bonds. See "RATINGS" herein.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 1997, the total capital and surplus of Financial Guaranty was approximately \$1,267,900,134. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

## **SUBORDINATED INDEBTEDNESS**

The Bond Resolution permits the issuance by the Authority, without limit as to amount, of Subordinated Indebtedness or other obligations payable from the Discretionary Fund that are subordinate to the Prior Lien Bonds and the Bonds as to the pledge of, lien on, and payment from Revenues and Available Revenues (the "Subordinated Indebtedness"). The Authority's outstanding Subordinated Indebtedness is discussed below in this section and in "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS" herein. The forecasted debt service requirements on the outstanding Subordinated Indebtedness through Fiscal Year 2005 are discussed in "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A and are presented in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements." The Report of the Airport Consultant has not been updated to reflect the occurrence of any event or transaction since November 13, 1997. In the Report of the Airport Consultant, debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds.

### **1998 Subordinated Bonds**

Contemporaneously with the issuance of the 1998 Bonds, the Authority intends to issue the 1998 Subordinated Bonds in the aggregate principal amount of \$380,725,000, the proceeds of which, together with other available funds, will be used to refund the Refunded Bonds. The 1998 Subordinated Bonds constitute Subordinated Indebtedness under the Bond Resolution and were authorized under and pursuant to the Master Indenture of Trust for the Greater Orlando Aviation Authority Airport Facilities Subordinated Revenue Bonds of the City of Orlando, Florida, dated as of August 1, 1992 (the "Master Indenture"), by and between the Authority and The Bank of New York (as successor to NationsBank of Florida, N.A., the successor by merger to NQNB National Bank of Florida), as trustee (the "Trustee"), as amended and supplemented from time to time, and specifically, as amended and supplemented by that certain Third Supplemental Indenture of Trust, dated as of August 1, 1998, by and between the Authority and the Trustee (the "1998 Supplemental Indenture" and together with the Master Indenture, collectively the "Indenture"). See "THE PLAN OF FINANCE" herein for a description of the proposed use of the proceeds of the 1998 Subordinated Bonds. The Authority also intends to enter into a floating to fixed rate swap with respect to the 1998 Subordinated Bonds. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER INDEBTEDNESS - Proposed 1998 Subordinated Bonds Swap" herein.

### **Commercial Paper Program**

The Authority has provided interim financing for certain Airport capital improvements from the proceeds of certain Airport Facilities Subordinated Commercial Paper Notes, the initial tranche of which was originally issued on October 26, 1994 (the "Commercial Paper Notes"). The Commercial Paper Notes constitute Subordinated Indebtedness under the Bond Resolution and were authorized under and pursuant to the terms of an Indenture of Trust, dated as of October 1, 1994 as supplemented and amended (collectively, the "CP Indenture"), by and between the Authority and Bankers Trust Company (the "CP Trustee"). The aggregate principal amount of Commercial Paper Notes of all series that may be Outstanding under the CP Indenture at any one time may not exceed \$250,000,000. Payment of the principal amount of the Commercial Paper Notes is supported by two liquidity support facilities (collectively, the "Credit Agreement") provided by Morgan Guaranty Trust Company of New York (the "CP Bank"), \$100,000,000 of which expires in November 1998 and \$150,000,000 of which expires in October 2000. The CP Bank's obligation to make loans under the Credit Agreement is subject to the satisfaction by the Authority of certain conditions and the non-existence of certain events or circumstances specified therein. The CP Bank is also permitted under the Credit Agreement to issue No-Issuance Instructions under certain circumstances. As of

August 1, 1998, the total principal amount of Commercial Paper Notes outstanding was \$16,512,000. The Authority anticipates issuing additional Commercial Paper Notes in September, 1998 in the approximate aggregate principal amount of \$37,000,000 for the purpose of financing Airport capital improvements on an interim basis and for certain other authorized purposes (including the refinancing of outstanding Subordinated Cargo Bonds).

### **Hotel Financing**

The Authority has provided financing for the approximate \$74,000,000 cost (including financing costs) of a 446 room hotel located in the landside terminal (the "Hotel") through the issuance of Subordinated Indebtedness. See "AIRLINE REVENUES AND OTHER REVENUE SOURCES - Concessions and Other Consumer Revenue Sources" herein.

The Authority financed a portion of the costs of the Hotel by issuing its \$39,010,000 Airport Facilities Taxable Subordinated Revenue Bonds, Series 1992 of the City (the "Series 1992 Subordinated Bonds") pursuant to the Bond Resolution and the Master Indenture. In August 1994, the Authority entered into the 1994 Swap (as defined herein) to synthetically convert the debt service on the Series 1992 Subordinated Bonds to a variable rate. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS - 1994 Swap" herein. As of August 1, 1998, the total principal amount of Series 1992 Subordinated Bonds outstanding was \$37,595,000.

In addition, the Authority has financed \$34,990,000 of the cost of the Hotel with the proceeds of loans from the City of Gulf Breeze, Florida Local Government Loan Program. These loans originally accrued interest at tax-exempt variable rates. Effective July 1, 1998, the Authority converted these loans to fixed rate loans. These loans mature on or before 2015. The Authority has received Majority-In-Interest approval to enter into an interest rate swap agreement to effect a synthetic conversion of the interest rate on these loans to a variable rate. The Authority may enter into such an agreement if it determines that there are sufficient economic benefits to the transaction. As of August 1, 1998, the total principal amount of these City of Gulf Breeze loans outstanding was \$33,990,000.

### **Cargo Facility Bonds**

In 1989, the Authority issued subordinated revenue bonds in the principal amount of \$6,150,000 to finance certain air cargo facilities (the "Subordinated Cargo Bonds"). As of August 1, 1998, approximately \$4,596,000 principal amount of the Subordinated Cargo Bonds was outstanding. The Authority intends to refinance the outstanding balance of the Subordinated Cargo Bonds with the proceeds of its Commercial Paper Notes, which it anticipates issuing in the near future.

### **Florida Department of Transportation Loans**

During Fiscal Year 1997, the Florida Department of Transportation ("FDOT") extended the due date of a subordinated interest-free loan to the Authority in the aggregate principal amount of \$10,000,000. This loan is payable in a single balloon principal payment due on July 31, 2007. The Authority is accumulating funds to pay the loan by amortizing the principal amount of the loan over a period of ten years.

## **INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS**

The Authority has entered into the transactions described below and is likely to enter into additional interest rate swap agreements, forward purchase agreements or other synthetic financial instruments in the future for the purpose of managing the interest cost of its debt. To date, each of the interest rate swap

agreements, forward purchase agreements or other synthetic financial instruments described below has produced the results intended by the Authority. However, there is no assurance that they will continue to do so in the future. Interest rate swaps and other synthetic financial instruments involve risks that could result in an economic loss to the Authority. The Authority's obligations under the transactions described below are payable from the Discretionary Fund and are subordinate to the Bonds.

#### **1994 Swap**

In August 1994, the Authority entered into an interest rate swap agreement (the "1994 Swap") with Goldman Sachs Capital Markets, L.P. ("GSCM") under which the Authority agreed to receive a fixed rate and pay a floating rate with respect to a notional amount of \$39,010,000 in order to synthetically convert the Authority's debt service on the Series 1992 Subordinated Bonds to a variable rate. The 1994 Swap matches the amortization of the Series 1992 Subordinated Bonds through the expiration of the 1994 Swap in October 2002.

#### **1995 Swap**

In August 1995, the Authority entered into forward interest rate swap agreements (collectively, the "1995 Swap") with GSCM and Morgan Guaranty Trust Company of New York (in such capacity, "Morgan Guaranty") in the aggregate notional amount of \$383,765,000. The 1995 Swap was entered into as an interest rate hedge in connection with the then anticipated refunding of the Refunded Bonds maturing after October 1, 1998, effectively locking in a minimum level of savings afforded by such refunding. The governing board of the Authority has authorized the termination of the 1995 Swap in connection with the issuance of the 1998 Bonds and the 1998 Subordinated Bonds. See "THE PLAN OF FINANCE" herein. In connection with the termination of the 1995 Swap, the Authority will pay a termination payment in the amount of \$47,574,001, which amount shall be paid by the Authority from the proceeds of the 1998 Bonds. See "AUTHORIZATION AND PURPOSE OF THE 1998 BONDS" herein.

#### **1998 Gulf Breeze Swap**

In January 1998, the Authority entered into a forward interest rate swap agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP") in an aggregate notional amount of \$90,055,000 pursuant to which the Authority will pay a fixed rate of 4.45% per annum and receive a tax exempt variable rate (the "1998 Gulf Breeze Swap"). The 1998 Gulf Breeze Swap commences January 1, 2003. The Authority entered into the 1998 Gulf Breeze Swap as a synthetic conversion of the 1998 Gulf Breeze Loan to a fixed rate. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS - 1998 Gulf Breeze Loan" below. The notional amount of the 1998 Gulf Breeze Swap decreases to match the debt service obligations of the Authority under the 1998 Gulf Breeze Loan. The tax exempt variable rate to be received from GSMMDP is intended to offset the tax exempt variable rate payable by the Authority under the 1998 Gulf Breeze Loan. The 1998 Gulf Breeze Swap contains early termination provisions at the election of the Authority. GSMMDP has the right to convert the tax exempt variable rate to a LIBOR-based rate upon the occurrence of certain taxability events. A conversion to the LIBOR-based rate could cause a mismatch in the interest payable by the Authority under the 1998 Gulf Breeze Loan and the amounts to be received by the Authority from GSMMDP, and could result in the Authority having to pay the difference between the LIBOR-based rate and the tax exempt variable rate. GSMMDP also has the right to terminate the 1998 Gulf Breeze Swap upon the occurrence of certain insolvency events to MBIA Insurance Corporation ("MBIA") or the occurrence of certain credit downgrades of MBIA provided that, among other things, MBIA does not provide sufficient credit support or collateral to GSMMDP.

## **Proposed 1998 Subordinated Bonds Swap**

In connection with the issuance of the 1998 Subordinated Bonds, the Authority intends to enter into interest rate swap agreements with GSCM and Morgan Guaranty, or with GSCM individually, (in either event, the "Swap Provider"), in a notional amount equal to all or a portion of the aggregate principal amount of the 1998 Subordinated Bonds pursuant to which the Authority will pay a fixed rate per annum and receive a tax exempt variable rate (the "1998 Subordinated Bonds Swap"). The proposed 1998 Subordinated Bonds Swap would have the effect of synthetically converting the interest rate on the 1998 Subordinated Bonds from a variable rate to a fixed rate. The tax exempt variable rate to be received under the proposed 1998 Subordinated Bonds Swap is intended to offset the variable rate payable by the Authority under the 1998 Subordinated Bonds. The Swap Provider would have the right to convert the tax exempt variable rate payable to the Authority to a LIBOR-based rate on 75% of the notional amount upon the occurrence of certain taxability events. A conversion to the LIBOR-based rate could result in a mismatch in the interest payable by the Authority under the 1998 Subordinated Bonds and the amounts to be received by the Authority from the Swap Provider, and could result in the Authority having to pay the difference between the LIBOR-based rate and the tax exempt variable rate.

## **Forward Purchase Agreements**

The Authority has also entered into a series of option and reserve fund forward purchase agreements with Bear Stearns Capital Markets, Inc. ("BSCM") pursuant to which the Authority has granted to BSCM an option to allow BSCM to direct the Trustee to purchase obligations of the United States from the amounts held in specified allocated portions of the Reserve Account. The Authority will receive a fixed rate on such Reserve Account investments in exchange for allowing BSCM to direct the purchases. The forward purchase agreements permit the Authority to recover a portion of its historic negative arbitrage on the Reserve Account. The Authority has entered into such agreements with respect to the portion of the Reserve Account allocated to the Airport Facilities Revenue Bonds Series 1992A, 1992B and 1992D. The Authority has also entered into a forward purchase agreement for the escrow fund relating to the Airport Facilities Refunding Revenue Bonds, Series 1984 in order to increase its investment earnings in this escrow fund.

## **1998 Gulf Breeze Loan**

In 1998, the Authority borrowed \$90,055,000 from a financing program sponsored by the City of Gulf Breeze, Florida (the "1998 Gulf Breeze Loan") to fund certain governmental purpose components of the Current Projects (as defined herein). The 1998 Gulf Breeze Loan has a term of 30 years and bears interest during the first five years based on a variable rate composite index that has historically been slightly more than the tax-exempt municipal swap index. However, the interest rate is subject to a cap of 5.35% per annum. For the remaining 25 years of its term, the 1998 Gulf Breeze Loan bears interest at a tax exempt variable rate. The 1998 Gulf Breeze Loan matures in 2027. The Authority has entered into the 1998 Gulf Breeze Swap with respect to the 1998 Gulf Breeze Loan. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS - 1998 Gulf Breeze Swap" above.

## **AIRLINE REVENUES AND OTHER REVENUE SOURCES**

### **Payments By Airlines Pursuant to Lease and Use Agreements**

The Authority has entered into Lease and Use Agreements relating to the use of the Airport, the rental of space, and the establishment of landing fees (collectively referred to herein as the "Lease and Use Agreements") with each of the following airlines: AirTran Airlines, Inc. and AirTran Airways, Inc., jointly and severally (collectively, "AirTran"), American Airlines, Inc. ("American"), American Trans Air, Inc. ("American Trans Air"), Comair, Inc. ("Comair"), Continental Air Lines, Inc. ("Continental"), Delta Air Lines, Inc. ("Delta"),

Northwest Airlines, Inc. ("Northwest"), Southwest Airlines, Co. ("Southwest"), Trans World Airlines, Inc. ("Trans World"), United Airlines, Inc. ("United") and US Airways, Inc. ("US Airways") (collectively, the "Signatory Airlines"). Under its Lease and Use Agreement, each Signatory Airline is required to pay in monthly installments (a) a specified annual rental with respect to space assigned on an exclusive or preferential basis to such Signatory Airline, (b) a charge with respect to space used in common with others, based on the number of Signatory Airlines and on the proportion of use, (c) an annual charge for tenant improvements financed by the Authority, (d) an annual charge for preferential use of aircraft parking aprons, and (e) a landing fee, based on maximum gross landed weight, the number of landings, and the applicable landing fee rate.

The Authority is developing a form of Lease and Use Agreement for international airlines providing scheduled or charter passenger service to the Airport or cargo airlines providing cargo service to the Airport that want to become Signatory Airlines. If implemented, this new form of Lease and Use Agreement is expected to be on substantially the same terms as the existing Lease and Use Agreements, except that an annual landing fee and facility fee commitment may be substituted for the obligations described in subparagraphs (a) - (e) of the prior paragraph.

Under the Lease and Use Agreements, fees and charges will be reviewed at least annually and adjusted as necessary so that for each Fiscal Year, Revenues (as defined in the Lease and Use Agreements, which expressly exclude PFC Revenues) less operating expenses, amounts required to pay Subordinated Indebtedness, amounts required to pay third parties under interest rate swap agreements or other derivative financial product agreements approved by a Majority-In-Interest of the Signatory Airlines, amounts required to be deposited into the renewal and replacement fund and operating reserve account established under the Trust Agreement, amounts required to be deposited into the Operation and Maintenance Reserve Account, the Capital Expenditures Fund and the Renewal and Replacement Fund established under the Bond Resolution and less all amounts required to be reimbursed to the PFC Account pursuant to the Bond Resolution due to withdrawals to cure deficiencies to the extent not previously reimbursed, shall be equal to or greater than (a) the sum of 1.25 times the aggregate principal (including Sinking Fund Installments) and interest (other than capitalized interest) to become due and payable in such Fiscal Year on the Prior Lien Bonds, the Outstanding Airport Facilities Revenue Bonds, the 1998 Bonds and any Additional Bonds or Refunding Bonds hereafter issued, less (b) Available PFC Revenues for such Fiscal Year.

On and after the Retirement Date of Prior Lien Bonds, interest income on certain funds under the Bond Resolution will, for the first time, be included in Revenues, as defined in the Lease and Use Agreements. This will result in a reduction in the rates and charges that would otherwise have been payable by the Signatory Airlines under the Lease and Use Agreements and will result in lower debt service coverage in the future than the Authority's historical total debt service coverage. See "AUTHORITY FINANCIAL FACTORS - Historical Financial Results" and "SECURITY FOR THE 1998 BONDS - Airline Rates and Charges" herein and "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A.

The Lease and Use Agreements further provide, with certain exceptions, that additional projects require the approval of a Majority-In-Interest of the Signatory Airlines. The Current Projects and, subject to certain conditions, the Approved Future Projects (as defined herein) have been approved by a Majority-In-Interest of the Signatory Airlines. The Other Future Projects (as defined herein) have not yet been approved by a Majority-In-Interest of the Signatory Airlines. See "THE AIRPORT SYSTEM - Current Projects and Future Capital Improvements" herein.

Fees and charges payable by the Signatory Airlines in each of the first three months of a Fiscal Year are reduced by the amount transferred from the Prepaid Airline Fees and Charges Fund established under the Bond Resolution into the revenue fund established under the Trust Agreement or the Revenue Fund established under the Bond Resolution during such month. Payments made to the Authority by the Signatory Airlines under the Lease and Use Agreements totaled approximately \$67,177,000 for Fiscal Year 1997 and approximately \$31,880,000 for the six months ended March 31, 1998.

The Lease and Use Agreements are scheduled to expire on October 1, 2008. The Authority has agreed that, at the request of a Majority-In-Interest of the Signatory Airlines, it will negotiate, in good faith, a new lease and use agreement which would replace the existing Lease and Use Agreements and would become effective on October 1, 2008 or, with 100% approval of the Signatory Airlines, at such earlier effective date as the Authority and the Signatory Airlines may agree. There is no assurance that the new lease and use agreements will contain airline fees and charges provisions similar to those contained in the Lease and Use Agreements. However, the expiration or termination of the Lease and Use Agreements does not release the Authority from its obligations under the Bond Resolution, including the obligations described herein under "SECURITY FOR THE 1998 BONDS - Rate Covenant."

See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS" attached hereto as APPENDIX D for a more detailed description of the terms and provisions of the Lease and Use Agreements.

### **Passenger Facility Charges**

As part of the Safety and Capacity Expansion Act, the United States Congress has authorized commercial service airports such as the Airport to collect Passenger Facility Charges of no more than \$3.00 per enplaned passenger, to be used for projects that will preserve or enhance airport capacity, security or safety, mitigate the effects of aircraft noise or enhance airline competition. The Authority has received approval from the Federal Aviation Administration (the "FAA") to impose a Passenger Facility Charge ("Passenger Facility Charge" or "PFC") of \$3.00 per eligible enplaned passenger at the Airport and has imposed the Passenger Facility Charge since February 1993. PFCs may be used, subject to applicable regulations, either to pay debt service on bonds secured by PFCs or to pay for eligible capital improvements on a year-to-year basis. PFCs are included in the definition of Available Revenues, and after the Retirement Date of Prior Lien Bonds, will be included in the definition of Revenues, but, in each case, only to the extent that PFC Revenues constitute Available PFC Revenues for the applicable period. To date, the FAA has approved Authority applications to impose PFCs in the amount of \$403,560,141 and to use PFC Revenues to pay \$365,760,141 of the project costs of various Airport improvements.

In order to allow the Authority to leverage PFC Revenues and comply with the requirements limiting their use for permitted purposes, the Bond Resolution limits the amount of PFC Revenues included in Available Revenues and, after the Retirement Date of Prior Lien Bonds, Revenues, to "Available PFC Revenues." The term "Available PFC Revenues" is defined to mean PFC Revenues received by the Authority in an amount for each relevant period not to exceed 1.25 times Debt Service accruing during such period with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by a certificate of an Authorized Officer of the Authority. This permits the Authority to satisfy debt service and coverage requirements with respect to the portions of the Bonds allocated to financing PFC Projects with PFC Revenues. To ensure that an amount equal to the amount of Available PFC Revenues deposited in the Revenue Fund is used for permitted uses of PFC Revenues, the Bond Resolution requires the Authority to deposit in the PFC Account established in the Discretionary Fund an amount equal to the difference between (a) the amount of Available PFC Revenues deposited in the Revenue Fund, plus amounts withdrawn from the PFC Account to cure Debt Service deficiencies and, after the Retirement Date of Prior Lien Bonds, Operation and Maintenance Expense deficiencies, and (b) the Accrued Aggregate Debt Service with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by an Authorized Officer of the Authority. Amounts in the PFC Account not required to cure such deficiencies may be withdrawn by the Authority at any time and applied by the Authority, in its discretion, for permitted purposes in accordance with the applicable approvals and authorization of the FAA and applicable regulations. In the Bond Resolution, the Authority has covenanted to file such applications, submit such reports and take any and all such actions as shall be necessary or desirable to preserve its rights to impose and collect PFCs from which Available PFC Revenues are derived and to use the proceeds of such Available PFC Revenues and amounts required to be deposited in the PFC Account in the manner provided in the Bond Resolution.

## **Concessions and Other Consumer Revenue Sources**

The principal concessions and consumer services at the Airport are the Hotel, automobile parking, rental cars and other ground transportation, food and beverage, and merchandise. The Authority also derives Revenues from advertising, telephones, insurance, a bank, and other concessions and consumer services. The Authority has a written statement of policy for awarding concession and consumer service privileges in the terminal. In accordance with this policy, the Authority specifies performance and operating standards in its agreements with concessionaires in furtherance of its public service and revenue goals. Automobile parking and the Hotel are operated under management agreements. Amounts derived from concessions and consumer services, including automobile parking and the Hotel, totaled approximately \$111,823,000 in Fiscal Year 1997 and approximately \$64,454,000 for the six months ended March 31, 1998 and represented 53% and 57%, respectively, of total Revenues received by the Authority during such periods. For a more complete discussion of these concessions and consumer services and the forecast financial results for Fiscal Years 1998-2005, see "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A. The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997.

## **Other Terminal Area Revenue Sources**

Sources of other terminal area revenues include: (1) gate fees paid for the use of aircraft parking positions and associated terminal facilities by international and domestic nonsignatory airlines, (2) space rentals paid by rental car operators and other non-airline tenants in the terminal, and (3) allocated interest income on invested Trust Agreement funds. Other terminal area revenue sources amounted to approximately \$10,072,000 for Fiscal Year 1997 and approximately \$5,446,000 for the six months ended March 31, 1998.

## **Airfield Area Revenue Sources**

Sources of airfield area revenues (other than those paid by the Signatory Airlines) include: (1) apron use fees paid by international and domestic nonsignatory passenger airlines, (2) landing fees paid by nonsignatory passenger and cargo airlines, (3) in-flight catering fees, (4) fueling system rentals, (5) fuel flowage and other aviation fees, and (6) allocated interest income on invested Trust Agreement funds. Airfield area revenue sources amounted to approximately \$15,595,000 for Fiscal Year 1997 and approximately \$8,476,000 for the six months ended March 31, 1998.

## **Tradeport and Other Area Revenue Sources**

Tenants of buildings and sites at the Tradeport pay rentals and fees for the use of such buildings and sites. Revenues from the Tradeport amounted to approximately \$7,285,000 for Fiscal Year 1997 and approximately \$3,766,000 for the six months ended March 31, 1998. For a description of the Tradeport facilities, see "THE AIRPORT SYSTEM - The Tradeport" herein.

## **REPORT OF THE AIRPORT CONSULTANT**

In connection with the issuance of its Airport Facilities Revenue Bonds, Series 1997 (the "1997 Bonds"), the Authority retained Leigh Fisher Associates (the "Airport Consultant") to prepare the Report of the Airport Consultant, dated November 13, 1997, attached hereto as APPENDIX A, which describes the economic basis for air traffic at the Airport, historical trends in airline traffic, and key factors that may affect future airline traffic. The Report of the Airport Consultant also presents airline traffic and financial forecasts for Fiscal Years 1998 through 2005 and sets forth the assumptions upon which the forecasts are based. These assumptions were provided by, or reviewed and adopted by Authority management at the time the report was issued. In the opinion of the Airport Consultant, such assumptions provided a reasonable basis

for the financial forecasts at the time such forecasts were prepared. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying estimates and assumptions. **The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997.** In Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds. For a discussion of recent financial results and airline traffic statistics, see "AUTHORITY FINANCIAL FACTORS - Management Discussion and Analysis" and "THE AIRPORT SYSTEM - Enplaned Passengers at the Airport" herein. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

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## AUTHORITY FINANCIAL FACTORS

### Debt Service Requirements

The following table sets forth the current and forecast Debt Service Requirements for the Prior Lien Bonds, the Outstanding Airport Facilities Revenue Bonds and the 1998 Bonds.

#### Total Debt Service Requirements <sup>(1)</sup> Fiscal Years 1998 - 2017

Fiscal Years Ended September 30,	Prior Lien Bonds Debt Service	Outstanding Airport Facilities Revenue Bonds Debt Service <sup>(2)</sup>	1998 Bonds			Total Debt Service <sup>(3)</sup>
			Principal	Interest	Debt Service	
1998	\$ 921,290	\$ 85,487,785	\$	\$	\$	\$ 86,409,075.00
1999	562,685	56,200,524	3,070,000	2,558,237.02	5,628,237.02	62,391,446.02
2000	234,083	56,206,274	3,045,000	2,145,587.50	5,190,587.50	61,630,944.50
2001		55,448,705	3,060,000	1,993,337.50	5,053,337.50	60,502,042.50
2002		55,457,219	3,115,000	1,840,337.50	4,955,337.50	60,412,556.50
2003		55,007,064	3,055,000	1,684,587.50	4,739,587.50	59,746,651.50
2004		57,034,616	3,030,000	1,562,387.50	4,592,387.50	61,627,003.50
2005		57,032,089	3,085,000	1,438,157.50	4,523,157.50	61,555,246.50
2006		62,003,294	3,180,000	1,308,587.50	4,488,587.50	66,491,881.50
2007		53,815,149	3,235,000	1,149,587.50	4,384,587.50	58,199,736.50
2008		59,986,684	3,040,000	987,837.50	4,027,837.50	64,014,521.50
2009		34,156,669	2,815,000	835,837.50	3,650,837.50	37,807,506.50
2010		34,179,594	2,620,000	688,050.00	3,308,050.00	37,487,644.00
2011		34,177,394	2,425,000	550,500.00	2,975,500.00	37,152,894.00
2012		34,178,144	2,030,000	423,187.50	2,453,187.50	36,631,331.50
2013		47,858,950	1,725,000	316,612.50	2,041,612.50	49,900,562.50
2014		38,594,106	1,570,000	226,050.00	1,796,050.00	40,390,156.00
2015		38,597,563	1,215,000	139,700.00	1,354,700.00	39,952,263.00
2016		47,056,850	810,000	72,875.00	882,875.00	47,939,725.00
2017		37,892,394	515,000	28,325.00	543,325.00	38,435,719.00
Totals <sup>(3)</sup>	<u>\$1,718,058</u>	<u>\$1,000,371,067</u>	<u>\$46,640,000</u>	<u>\$19,949,782.02</u>	<u>\$66,589,782.02</u>	<u>\$1,068,678,907.02</u>

<sup>(1)</sup> The Debt Service Requirements are shown for the period in which they accrue and not for the period in which they are paid. Such Debt Service Requirements have not been reduced by payments to be made out of capitalized interest or out of interest income on Bond Resolution funds deposited into the Debt Service Account under the Bond Resolution. The Debt Service Requirements shown do not include debt service on Subordinated Indebtedness. See "SUBORDINATED INDEBTEDNESS" herein.

<sup>(2)</sup> Does not include debt service on 1998 Bonds or the Refunded Bonds, except for the period ending September 30, 1998.

<sup>(3)</sup> Totals may not add due to rounding.

**Historical Financial Results**

The following table presents the historical debt service coverage for the Prior Lien Bonds and the Outstanding Airport Facilities Revenue Bonds pursuant to the Bond Resolution for the Fiscal Years 1993-1997.

**Greater Orlando Aviation Authority  
Historical Debt Service Coverage Per Bond Resolution  
Fiscal Years 1993-1997  
(in thousands)**

	For the Fiscal Years Ended September 30,				
	1993	1994	1995	1996	1997
Revenues Per Bond Resolution <sup>(1)</sup>	\$188,921	\$190,365	\$200,213	\$213,583	\$216,820
Less: Operations and Maintenance Expenses Per Bond Resolution <sup>(2)</sup>	<u>75,699</u>	<u>77,814</u>	<u>79,404</u>	<u>83,032</u>	<u>89,582</u>
Net Revenues	113,222	112,551	120,809	130,551	127,238
Less: Required Deposits	<u>4,399</u>	<u>5,835</u>	<u>5,038</u>	<u>6,285</u>	<u>6,668</u>
Net Revenues Available for Debt Service (A)	<u>\$108,823</u>	<u>\$106,716</u>	<u>\$115,771</u>	<u>\$124,266</u>	<u>\$120,570</u>
Debt Service - Prior Lien Bonds	<u>1,416</u>	<u>1,415</u>	<u>1,414</u>	<u>1,415</u>	<u>1,419</u>
Aggregate Debt Service - Airport Facilities Revenue Bonds					
Outstanding Bonds Debt Service <sup>(3)</sup>	73,592	76,361	77,285	80,587	80,699
Less: Investment Income on Bond Resolution Funds	<u>13,025</u>	<u>11,799</u>	<u>13,338</u>	<u>14,123</u>	<u>15,016</u>
Debt Service - Airport Facilities Revenue Bonds	<u>60,567</u>	<u>64,562</u>	<u>63,947</u>	<u>66,464</u>	<u>65,683</u>
Aggregate Debt Service (B)	<u>\$61,983</u>	<u>\$65,977</u>	<u>\$65,361</u>	<u>\$67,879</u>	<u>\$67,102</u>
Total Debt Service Coverage (A)(B)	<u>1.76</u>	<u>1.62</u>	<u>1.77</u>	<u>1.83</u>	<u>1.80</u>

<sup>(1)</sup> Revenues as deposited to the revenue fund before refunds to Signatory Airlines required by the Lease and Use Agreements and before application of purchase discounts in the operations and maintenance account.

<sup>(2)</sup> Expenses and encumbrances are paid by the operations and maintenance account.

<sup>(3)</sup> Debt service is net of applicable capitalized interest.

Source: Authority records.

On and after the Retirement Date of Prior Lien Bonds, interest income on certain funds under the Bond Resolution will, for the first time, be included in Revenues, as defined in the Lease and Use Agreement. This will result in a reduction in the rates and charges that would otherwise be payable by the Signatory Airlines under the Lease and Use Agreement, and will result in lower debt service coverage in the future than the Authority's Historical Debt Service Coverage, as shown in the above table. See "SECURITY FOR THE 1998 BONDS - Airline Rates and Charges and Revenues" herein and "Forecast Debt Service Coverage," attached as Exhibit G to the Report of the Airport Consultant and the discussions related thereto in "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A. The Report of the Airport Consultant has not been updated to reflect the occurrence of any event or transaction since November 13, 1997.

The following table presents historical amounts of Revenues and Expenses of the Airport for Fiscal Years 1993 through 1997 and for the six months ended March 31, 1998 and 1997.

**Statement of Revenues and Expenses**  
(in thousands)  
**Fiscal Years 1993 - 1997 and the Six Month Periods Ended March 31, 1997 and 1998**

	<u>Audited for the Fiscal Years Ended September 30,</u>					<u>Unaudited Six Months Ended March 31,</u>	
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1997</u>	<u>1998</u>
Operating Revenues:							
Airfield Area	\$ 29,134	\$ 29,938	\$ 25,384	\$ 25,089	\$ 29,082	\$ 13,255	\$12,257
Terminal Area	116,560	118,623	123,888	129,174	128,058	61,947	69,139
Other Buildings and Site Rentals	6,155	6,646	6,983	7,457	7,285	3,227	3,766
Hotel	<u>13,222</u>	<u>16,093</u>	<u>18,209</u>	<u>20,955</u>	<u>23,205</u>	<u>12,505</u>	<u>14,724</u>
Total Operating Revenues	<u>165,071</u>	<u>171,300</u>	<u>174,464</u>	<u>182,675</u>	<u>187,630</u>	<u>90,934</u>	<u>99,886</u>
Operating Expenses Before Depreciation and Amortization							
Operation and Maintenance	(47,231)	(50,528)	(51,425)	(53,593)	(56,873)	(26,820)	(28,728)
General and Administrative	(14,935)	(17,801)	(18,163)	(18,153)	(18,006)	(7,999)	(10,493)
Hotel	<u>(12,579)</u>	<u>(13,392)</u>	<u>(14,658)</u>	<u>(15,514)</u>	<u>(16,216)</u>	<u>(8,190)</u>	<u>(9,197)</u>
Total Operating Expenses Before Depreciation and Amortization	<u>(74,745)</u>	<u>(81,721)</u>	<u>(84,246)</u>	<u>(87,260)</u>	<u>(91,095)</u>	<u>(43,009)</u>	<u>(48,418)</u>
Operating Income Before Depreciation and Amortization	90,326	89,579	90,218	95,415	96,535	47,925	51,468
Depreciation and Amortization	<u>(40,171)</u>	<u>(45,664)</u>	<u>(45,488)</u>	<u>(50,272)</u>	<u>(51,109)</u>	<u>(25,413)</u>	<u>(26,354)</u>
Operating Income	<u>50,155</u>	<u>43,915</u>	<u>44,730</u>	<u>45,143</u>	<u>45,426</u>	<u>22,512</u>	<u>25,114</u>
Non-Operating Revenues (Expenses):							
Interest Income	13,715	13,836	16,820	17,564	18,207	7,941	9,779
Interest Expense	(73,879)	(73,547)	(71,903)	(70,162)	(68,911)	(34,492)	(32,363)
Passenger Facility Charges	—	—	1,930	1,042	615	311	224
Federal and State Grants	66	1,025	1,200	(574)	251	10	222
Other	<u>299</u>	<u>79</u>	<u>309</u>	<u>265</u>	<u>102</u>	<u>14</u>	<u>574</u>
Non-Operating Expenses over Revenues	<u>(59,799)</u>	<u>(58,607)</u>	<u>(51,644)</u>	<u>(51,865)</u>	<u>(49,736)</u>	<u>(26,216)</u>	<u>(21,564)</u>
Net Income (Loss) Before Extraordinary Items	(9,644)	(14,692)	(6,914)	(6,722)	(4,310)	(3,704)	3,550
Extraordinary Items:							
Loss on Refunding of 1978, 1984, 1985, 1987 and 1988 Bonds	<u>(14,575)</u>	—	—	—	—	—	—
Net Income (Loss)	<u>\$(24,219)</u>	<u>\$(14,692)</u>	<u>\$(6,914)</u>	<u>\$(6,722)</u>	<u>\$(4,310)</u>	<u>\$(3,704)</u>	<u>\$3,550</u>

Source: Authority records.

## Management Discussion and Analysis

**Fiscal Year Ended September 30, 1996.** The Airport reported operating income of \$45,143,000 and a net loss of \$6,722,000 for the Fiscal Year 1996. This loss included \$50,272,000 of depreciation and amortization expense, which is a non-cash expense that is not recovered through rates and charges. The increased operating income was achieved as a result of the Authority's efforts to maximize non-airline revenues and control costs. Rates and charges are established at a level sufficient to provide Net Revenues, less required deposits under the Trust Agreement and the Bond Resolution, equal to at least 1.25 times the sum of the Aggregate Debt Service and Prior Lien Debt Service for each Fiscal Year. See "SECURITY FOR THE 1998 BONDS - Rate Covenant" and "AIRLINE REVENUES AND OTHER REVENUE SOURCES - Payments by Airlines Pursuant to Lease and Use Agreements" herein.

The operating revenues of the Authority increased \$8,211,000 or 4.7% from the previous Fiscal Year. Terminal area revenue increased \$5,286,000 due to increased revenues from parking and car rental concessions. Hotel revenue increased \$2,746,000 as a result of higher occupancy and average room rates. The increase in operating revenue is primarily attributable to improvements in the utilization of airport facilities, as the rates charged to airlines decreased from the prior year.

Operating expenses of the Authority increased by \$3,014,000 or 3.6% from the previous Fiscal Year. Operations and maintenance expenses increased \$2,168,000 due to increased utility and maintenance costs and increases in other contractual obligations. Hotel costs increased \$856,000 as a result of the increase in hotel activity for that Fiscal Year.

Non-operating expenses over revenues increased by \$221,000 or 0.4% from the previous Fiscal Year. This was due to an increase in interest earnings, a decrease in interest expense, a decrease in Federal and State grants and a decrease in earned Passenger Facility Charges. Passenger Facility Charges used to finance non-capital related projects are recorded as non-operating revenue when earned. Passenger Facility Charges used for construction projects are recognized as contributions in aid when disbursed. As a result of the 1994 Swap, the Authority reduced debt service costs on the Series 1992 Subordinated Bonds by approximately \$816,000. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS - 1994 Swap" herein.

**Fiscal Year Ended September 30, 1997.** The Airport reported operating income of \$45,426,000 and a net loss of \$4,310,000 for the Fiscal Year 1997. This loss included \$51,109,000 of depreciation and amortization expense, a non-cash expense which is not recovered through rates and charges.

The operating revenues of the Airport increased \$4,955,000 or 2.7% from the previous Fiscal Year. The increased fees resulted from the combined effect of lower landing fee rates and increased landed weights. Airfield area revenues increased \$3,993,000 due to an increase in Signatory Airline landing fees. Terminal area revenues decreased \$1,280,000 due primarily to lower terminal rental rates for the Signatory Airlines. Hotel revenues increased \$2,250,000 as a result of higher occupancy and average room rates.

Operating expenses of the Airport increased by \$3,835,000 or 4.4% from the previous Fiscal Year. Operations and maintenance expenses increased \$3,280,000 due to additional utility and maintenance costs, initiation of year-round remote Park & Ride services and initial operation of common use terminal equipment and baggage systems. Hotel expenses increased \$702,000 due to increased Hotel activity.

Non-operating expenses over revenues decreased by \$2,129,000 or 4.1% from the previous Fiscal Year. This was due primarily to increased interest earnings and decreased interest expense. The 1994 Swap resulted in reduced debt service costs of approximately \$788,000.

**Six Month Period Ended March 31, 1998.** Operating revenues continued to grow with an increase of \$8,952,000 for the six months ended March 31, 1998 as compared to the corresponding period in the preceding Fiscal Year. Although overall revenues increased and total year to date revenues exceed budget

by \$3,681,707, certain airfield revenues were under budget due to decreased landing weights as Signatory Airlines reduced the number of seats available to passengers at the Airport. Landing fees are approximately \$1,000,000 below budget through March 31, 1998. Total airfield revenues are below budget by \$908,284 through March 31, 1998. Other revenues, most notably, commercial ground transportation, public auto parking and hotel revenues exceeded their budgets for the six months ended March 31, 1998 in the amounts of \$521,925, \$1,221,527 and \$1,472,702, respectively, due to increased activity levels in these areas.

Year to date operating expenses exceed expenses for the corresponding period in the prior Fiscal Year by \$5,409,000, although they are currently under budget. Such increases over the corresponding period in the preceding Fiscal Year are due to continued implementation of year-round Park & Ride services, common use terminal equipment and baggage systems as well as increased maintenance costs incurred for older sections of the terminal facility.

Non-operating expenses over revenues decreased by \$4,348,000 from the corresponding period in the preceding Fiscal Year. This was due primarily to an increase in interest earnings and a decrease in interest expense. Interest earnings increased because of earnings on invested proceeds from the 1997 Bonds and an increased fair value adjustment of \$1.7 million over the corresponding period as a result of implementation of GASB 31 (as herein defined). Interest expense decreased primarily as a result of savings from interest rate swaps. See "INTEREST RATE SWAPS, FORWARD PURCHASE AGREEMENTS AND CERTAIN OTHER OBLIGATIONS" herein.

**Year 2000 Compliance.** The Authority has studied and continues to study the issue of year 2000 compliance and its potential effects on the Authority's operations. The Authority expects to upgrade its critical computer systems to make them year 2000 compliant by the end of Fiscal Year 1999, the costs of which will be included in its annual budget. Based on its assessment at this time, year 2000 compliance of internal systems is not expected to have a material adverse effect on the Authority's operations. The Authority is in the process of evaluating the impact of the failure of certain of the third parties doing business with the Authority to be year 2000 compliant, and at this time is unable to express a view of the effect on the Authority's operations if such parties fail to be year 2000 compliant.

**Change in Accounting Principle.** The Authority has adopted Statement Number 31 of the Governmental Accounting Standards Board ("GASB 31") "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" as of and for the six month period ended March 31, 1998. In accordance with GASB 31, the Authority has accounted for money market investments, regardless of time to maturity on their acquisition date, at fair value on the balance sheet with unrealized gains and losses charged or credited to interest income. Previously money market investments were classified as held-to-maturity and stated at amortized cost. The Authority's financial statements as of and for the six months ended March 31, 1997 have been restated to apply the new standard retroactively.

**Passenger Outlook.** The total enplaned passengers at the Airport for the six months ended March 31, 1998 as compared to the corresponding period in the preceding year increased by 2.5%. This increase is below the forecasted increase of enplaned passengers of 5.9% for Fiscal Year 1998 as set forth in the REPORT OF THE AIRPORT CONSULTANT attached hereto as APPENDIX A. Based on Fiscal Year to date passenger counts, it does not appear that the forecasted rate of growth will be achieved for Fiscal Year 1998. See "THE AIRPORT SYSTEM - Historical Enplaned Passengers" herein.

The Authority has recently agreed to lower certain of the fees charged to the non-Signatory Airlines for Fiscal Years 1999 and 2000 in order to improve the Airport's ability to retain existing levels of non-Signatory Airline traffic and to attract new business. The Authority estimates that this fee reduction will be between approximately \$1.50 and \$1.75 per domestic enplaned passenger and between approximately \$3.50 and \$4.50 per international enplaned passenger, depending on the size of the aircraft on which these non-Signatory Airline passengers arrive, for an estimated annual total of approximately \$3,500,000. If this fee reduction does not stimulate sufficient additional revenue from increased non-Signatory Airline activity at the Airport, it could result in a modest increase in the rates and charges paid by the Signatory Airlines from the

rates forecast in the REPORT OF THE AIRPORT CONSULTANT attached hereto as APPENDIX A for the two Fiscal Years referenced above. The Authority does not believe that the impact of the reduction of fees from the forecast in the REPORT OF THE AIRPORT CONSULTANT attached hereto as APPENDIX A will have a material adverse effect on the Authority's financial results.

## **THE AIRPORT SYSTEM**

### **General**

The Airport is located in central Florida, nine miles southeast of downtown Orlando in Orange County, Florida. The Airport occupies approximately 15,000 acres of land. The Airport service region comprises eight entire counties - Brevard, Indian River, Lake, Orange, Osceola, Seminole, Sumter and Volusia and significant portions of six other counties - Flagler, Highlands, Marion, Okeechobee, Polk and Putnam. The population of the Airport service region was approximately 3,000,000 in 1995. The primary metropolitan area within the Airport service region is the Orlando Metropolitan Statistical Area, which comprises Lake, Orange, Osceola and Seminole Counties. See "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A for a description of certain information regarding the population, local economy and employment data with respect to the Airport service region. The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997, except that in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds.

The Airport System presently consists of: (a) the Airport, which is owned by the City and operated by the Authority, and (b) any other aviation facility or airport that is acquired or constructed by the Authority, provided however, that the Airport System currently specifically excludes the Orlando Executive Airport. However, for a description of the amendments to the Airport Facilities Revenue Bond Resolution effective upon receipt of the consent of the holders of 66% of the Bond Obligation which would allow the Authority to include the Orlando Executive Airport within the definition of the Airport System, see "SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT" attached hereto as APPENDIX C. During the term of the Lease and Use Agreements, inclusion of the Orlando Executive Airport within the definition of the Airport System would also require approval by a Majority-In-Interest of the Signatory Airlines.

In 1997, the Airport was the sixth busiest airport in the United States in terms of domestic originating passengers (i.e., excluding passengers connecting between flights), according to data published by the United States Department of Transportation, and the twenty-third busiest airport in the world and the sixteenth busiest in the United States, respectively, in terms of total passengers, according to data published by the Airports Council International-North America. March has traditionally been the Airport's peak month of operations. During March 1998, there were an average of 435 daily aircraft departures. Total enplaned passengers at the Airport were 12,269,851 for the Fiscal Year ended September 30, 1996 and 13,411,129 for the Fiscal Year ended September 30, 1997.

For a discussion of the airline traffic trends at the Airport, see "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A. The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997, except that in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the

purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds.

### **Authority Management**

The Airport System is managed by an Executive Director who is appointed by the Authority governing board and oversees a staff of approximately 605 full-time employees. Biographical data concerning the Executive Director and certain other key officials of the Authority is set forth below.

**Egerton K. van den Berg.** Mr. van den Berg became Executive Director for the Authority on November 5, 1997. Mr. van den Berg has been involved in aviation-related activities in Orlando from the framing of legislation creating the Authority to the development of the current terminal at the Airport and its future expansion plans. He also served as General Counsel to the Orlando Aviation Department and the Authority from 1967 until 1995, except for a four-year period in the late 1970s. Since his retirement from the law firm of Foley & Lardner, he has provided consulting services to the Authority with respect to rental car management and capital and facility planning. Mr. van den Berg attended the U.S. Military Academy and Duke Law School where he became the first Editor-in-Chief of the Law Journal and graduated first in his class.

**Linda J. Lindsey, C.P.A.** Ms. Lindsey has been the Treasurer and Chief Financial Officer for the Authority since August 1996. Ms. Lindsey joined the Authority in March 1995 as Director of Internal Audit after having spent over 18 years with Ernst & Young LLP, an international professional services firm where she specialized in the public sector industry. Ms. Lindsey directs all of the Authority's fiscal activities including administration of a \$240,000,000 budget and financial and regulatory reporting. Ms. Lindsey received a Bachelor of Science Degree in Accounting from Florida Southern College and is a certified public accountant.

**James H. Bradley.** Mr. Bradley is the Senior Director of Engineering & Construction. Mr. Bradley joined the Authority in August 1993 as Director of Engineering & Construction and was promoted to his current position in December 1997. He is responsible for engineering, construction and environmental matters at Orlando International Airport and Orlando Executive Airport. He is in charge of implementing the planning, engineering and construction of airport facilities. Prior to joining the Authority in 1993, Mr. Bradley held a series of key management positions with Morrison-Knudson Corporation, including manager of operations and business development for the company's New York City area office from 1989 through 1993. While with Morrison-Knudson Corporation, Mr. Bradley developed and implemented a program management plan for the new Denver Airport, and was project manager for the design and construction of the Southwest Florida Regional Airport in Fort Myers, Florida. Mr. Bradley attended Benjamin Franklin University in Washington, D.C.; and received additional technical training at Columbia Tech in Arlington, Virginia. He served in the United States Marine Corps. He is a Certified General Contractor in the State of Florida.

**C.W. Jennings.** Mr. Jennings is the Senior Director of Airports for the Authority. Mr. Jennings joined the Authority in 1976 and has served in various capacities with the Authority. He has been in his current position since 1994. Mr. Jennings has over 20 years' experience in aviation management including Minority and Women Business Enterprise development and labor/management relations. Mr. Jennings is responsible for oversight of the Authority's Disadvantaged Business Enterprise, Facilities and Operations departments, Orlando Executive Airport and the Orlando Police Department - Airport Division. Mr. Jennings received a Bachelor of Science Degree in Mathematics from Florida A&M University.

**Keith Phildius.** Mr. Phildius is the Senior Director of Marketing and International Development for the Authority. He is responsible for planning and developing initiatives designed to expand current service and bring new international service to Orlando. Mr. Phildius joined the Authority in May 1993

and has served in various capacities with the Authority. He has been in his current position since October 1996. Mr. Phildius received a Bachelor of Arts Degree in Marketing from Pace University.

**Lee Tillotson.** Mr. Tillotson is the Senior Director of Planning and Development for the Authority. Mr. Tillotson joined the Authority in October 1994 and has been in his current position since that date. Mr. Tillotson has more than 31 years of professional and military experience in areas involving aviation operations, project management and strategic planning. At the time of his retirement from the Orlando Naval Training Center in 1994, Mr. Tillotson was directing the activities of over 3,000 civilian employees, 10,000 military individuals and a \$76,000,000 budget. He is responsible for directing the activity of the Planning, Governmental Affairs and Engineering and Construction departments within the Authority. Mr. Tillotson received a Bachelor of Science Degree in Naval Science in 1963 from the U.S. Naval Academy, a Masters Degree in Business Administration from George Washington University and further accreditation from Harvard University and the U.S. Navy Test Pilot School.

**Danny Wilson.** Mr. Wilson is the Senior Director of Administration for the Authority. Mr. Wilson joined the Authority in January 1992 and has been in his current position since October 1994. Prior to that time Mr. Wilson served for 26 years in law enforcement with the Orlando Police Department, where he was Chief of Police. Mr. Wilson oversees the Properties Department, including Concessions and Real Estate and Aviation Leasing. Mr. Wilson received a Bachelor of Arts Degree in Criminal Justice from Rollins College with a minor in Business.

**Dayci S. Burnette.** Ms. Burnette is the Manager of Board Services for the Authority and serves as an ex-officio officer on the Authority's Board as Assistant Secretary. Ms. Burnette has complete and full responsibility for documenting and maintaining the official records of the Authority as prescribed by law. Ms. Burnette joined the Authority in September 1982 and has been in her current position since 1994. Ms. Burnette is a Certified Municipal Clerk.

### **Description of the Airport Facilities**

The Airport has three north-south parallel runways designated as 18L/36R, 18R/36L, and 17/35. The runways are interconnected by a system of taxiways. All three runways have full instrumentation and lighting to permit all weather operations and are capable of handling the largest commercial aircraft currently in use.

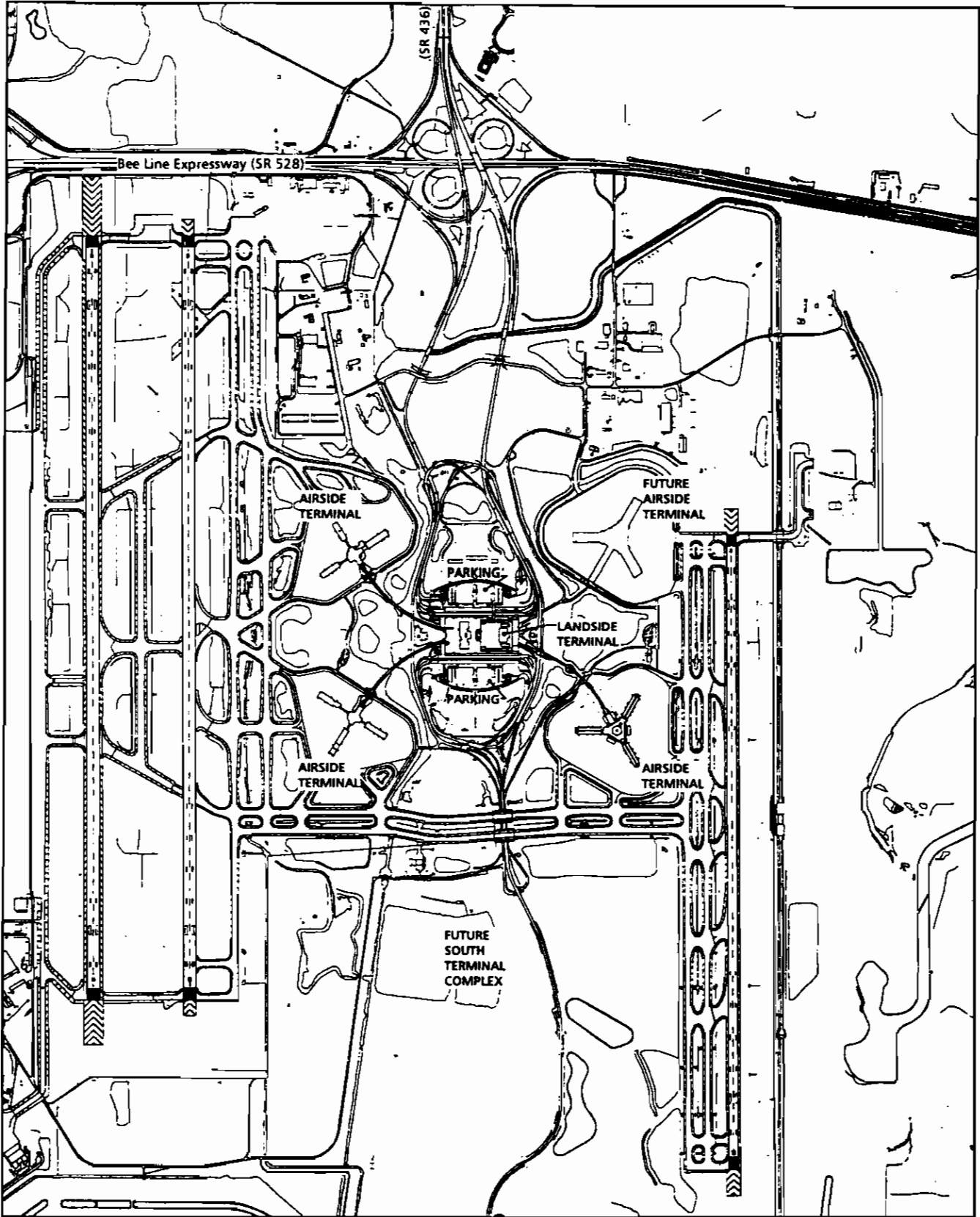
<u>Runway</u>	<u>Length</u>	<u>Width</u>
18L/36R	12,000 feet	200 feet
18R/36L	12,000 feet	200 feet
17/35	10,000 feet	150 feet

The Airport facilities include a landside terminal, three airside terminals, aircraft parking aprons, a terminal roadway system, ground level and structural parking for automobiles, staging and parking areas for buses, limousines and taxis, an Automated Guideway Transit ("AGT") system connecting the landside terminal with each airside, connecting taxiways, a hydrant fueling storage and distribution system, a flood control bypass canal, associated terminal and roadway signage, landscaping, rental car facilities, utilities and drainage.

Access to the Airport is provided by a divided highway system which connects the Airport with the Orlando metropolitan area and the interstate highway network. The road system provides direct access to automobile parking adjacent to and above the landside terminal.

Construction of the landside terminal was completed in 1981 and expanded in 1988. The following diagram presents a depiction of certain of the existing facilities within the Airport System.

Diagram of Landside Terminal Building



Not to Scale



Orlando International Airport



The landside terminal accommodates passenger ticketing, baggage check-in, and baggage claim facilities; baggage handling and other facilities for airline operations; and space for rental car counters, food and beverage concessions, merchandise concessions, and other passenger services. It is served by a three-level roadway system that provides access to separate enplaning, deplaning, and commercial vehicle curbsides. Rental car and public automobile parking spaces are provided in garages that are an integral part of or adjacent to the landside terminal. Passengers travel between the landside terminal and the airside terminals using the AGT system. The airside terminals and aprons provide 79 aircraft parking positions for jet aircraft with associated passenger waiting areas, concessions, and airline operations space. Federal Inspection Services facilities in two of the three airside terminals provide the capability to accommodate arriving international passengers at 16 of the 79 positions. The capacity of the Federal Inspection Services facilities is approximately 2,600 passengers per hour. The Authority can accommodate precleared international flights or domestic flights at an additional 4 positions.

The following table sets forth the distribution of aircraft parking positions among the airlines at the Airport as of March 31, 1998:

<u>Airline</u>	<u>Number of Aircraft Parking Positions</u>
Air Tran .....	3
American .....	5
American Trans Air .....	2
Continental .....	5
Delta <sup>(1)</sup> .....	24
Northwest .....	6
Southwest .....	3
Trans World .....	3
United .....	7
USAirways .....	15
Authority (international and charter flights) .....	<u>6</u>
Total <sup>(2)</sup> .....	<u>79</u>

<sup>(1)</sup> 6 of Delta's 24 positions may be used by the Authority for charter and international flights.

<sup>(2)</sup> Excludes 14 commuter aircraft parking positions leased to Comair.

Source: Authority records.

### **Current Projects and Future Capital Improvements**

In order to accommodate existing and projected passenger demand, the Authority has established a plan for capital improvements to the Airport that are currently expected to be required between 1997 and 2004. The total cost of such capital improvements is estimated to be in excess of \$1,761,000,000 and includes capital improvements currently being constructed, at a total estimated cost in excess of \$262,000,000 (the "Current Projects"), and the Future Capital Improvements, which consist of Approved Future Projects, at a total estimated cost in excess of \$970,000,000, and Other Future Projects, at a total estimated cost in excess of \$529,000,000. The Current Projects include improvements to the Airport's terminal facility, airfield, roadways and parking facilities, the costs of which are being funded, in part, from the proceeds of the 1997 Bonds.

In addition to the Current Projects, the Authority currently anticipates that Future Capital Improvements at a total estimated cost in excess of \$1,499,000,000 will be required at the Airport during the 1997-2004 time period in order to accommodate projected passenger demand. Such future capital improvements include: (a) projects for which Majority-In-Interest approval of the Signatory Airlines has been received in accordance with the Lease and Use Agreements, at a total estimated cost in excess of \$970,000,000 (the "Approved Future Projects"); and (b) other future projects for which Majority-In-Interest approval of the Signatory Airlines has not yet been requested, at a total estimated cost in excess of

\$529,000,000 (the "Other Future Projects"). The Approved Future Projects and the Other Future Projects are collectively referred to herein as the "Future Capital Improvements." The total estimated cost of the Future Capital Improvements includes allowances for architectural and engineering fees, construction administration costs, contingencies and cost escalation, but excludes capitalized interest and other financing costs.

The Signatory Airlines have conditioned their approval of certain of the Approved Future Projects on the attainment of certain levels of annual passenger traffic or aircraft operations, and the preleasing for at least five years after beneficial occupancy of at least 50% of the space to be constructed as part of such Approved Future Projects to support airline operations. Descriptions of the Future Capital Improvements, their estimated completion dates and the levels of passenger traffic or aircraft operations, and preleasing of space required for approval of certain of the Approved Future Projects are provided in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A. The Report of the Airport Consultant has not been updated to reflect changes to the Future Capital Improvements, estimated completion dates and sources of funding thereof that may have been made since November 13, 1997. It should be noted, however, that in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds. The Authority currently anticipates that the Future Capital Improvements will be funded by federal and state grants-in-aid, Passenger Facility Charges or bonds supported by Passenger Facility Charges, moneys then on deposit in the Improvement and Development Fund established under the Bond Resolution and the proceeds of Additional Bonds or Subordinated Indebtedness and other Authority funds. The Authority intends to undertake the projects included within the Future Capital Improvements only as they are required by aviation demand, are economically justified and can be supported by available sources of funds and reasonable user fees and, in the case of Other Future Projects, as any required Majority-In-Interest approval of the Signatory Airlines can be obtained.

#### **Enplaned Passengers at the Airport**

Between Fiscal Years 1980 and 1996, enplaned passengers at the Airport increased at an average annual rate of 8.6%, compared to an average annual rate of 4.3% for the United States as a whole. The following table sets forth the historical number of enplaned passengers at the Airport for Fiscal Year 1980 and from Fiscal Year 1985 to Fiscal Year 1997 and for the six month periods ended March 31, 1997 and 1998, as well as the annual percentage increase in enplaned passengers during such periods.

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**Historical Enplaned Passengers  
Orlando International Airport  
Fiscal Years 1980 and 1985 - 1997**

<u>Fiscal Year</u>	<u>Domestic Passengers</u>	<u>Total International Passengers</u>	<u>Percent Enplaned Passengers</u>	<u>Change from Previous Year</u>
1980	3,215,158	84,400	3,299,558	—
1985	4,717,138	148,023	4,865,161	8.8%
1986	5,619,244	194,400	5,813,644	19.5
1987	7,138,347	264,300	7,402,647	27.3
1988	7,697,431	352,891	8,050,322	8.7
1989	7,743,205	680,422	8,423,627	4.6
1990	8,123,642	878,276	9,001,918	6.9
1991	8,126,308	925,476	9,051,784	0.6
1992	8,877,180	1,206,055	10,083,235	11.4
1993	9,331,599	1,307,592	10,639,191	5.5
1994	9,567,584	1,268,479	10,836,063	1.9
1995	9,935,368	1,163,628	11,098,996	2.4
1996	11,029,252	1,240,599	12,269,851	10.5
1997	12,340,621	1,070,508	13,411,129	9.3

**Six Month Periods Ended March 31**

1997	6,099,082	551,245	6,650,327	—
1998	6,321,414	492,556	6,813,970	2.5

Source: Authority records.

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## **Airlines Serving Orlando International Airport**

As of March 1, 1998, the following airlines served the Airport:

### **Airlines providing passenger service:**

#### **Major Airlines**

##### **Signatory:**

Air Tran  
American  
American TransAir  
Comair (Commuter)  
Continental  
Delta  
Northwest  
Southwest  
Trans World  
United  
US Airways

##### **Nonsignatory:**

America West Airline  
Eastwind Airlines  
KIWI Airlines  
Midway Airlines  
Midwest Airlines  
Paradise Island Airlines  
Spirit Airlines

#### **Regional and Commuter Airlines**

Flagship/American Eagle  
Florida Gulf Airlines/MESA  
Gulfstream International  
Piedmont/ US Airways Express

#### **U.S. Charter Airlines**

Champion Air  
Express One International  
Falcon Air Express  
Miami Air International  
ProAir  
Reno Air  
Ryan International  
Sierra Pacific  
Sun Country Airline  
Sun Pacific  
Tower Air  
Trans Meridian dba Prime Air  
United Parcel

### **Airlines providing passenger service (cont):**

#### **Foreign-Flag Airlines**

##### **Scheduled Service:**

Aeromexico  
Air Canada  
Air Jamaica  
Bahamasair  
British Airways  
Canada 3000  
Canadian Airlines  
Cayman Airways  
City Bird  
Icelandair  
Lacsa  
LTU International  
Martinair  
Mexicana  
Trans Brasil  
VARIG  
Virgin Atlantic Airways

##### **Chartered:**

Aerolineas Argentinas  
Air Transat  
Allegro  
Aviateca  
Laker Airways  
Royal Airlines

#### **Airlines Providing Cargo Service:**

Airborne Express  
American International Airways  
DHL Airways  
Emery Worldwide  
Federal Express Corporation  
Mid-Atlantic Freight  
Mountains Air Cargo  
Southern Air Transport  
Trans Continental  
United Parcel Service  
US Checks

Source: Authority Records

Orlando is classified as a large hub by the FAA in terms of airline passenger enplanements. Passengers connecting between airline flights at the Airport account for approximately 15% of enplaned passengers.

#### **Airline Market Shares**

Relative to most large hub airports, passenger traffic at the Airport is fairly evenly distributed among several airlines. For instance, the airline with the largest passenger market share at the Airport, Delta Air Lines, accounted for approximately 29% of total passengers enplaned at the Airport in Fiscal Year 1997. As a group, the Signatory Airlines (including Comair) accounted for approximately 85% of passengers enplaned at the Airport in Fiscal Year 1997. The following table sets forth comparative passenger market share information for air carriers serving the Airport during Fiscal Years 1994 through 1997 and for the six month periods ended March 31, 1997 and 1998.

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**Historical Airline Market Shares<sup>(1)</sup>  
Orlando International Airport  
Fiscal Years 1994 - 1997  
and the Six Month Periods ended  
March 31, 1997 and 1998**

	<b>Share of Enplaned Passengers</b>				<b>Six Month Period Ended March 31</b>	
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1997</b>	<b>1998</b>
<b><u>Signatory Airlines</u></b>						
Delta	26.7%	24.1%	22.3%	28.6%	29.3%	28.5%
US Airways	15.6	16.4	15.5	14.4	14.8	13.0
American	9.1	8.3	7.3	6.8	6.8	6.2
Northwest	5.4	6.1	6.8	6.3	6.5	6.7
Continental	7.9	8.3	6.6	6.1	5.8	6.0
Southwest <sup>(2)</sup>	-	-	2.1	5.6	5.6	6.4
United	7.0	5.9	5.2	4.7	4.9	5.6
AirTran <sup>(3)</sup>	-	-	4.1	4.0	3.8	4.4
American Trans Air <sup>(4)</sup>	-	-	4.0	2.8	2.6	2.9
Trans World	3.8	3.2	3.3	3.5	3.3	3.7
Subtotal-Signatory Airlines	<u>75.5</u>	<u>72.3</u>	<u>77.2</u>	<u>82.8</u>	<u>83.4</u>	<u>83.4</u>
<b><u>Nonsignatory Airlines</u></b> <sup>(5)</sup>	<u>10.2</u>	<u>13.3</u>	<u>8.1</u>	<u>5.3</u>	<u>5.0</u>	<u>4.4</u>
<b><u>Foreign Flag Airlines</u></b>						
Virgin Atlantic	1.4	1.4	1.5	1.8	1.6	1.4
Other	8.2	6.9	6.6	4.7	5.1	5.0
Subtotal-Foreign Flag Airlines	<u>9.6</u>	<u>8.3</u>	<u>8.1</u>	<u>6.5</u>	<u>6.7</u>	<u>6.4</u>
<b><u>Commuter Airlines</u></b>						
Comair <sup>(6)</sup>	3.2	3.6	3.8	2.5	2.5	2.7
Other	1.5	2.5	2.8	2.9	2.4	3.1
Subtotal - Commuter Airlines	<u>4.7</u>	<u>6.1</u>	<u>6.6</u>	<u>5.4</u>	<u>4.9</u>	<u>5.8</u>
<b>Totals</b>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

<sup>(1)</sup> Percentages may not add to subtotals shown because of rounding.

<sup>(2)</sup> Served the Airport since approximately the last 6 months of Fiscal Year 1996.

<sup>(3)</sup> AirTran Airways, Inc. became a Signatory Airline on July 1, 1996 and AirTran Airlines, Inc. became a Signatory Airline effective November 19, 1997.

<sup>(4)</sup> Signatory Airline since approximately the last 9 months of Fiscal Year 1996.

<sup>(5)</sup> Includes percentage shares of enplaned passengers for AirTran and American Trans Air when those airlines were nonsignatory airlines.

<sup>(6)</sup> Also a Signatory Airline.

Source: Authority records.

## International Airline Traffic

**International Passenger Enplanements.** The table that follows presents historical data regarding international enplaned passengers at the Airport during Fiscal Years 1980, 1985 and 1990 through 1997 and for the six month periods ended March 31, 1997 and 1998. Between Fiscal Years 1980 and 1993, international passengers at the Airport increased an average of 23.5% per year (compared with approximately 5% for the United States as a whole). In Fiscal Year 1993, international passengers accounted for 12.3% of the total passengers at the Airport. During Fiscal Years 1994 and 1995, the number of international enplaned passengers at the Airport decreased primarily because of unfavorable currency rates and concerns regarding crimes against tourists in the State of Florida. In Fiscal Year 1996, the number of international passengers enplaned at the Airport increased by 6.6% to 1,240,599 passengers, or 10.1% of the total enplaned passengers. For Fiscal Year 1997, international passenger enplanements decreased 13.7% to 1,070,508.

In April, 1996, the Orlando - Sanford Airport (the "Sanford Airport"), which is located 20 miles northeast of downtown Orlando and has a passenger terminal with five aircraft gates, was certified for international service and began to serve certain international charter passenger traffic that would otherwise be accommodated at the Airport. For Fiscal Years 1996 and 1997, the Sanford Airport accounted for 15% and 32%, respectively, of arriving international passengers in the Orlando area. In Fiscal Year 1997, the number of enplaned passengers at the Sanford Airport accounted for 4% of the combined total of enplaned passengers (domestic plus international) at the Airport and the Sanford Airport. While it is expected that airlines, particularly certain international charter airlines, will continue to serve the Sanford Airport, such service is not expected to have a material effect on the overall number of passengers using the Airport in the long term because of the Airport's greater capacity to accommodate increases in passenger traffic, continuing reduction in the cost advantages enjoyed by the Sanford Airport during its early stages of passenger operations and because of the commitments made by the Signatory Airlines at the Airport. The Authority has undertaken rates and charges initiatives in order to continue to reduce the difference between the Airport and Sanford Airport with respect to the operating costs of non-Signatory Airlines. See "AUTHORITY FINANCIAL FACTORS - Management Discussion and Analysis - Passenger Outlook" herein for more information. See "REPORT OF THE AIRPORT CONSULTANT - AIRLINE TRAFFIC ANALYSIS - Historical Airline Traffic - Other Major Florida Airports and - Sanford Airport" attached hereto as APPENDIX A for a discussion of the potential effect of the Sanford Airport and other airports on future traffic at the Airport. The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997, except that in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds. On June 29, 1998, the Authority received a Notice of Investigation from the Federal Aviation Administration (the "FAA") advising that the FAA had initiated an investigation regarding a radius provision in the Authority's Lease and Use Agreements. This radius provision prohibits a Signatory Airline at the Airport from providing scheduled or charter service to another airport within 30 statute miles of the Airport. The Sanford Airport is located within this 30 mile radius. Such investigation is the result of an informal complaint filed by the private operator of the International Terminal at Sanford Airport. See "LITIGATION" herein.

**International Enplaned Passengers  
Orlando International Airport  
Fiscal Years 1980, 1985 and 1990 - 1997  
and Six Month Periods ended March 31, 1997 and 1998**

<b>Fiscal Year</b>	<b>International Passengers Scheduled</b>	<b>International Passengers Charter</b>	<b>International Passengers Total</b>	<b>Average Annual Increase (Decrease)</b>	<b>Percent of Total Passengers</b>
1980	923	83,477	84,400	-	2.6%
1985	10,327	137,696	148,023	11.9%	3.0
1990	237,061	641,215	878,276	42.8	9.8
1991	268,388	657,088	925,476	5.4	10.2
1992	431,359	774,696	1,206,055	30.3	12.0
1993	520,496	787,096	1,307,592	8.4	12.3
1994	558,607	709,872	1,268,479	(3.0)	11.7
1995	598,168	565,460	1,163,628	(8.3)	10.5
1996	712,537	528,062	1,240,599	6.6	10.1
1997	727,116	343,392	1,070,508	(13.7)	8.0
<b>Six Month Periods Ended March 31,</b>					
1997	388,060	163,185	551,245	-	8.3%
1998	330,771	161,845	492,556	(10.6%)	7.2%

Source: Authority records.

Due to the appeal and growth of the tourist attractions located in central Florida and the growth and diversification of the economy of the Airport service region, it is expected that direct scheduled international service and the number of international passengers at the Airport will increase in the future.

### **The Tradeport**

The Orlando Tradeport, located on the west side of the Airport (the "Tradeport") comprises approximately 1,000 acres. The Authority has pursued, and intends to continue to pursue, development of the Tradeport in accordance with its Tradeport Master Plan. Facilities developed at the Tradeport include: long-term public parking, air cargo aircraft parking aprons and cargo handling facilities; fixed base operator facilities; an aircraft fuel farm; aircraft maintenance and modification hangars and shops, and other aviation buildings and various non-aviation facilities. Most of these facilities are occupied under long-term leases. Approximately 500 acres are under lease and another 500 leasable acres are available for future development.

Signature Flight Support Corporation and Aircraft Service International, Inc. are the fixed base operators at the Airport. Both have facilities at the Tradeport for the handling of corporate aircraft. The United States Postal Service operates a 290,000 square foot regional and sectional center on approximately 27 acres of land in the Tradeport. This activity serves nine counties and employs approximately 1,440 people. The United States Department of Agriculture leases an Inspection Station and Perishables Center facility at the Tradeport which was constructed by the Authority. Foreign Trade Zone No. 42, which began operation during September 1979, is also located at the Tradeport. The 205 acre zone is operated by the Authority under a special grant from the United States Department of Commerce and provides import duty and excise tax incentives for manufacturers and distributors in the central Florida region.

## **Taxation of Facilities, Rentals and Services**

All real and personal property owned by the City or the Authority and used exclusively for governmental, municipal or public purposes is currently exempt from ad valorem taxation. In 1997, the Florida Legislature enacted an amendment to the ad valorem tax statutes which provides that any activity undertaken by a lessee under the terms of its lease of real property owned by a municipality and designated as a public airport, and which is deemed to perform an aviation or airport purpose, shall be deemed to serve a governmental, municipal or public purpose and accordingly is exempt from ad valorem taxation. Florida's Constitutional Revision Commission has proposed an amendment to the Florida Constitution which would explicitly authorize the Florida Legislature to exempt from taxation municipal property used for airport, seaport or public purposes. The amendment is subject to statewide vote in November 1998, and requires a majority vote to pass.

Real property owned by the City, operated by the Authority and used by or leased to private commercial entities for non-governmental purposes is subject to ad valorem real property taxes. In most cases, a lessee is obligated under its lease with the Authority to pay such taxes. To the extent such taxes are not paid by the lessee, the Authority may be obligated to reimburse the City for that portion of taxes assessed against real property operated by the Authority. The Authority is unable to estimate the amount of any such taxes. However, to the extent the Authority is obligated to reimburse the City for these taxes, the Authority expects that such taxes will be provided for in the Authority's Annual Budget and paid by rates, fees, rentals and other charges for use of the Airport System.

No provision has been made for the payment of any such amounts in the "REPORT OF AIRPORT CONSULTANT" attached hereto as APPENDIX A or in the "AUDITED AND UNAUDITED FINANCIAL STATEMENTS" attached hereto as APPENDIX F.

For a description of ad valorem tax litigation involving the Hotel and concessions within the terminal complex at the Airport, see "LITIGATION" herein.

All tangible personal property owned by private enterprises, including that owned by airlines, which is located on municipally-owned airports is currently subject to Orange County tangible personal property taxation.

All gross income received by the Authority for rental of land, buildings or space in buildings (with certain exclusions for property used exclusively for aircraft landing or taxiing and space used by airlines in connection with loading or unloading passengers or property or for fueling aircraft) is subject to the Florida Sales and Use Tax (currently 6%). Such taxes are normally added to such rents and paid by the tenants to the Authority, but the Authority is also responsible for the collection and payment of such taxes.

The Authority is subject to certain taxes imposed with respect to the rental of Hotel rooms and the providing of goods and services in connection with the operation of the Hotel, but such taxes are ordinarily added to the fees paid by customers of the Hotel.

## **Insurance**

The Authority currently maintains \$300 million of liability insurance coverage for claims arising out of bodily injury or property damage at the Airport. The Authority or its tenants, within limits and with deductibles approved by the Authority, maintain fire insurance coverage on all buildings at the Airport.

## THE SIGNATORY AIRLINES AND FUTURE AIRLINE TRAFFIC

### The Signatory Airlines

Each of the Signatory Airlines serving the Airport, or its parent corporation, is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain information, including financial information, as of particular dates concerning each of the Signatory Airlines or their respective parent corporations is disclosed in reports and statements filed with the Commission. Such reports and statements can be inspected in the Public Reference Room of the Commission at 450 Fifth St., N.W., Washington, D.C. 20549, and at the Commission's regional offices at 500 West Madison Street, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such reports and statements may be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549 at prescribed rates. The Commission also maintains a website that contains reports, proxy and information statements and other written information regarding companies that file electronically with the Commission. The address of the website is <http://www.sec.gov>. In addition, each Signatory Airline is required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports may be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, and copies of such reports may be obtained from the Department of Transportation at prescribed rates.

### Key Factors That Will Affect Future Airline Traffic

The Airport Consultant has concluded that the key factors which will affect future airline traffic at the Airport include: (1) the growth in the population and economy of the Airport service region, (2) national and international economic and political conditions, (3) airline service and route networks, (4) the availability and price of aviation fuel, (5) airline economics, competition and air fares, (6) the capacity of the national air traffic control system and airport systems, and (7) the capacity of the Airport itself. A discussion of these key factors is provided in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A. **The Report of the Airport Consultant has not been supplemented or updated to reflect the occurrence of any event or transaction since November 13, 1997**, except that in Exhibit C to the Report of the Airport Consultant entitled "Historical and Forecast Debt Service Requirements," debt service payments on the 1998 Gulf Breeze Loan were estimated using an aggregate principal amount of approximately \$86,000,000 and estimated debt service payments on the 1998 Bonds and the 1998 Subordinated Bonds (which were then anticipated to be issued as a single series of Bonds for the purpose of refunding the Refunded Bonds maturing after October 1, 1998) were presented as a continuation of debt service on the Refunded Bonds. See "AUTHORITY FINANCIAL FACTORS - Management Discussion and Analysis" and "THE AIRPORT SYSTEM - Enplaned Passengers at the Airport" herein.

## REGULATORY MATTERS

### Contamination Assessment and Rehabilitation or Abatement

The Authority has undertaken contamination assessment and site rehabilitation at a number of locations at the Airport. In addition to the identified areas of environmental contamination, the Authority may be obligated to conduct site rehabilitation or abatement as the result of the past discharge of certain petroleum based pollutants or hazardous substances at the Airport or because of the presence of asbestos, lead based paint or other indoor air contaminants in certain buildings located thereon, either as the party primarily responsible or as the party responsible in the event other parties who are liable are unable to do so. Where groundwater or soil contamination is present, site rehabilitation has been or will be undertaken upon approval by the Orange County Environmental Protection Department or the Florida Department of Environmental Regulation ("FDER").

The Authority is presently unable to estimate the potential cost to the Authority of such site rehabilitation or abatement activities, but such cost has the potential to be significant. Cost to the Authority of site rehabilitation depends on a variety of factors including the extent of contamination, hydrogeology, source of the contamination, and the ability of the tenant or operator who caused the discharge to pay for such site rehabilitation. Cost to the Authority of abatement also depends on a variety of factors including the amount of the indoor air contaminants present, their condition, the use of the space being abated, and the legal liability and financial capability of the tenant or operator to pay for such abatement. However, if the Authority is required to pay all or part of the costs associated with the site rehabilitation or abatement, such costs incurred by the Authority are expected to be provided for in the Authority's Annual Budget and paid by rates, fees, rentals and other charges for the use of the Airport. No provision has been made for the payment of these amounts in the "REPORT OF AIRPORT CONSULTANT" attached hereto as APPENDIX A or in the "AUDITED AND UNAUDITED FINANCIAL STATEMENTS" attached hereto as APPENDIX F.

### **Wetland Mitigation**

Pursuant to environmental permits issued by the United States Army Corps of Engineers, the FDER and the South Florida Water Management District (collectively, the "Environmental Agencies"), the Authority has been required to provide mitigation for impacts which Authority projects had on existing wetlands. Wetland mitigation includes the preservation of both upland and wetland lands in their natural state, the enhancement of existing wetlands, and the creation of new wetland areas. Wetland mitigation may also include funding the acquisition of environmentally sensitive lands by third parties.

The Authority has implemented wetland mitigation activities through the acquisition of necessary land, construction of wetland creation projects, and preparation of conservation easements. The Authority is currently in negotiations with the Environmental Agencies concerning mitigation activities at the Airport. The estimated future cost of compliance is included in the Authority's capital improvement program.

### **LITIGATION**

The Authority is involved in the following actions:

**Ad Valorem Taxes.** In June 1993, the Orange County Property Appraiser (the "Property Appraiser") issued a Notice of Disapproval of Application for Property Tax Exemption with respect to the Hotel within the terminal complex at the Airport. For the year 1993, the Property Appraiser appraised the Hotel real property at a value of \$28,023,031 (resulting in a tax of \$598,070, if paid in March 1994) and the personal property at a value of \$8,628,597 (resulting in a tax of \$184,152 if paid in March 1994). The Authority appealed the denial of exemption to the Value Adjustment Board. Adopting the recommendation of a Special Master, the Value Adjustment Board determined that the property is entitled to a "governmental exemption." The Orange County Property Appraiser filed suit in Circuit Court on December 13, 1993, seeking to overturn the decision of the Value Adjustment Board. The Property Appraiser and the Authority both filed Motions for Summary Judgment, and the court granted the Property Appraiser's motion denying the Authority's claim for immunity from ad valorem taxation and denied the Authority's motion for a finding that the Authority's property was exempt from ad valorem taxation as a matter of law. The exemption issue is scheduled for trial in September, 1998. It is probable that the circuit court's judgment will be appealed by the losing party.

It is the Authority's position that the Hotel property is exempt and/or immune from ad valorem taxation. The Authority has also filed lawsuits against the Property Appraiser with respect to the assessment of ad valorem taxes for the 1994 tax year, the 1995 tax year, the 1996 tax year and the 1997 tax year. These cases have been or will be stayed pending determination of the 1993 litigation. For the 1994 tax year, taxes were assessed in the amount of \$621,815 on the Hotel real property and \$175,289 on the Hotel personal property (each if paid in March 1995); for the 1995 tax year, the taxes assessed were \$630,817 on the Hotel real property and \$163,799 on the Hotel personal property (each if paid in March 1996); for the 1996 tax year, the taxes assessed were \$635,894 on the Hotel real property and \$150,230 on the Hotel personal property (each if paid in March of 1997); and for the 1997 tax year taxes assessed were \$707,401 on the Hotel real property

and \$133,524 on the personal property (each if paid in March 1998). The Authority and the Property Appraiser have stipulated that, if the 1993 case is ultimately determined in favor of the Property Appraiser, interest will not apply with respect to ad valorem taxes paid within thirty (30) days after issuance of a tax bill following such final determination. At this time, the Authority is unable to estimate the amount of annual ad valorem real property and personal property taxes, if any, the Authority will be required to pay on the Hotel. A final decision adverse to the Authority would result in the Authority being obligated to pay ad valorem real property and personal property taxes on an annual basis, in which event the Authority expects that such ad valorem taxes will be provided for in the Authority's Annual Budget and paid by rates, fees and other charges for the use of the Airport. No provision has been made for the payment of these taxes in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A.

In addition to the foregoing matters, in 1997, the Property Appraiser issued Notices of Disapproval of Application for Property Tax Exemption ("Notices of Denial") with respect to properties utilized by over forty (40) concessionaires within the terminal at the Airport. The Authority maintains that all concessionaires within the terminal serve a public purpose and, therefore, that all such property is exempt from ad valorem taxation. The Authority filed petitions with the Orange County Value Adjustment Board with respect to each of the Notices of Denial and the Special Master determined that the properties are exempt. This determination has been adopted by the Value Adjustment Board. The Property Appraiser has filed suit seeking to overturn the decision of the Value Adjustment Board. While the Authority's concession agreements pass along the tax burden to the concessionaires, the Authority would expect to obtain less in future concession revenues if the concessionaires are required to pay ad valorem taxes.

Furthermore, if the Property Appraiser prevails in its assessment of ad valorem taxes on these properties, then, to the extent any such taxes are not paid by the concessionaires, the Authority may be obligated to reimburse the City for such taxes. At this time, the Authority is unable to estimate the amount of these taxes, if any, that it will be required to pay on the properties utilized by the concessionaires. However, to the extent the Authority is obligated to reimburse them, such taxes are expected to be provided for in the Authority's Annual Budget and paid by rates, fees and other charges for the use of the Airport. No provision has been made for the payment of these taxes in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A or in the "AUDITED AND UNAUDITED FINANCIAL STATEMENTS" attached hereto as APPENDIX F.

**John Carlo, Inc. v. Greater Orlando Aviation Authority**, Case No.: CI 97-2407, Div. 39; Circuit Court for Orange County, Florida. On or about March 28, 1997, plaintiff filed a claim against the Authority seeking approximately \$4,500,000 for the treatment of contaminated soil and for unforeseen site conditions and defective specifications and plans which allegedly resulted in delays and cost overruns in connection with the rehabilitation of the west ramp. Mediation of this matter has been continued and no new mediation date has been set. At present, the Authority is unable to estimate its liability associated with this matter. No provision has been made for the payment of any liability for this matter in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A.

**Devcon International Corporation v. Greater Orlando Aviation Authority**, Case No. CI 95-5030, Div. 34; Circuit Court for Orange County, Florida. On August 8, 1995, plaintiff filed a complaint seeking damages in the amount of approximately \$4,986,000 resulting from alleged unforeseen site conditions and overruns in connection with a wetlands rehabilitation project. The Authority has counterclaimed for approximately \$770,000 for costs related to the delayed completion of the project. The Authority was granted a summary judgment as to all claims accruing before November 9, 1992. At present, the Authority is unable to estimate its liability associated with this matter. No provision has been made for the payment of any liability for this matter in the "REPORT OF THE AIRPORT CONSULTANT" attached hereto as APPENDIX A.

**Other Construction Disputes.** The Authority is aware of a number of other disputes arising from the construction of improvements at the Airport in which the contractors involved may seek additional compensation. Some of these disputes have become the subject of lawsuits. The aggregate amount of such disputes is approximately \$3,000,000. The Authority is attempting to resolve these disputes through negotiations and is defending the lawsuits. In the opinion of the Authority, based on its experience in resolving

similar disputes, there is sufficient money in the Authority's construction contingency account to pay all amounts the Authority estimates will be paid in settling or litigating these other disputes.

**Federal Aviation Administration Notice of Investigation.** On June 29, 1998, the Authority received a Notice of Investigation ("Notice") from the FAA advising that the FAA had initiated an investigation, pursuant to 14 CFR Part 16, into a radius provision contained in the Authority's Lease and Use Agreement with the Signatory Airlines. This radius provision prohibits a Signatory Airline at the Airport from providing scheduled or charter service to another airport within 30 statute miles of the Airport. The Sanford Airport is located within this 30 mile radius.

The FAA's investigation is the result of an informal complaint filed with the FAA by Orlando Sanford International, Inc., the private operator of the International Terminal at Sanford Airport. The FAA's investigation will consider whether the radius provision violates federal anti-trust laws, the Authority's federal grant assurances and the provisions of federal law that prohibit state and local regulation of air carrier prices, routes and services.

The Authority intends to continue to enforce this radius provision and to vigorously defend itself in the FAA investigation. Foley & Lardner, the Authority's general counsel, is of the opinion that the Authority has state action immunity from federal and state antitrust claims, that the radius provision is narrowly drawn to protect the legitimate business interests of the Bondholders and the Signatory Airlines and is within the Authority's proprietary powers and rights, and that this provision does not violate federal law.

If an adverse determination is made by the FAA with respect to this matter, the FAA and the FDOT may declare the Authority ineligible to receive payments under existing FAA and FDOT grants and ineligible to receive any new FAA and FDOT grants until this matter is finally resolved. However, the Authority could suspend the enforcement of this radius provision during any appeal of such adverse determination to prevent any suspension in such grants.

**Horticultural Industries, Inc.** In December 1997, the Authority awarded a new contract for the performance of terminal landscape services at the Airport. Horticultural Industries, Inc. ("HII") was the low bidder. HII's bid was \$3,341,732 over the three (3) year term of the contract. HII was disqualified from the bid process for failure to comply with the Authority's Minority and Women Business Enterprise ("MWBE") program. Specifically, HII failed to make a good faith effort to meet a participation goal under the Authority's MWBE policy. While no legal action has been filed to date, the Authority has recently been advised by HII's counsel that HII intends to sue the Authority. If such suit is filed by HII, it is likely that it will include a claim for damages resulting from the failure to award HII the terminal landscape contract, and the damages claimed would likely be based upon HII's alleged lost profits. The Authority does not know what amount would be claimed by HII. The Authority would vigorously defend against any such action.

## TAX MATTERS

In the opinion of Special Tax Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 1998 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code (the "Code"), except that no opinion is expressed as to the status of interest on any 1998 Bond for any period that such 1998 Bond is held by a "substantial user" of the facilities refinanced by the 1998 Bonds or the 1998 Subordinated Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Special Tax Counsel observes, however, that interest on the 1998 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Co-Bond Counsel will render opinions as to the exclusion from gross income for federal income tax purposes of interest on the 1998 Bonds solely in reliance upon, and subject to the assumptions, qualifications, reliances, exclusions, exceptions and limitations provided in the opinion of Special Tax Counsel. In addition, in the opinion of Co-Bond Counsel, under existing laws, the 1998 Bonds are exempt from all present Florida intangible personal property taxes.

Copies of the proposed forms of opinions of Co-Bond Counsel and Special Tax Counsel are set forth in Appendices G and H hereto, respectively.

Certain of the 1998 Bonds were sold to the public at a premium (the "Premium Bonds"). No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. However, purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium properly allocable to such purchaser. Owners of the Premium Bonds should consult their own tax advisors with respect to the tax consequences of ownership thereof.

To the extent the issue price of any maturity of the Series 1998 Bonds is less than the amount to be paid at maturity of such Series 1998 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 1998 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 1998 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 1998 Bonds is the first price at which a substantial amount of such maturity of the Series 1998 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placements agents or wholesalers). The original issue discount with respect to any maturity of the Series 1998 Bonds accrues daily over the term to maturity of such Series 1998 Bonds on the basis of the yield to maturity compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 1998 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 1998 Bonds. Owners of the Series 1998 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 1998 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 1998 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 1998 Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 1998 Bonds. The Authority has covenanted to comply with certain restrictions designed to ensure that interest on the 1998 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 1998 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 1998 Bonds. The opinion of Special Tax Counsel assumes compliance with these covenants and Special Tax Counsel and Co-Bond Counsel have not undertaken to determine (or to inform any persons) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 1998 Bonds may adversely affect the value of or the tax status of interest on the 1998 Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, including H.R. 3097, passed by the House of Representatives on June 17, 1998, will not adversely affect the value of, or the tax status of interest on, the 1998 Bonds.

Certain requirements and procedures contained or referred to in the Bond Resolution, the tax certificate of the Authority and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 1998 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Special Tax Counsel expresses no opinion as to any 1998 Bond or the interest thereon if any such change occurs or any action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Special Tax Counsel is of the opinion that interest on the 1998 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on the 1998 Bonds may otherwise affect an owners federal or state tax liability. The nature and the extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Special Tax Counsel and Co-Bond Counsel express no opinion regarding any such other tax consequences.

## LEGAL MATTERS

Certain legal matters incident to the validity of the 1998 Bonds and the issuance thereof by the Authority are subject to the approval of Holland & Knight LLP, Orlando, Florida, and Stewart, Joyner & Jordan-Holmes, P.A., Tampa, Florida, Co-Bond Counsel. The proposed form of the opinions of Co-Bond Counsel is attached hereto as APPENDIX G. Certain legal matters will be passed on for the Authority by its Special Tax Counsel, Orrick, Herrington & Sutcliffe LLP, whose proposed form of opinion is attached hereto as APPENDIX H, and by its General Counsel, Foley & Lardner, Orlando, Florida. Certain legal matters in connection with the 1998 Bonds will be passed on for the Underwriters by their co-counsel, Nabors, Giblin & Nickerson, P.A., Orlando, Florida and Long & Pryor, Orlando, Florida.

Holland & Knight LLP, and Stewart, Joyner & Jordan-Holmes, P.A., Co-Bond Counsel, have not undertaken independently to verify and therefore expresses no opinion as to the accuracy, completeness, fairness or sufficiency of any of the information or statements contained in this Official Statement, or any exhibits, schedules or appendices hereto, except the portions hereof captioned "DESCRIPTION OF THE 1998 BONDS" (other than the information contained under the subheading "Book-Entry Only System"), "SECURITY FOR THE 1998 BONDS" (other than the information under the subcaptions "Bond Insurance" and "Airline Rates and Charges" therein), "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT," to the extent the same purport to summarize the Bond Resolution and the amendments provided in the 1997 Supplemental Resolution, and the accuracy of the information under the caption "TAX MATTERS" to the extent the same purports to describe certain Florida intangible personal property tax consequences of ownership of the 1998 Bonds.

Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, has not undertaken any responsibility for the accuracy, completeness, fairness, or sufficiency of any of the information or statements contained in this Official Statement, or any exhibits, schedules or appendices hereto.

## RATINGS

The 1998 Bonds have been assigned a municipal bond rating of "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch on the basis that the Policy will be issued by Financial Guaranty with respect to the 1998 Bonds. Such ratings express only the views of the rating agencies. An explanation of the significance of such ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The Underwriters have not undertaken any responsibility to either notify owners of the 1998 Bonds of any proposed revision or withdrawal of any rating of the 1998 Bonds or to oppose any such proposed revision or withdrawal.

## UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions to closing, to purchase the 1998 Bonds at an aggregate purchase price of \$47,823,035.50, equal to the principal amount of the 1998 Bonds, plus a premium of \$1,476,867.50 on the Premium Bonds, less Underwriters' discount of \$293,832.00, exclusive of accrued interest. The Underwriters will be obligated to purchase all of the 1998 Bonds if any 1998 Bonds are purchased. The 1998 Bonds may be offered and sold to Underwriters and certain dealers (including Underwriters and other dealers depositing such 1998 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters have not undertaken any responsibility to either notify owners of the 1998 Bonds of any proposed revision or withdrawal of any rating of the 1998 Bonds or to oppose any such proposed revision or withdrawal.

## **FINANCIAL ADVISORS**

Raymond James & Associates, Inc., Orlando, Florida, and R.D. Jordan & Company, Tampa, Florida, serve as financial advisors to the Authority. The financial advisors assisted the Authority in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the 1998 Bonds and provided other advice.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority as of September 30, 1997 and 1996 and for the years then ended, included in APPENDIX F to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report included in APPENDIX F attached to this Official Statement. The unaudited financial statements as of March 31, 1998 and 1997 and for the six month periods then ended, included in APPENDIX F attached to this Official Statement, have been reviewed by Ernst & Young LLP, independent accountants. A review consists principally of inquiries of Authority personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion regarding the financial statements taken as a whole.

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Section 517.051, Florida Statutes and the regulations promulgated thereunder require that the Authority and the City make full and fair disclosure of any bonds or other debt obligations of such entities that have been in default as to payment of principal or interest at any time after December 31, 1975. Neither the Authority nor the City are presently and, since December 31, 1975, neither the Authority nor the City have been in default as to payment of principal or interest on any bonds or other debt obligations.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Act of 1934 (the "Rule"), the Authority will enter into a Continuing Disclosure Undertaking, dated as of August 1, 1998 (the "Continuing Disclosure Undertaking"), a form of which is attached hereto as APPENDIX I, for the benefit of the Holders and Beneficial Owners (as defined in the Continuing Disclosure Undertaking), from time to time of the 1998 Bonds. Under the Continuing Disclosure Undertaking, the Authority, as an "obligated party" under the Rule and, initially, the sole obligated party under the Continuing Disclosure Undertaking, will provide certain financial information and operating data (the "Annual Information") relating to the Authority and notices of the occurrence of certain enumerated events with respect to the 1998 Bonds, if material.

The Annual Information will be filed by or on behalf of the Authority with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRS") and with a state depository, if one then exists. Notices of certain enumerated events will be filed by or on behalf of the Authority with the NRMSIRS or the Municipal Securities Rulemaking Board and with a state depository, if one then exists. The nature of the information to be provided in the Annual Information and the notices of such enumerated events is set forth in "FORM OF CONTINUING DISCLOSURE UNDERTAKING" attached hereto as APPENDIX I. The Continuing Disclosure Undertaking further provides that a default under the Continuing Disclosure Undertaking shall not constitute an Event of Default under the Bond Resolution.

## MISCELLANEOUS

There are appended to this Official Statement the Report of the Airport Consultant (APPENDIX A), the Summary of Certain Provisions of the Bond Resolution (APPENDIX B), the Summary of Proposed Amendments to Airport Facilities Revenue Bond Resolution Requiring Bondholder Consent (APPENDIX C), the Summary of Certain Provisions of the Lease and Use Agreements (APPENDIX D), the form of municipal bond insurance policy (APPENDIX E), the audited Financial Statements and Report of Independent Auditors thereon for the Fiscal Years ended September 30, 1997 and 1996 and the Financial Statements and Independent Accountant's Review Report as of and for the six month periods ended March 31, 1998 and 1997 (APPENDIX F), the proposed form of Co-Bond Counsel opinion (APPENDIX G), the proposed form of Special Tax Counsel opinion (APPENDIX H) and the proposed form of Continuing Disclosure Undertaking (APPENDIX I). Such Appendices are integral parts of this Official Statement and should be read together with all other parts of this Official Statement.

The references herein to the Bond Resolution, the Lease and Use Agreements, the Trust Agreement, the Airport Custody Agreement and the Act are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such documents for full and complete statements of their provisions. Copies of such documents are available from the Office of the Treasurer, One Airport Boulevard, Orlando, Florida 32827-4399.

Any statements made in this Official Statement involving matters of opinion or of estimates or forecasts, 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 the estimates or forecasts will be realized.

## AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

This Official Statement has been authorized and approved by the Authority. Concurrently with the delivery of the 1998 Bonds, the undersigned will furnish his certificate to the effect that, to the best of his knowledge, this Official Statement did not as of its date, and does not as of the date of delivery of the 1998 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

## GREATER ORLANDO AVIATION AUTHORITY

By: \_\_\_\_\_  
William Miller, Jr., Chairman

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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

GREATER ORLANDO AVIATION AUTHORITY  
AIRPORT FACILITIES REVENUE BONDS  
SERIES 1997

Prepared for

Greater Orlando Aviation Authority  
Orlando, Florida

Prepared by

Leigh Fisher Associates  
San Francisco, California

November 13, 1997

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**LEIGH FISHER ASSOCIATES**  
*Consultants to Airport Management*

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San Francisco International Airport  
San Francisco, CA 94128 8007  
Tel 415- 571 7722  
Fax 415- 571 5220

November 13, 1997

Mr. Egerton van den Berg  
Executive Director  
Greater Orlando Aviation Authority  
One Airport Boulevard  
Orlando, Florida 32827-4399

Re: Report of the Airport Consultant, Greater Orlando Aviation Authority  
Airport Facilities Revenue Bonds, Series 1997

Dear Mr. van den Berg:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of approximately \$173,000,000 of Airport Facilities Revenue Bonds, Series 1997 of the City of Orlando, Florida (the 1997 Bonds) by the Greater Orlando Aviation Authority (the Authority), an agency of the City. The Authority operates Orlando International Airport (the Airport or Airport System).

### **The 1997 Project**

The 1997 Bonds are being issued to finance part of the costs of certain capacity enhancements and other capital improvements at the Airport, referred to in this report collectively as the 1997 Project. The principal elements of the 1997 Project are:

**Parking:** Construct additions to the parking garages adjacent to the landside passenger terminal building to accommodate additional public and rental car spaces; enclose and air-condition the garage elevator lobbies; construct additional public parking spaces in remote lots; construct a new employee parking lot; and complete associated parking improvements.

**Terminal:** Reconfigure the first level of the landside terminal building to accommodate expanded lobbies for airline passenger check-in, rental car, and ground transportation functions and additional curbsides; install additional baggage handling systems, common-use terminal equipment, and multiple-user flight information display systems; construct an addition to the northeast quadrant of the landside terminal building to provide additional space for airline passenger check-in, baggage handling, and hotel functions; construct various renovations and improvements to the existing landside and airside terminal buildings, including additional elevator and restroom capacity; and upgrade and expand the Airport communications center.



Mr. Egerton van den Berg

November 13, 1997

***Airfield:*** Clear Airport land and construct earthworks to allow future Airport development and undertake various airfield repairs and improvements.

***Roadways:*** Widen the loop roadways that provide access to the passenger terminal and construct an interchange between the main Airport access roadway and Cargo Road to improve access to remote parking and other Airport facilities.

### **Bond Resolution**

The 1997 Bonds are being issued in accordance with a master resolution authorizing the issuance of City of Orlando Airport Facilities Revenue Bonds adopted in 1978, as subsequently amended and supplemented, and a supplemental resolution authorizing the issuance of the 1997 Bonds. The master and supplemental resolutions are collectively referred to in this report as the Bond Resolution. Except as noted otherwise, capitalized terms in this report are used as defined in the Bond Resolution.

### **Senior Lien Bonds**

In 1972 and 1974, under Trust Agreements, the Authority issued Airport Revenue Bonds (Prior Lien Bonds), of which \$2,310,000 was outstanding as of September 30, 1997, the end of the most recent fiscal year (FY) of the Authority. The final maturity date of the Prior Lien Bonds is March 1, 2000. In the Bond Resolution, the Authority has covenanted that it will not issue additional Prior Lien Bonds.

Between 1978 and 1993, the Authority issued several series of Airport Facilities Revenue Bonds and Refunding Revenue Bonds (Bonds) under the Bond Resolution. As of September 30, 1997, \$858,945,000 of Bonds was outstanding. The final maturity date of the outstanding Bonds is October 1, 2021. Under provisions of the Bond Resolution, before the retirement date of the Prior Lien Bonds, the 1997 Bonds are to be payable from and secured by a lien on the Available Revenues of the Airport System on a parity with outstanding Bonds and subordinate to the Prior Lien Bonds. After the retirement of the Prior Lien Bonds, the Bonds are to be payable from and secured by a pledge of and lien on all Revenues of the Airport



Mr. Egerton van den Berg  
November 13, 1997

System. The Prior Lien Bonds and Bonds are referred to collectively in this report as Senior Lien Bonds.

### **Subordinated Indebtedness**

The Authority also has outstanding certain Subordinated Indebtedness, including, as of September 30, 1997, \$38,335,000 of subordinated revenue bonds issued in 1992 to finance certain of the costs of a hotel constructed as part of the landside terminal building, \$34,390,000 of loans from the City of Gulf Breeze, Florida Local Government Loan Program used to finance other hotel costs, \$4,800,000 of subordinated revenue bonds issued in 1989 to finance an air cargo facility, \$26,512,000 of commercial paper notes, and \$10,000,000 of loans from the State of Florida Department of Transportation.

The Authority intends to borrow an additional approximately \$86,000,000 from the City of Gulf Breeze financing program to fund certain government purpose elements of the 1997 Project.

Under the terms of the Bond Resolution and the airline Lease and Use Agreements, debt service on Subordinated Indebtedness is paid from Revenues available after the payment of Senior Lien Bonds debt service, Operation and Maintenance Expenses, and certain other required fund deposits.

### **Rate Covenant**

In Section 711 of the Bond Resolution, referred to as the Rate Covenant, the Authority covenants that it will:

... at all times while any Bonds shall be Outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport System as shall be required in order that in each Fiscal Year the Net Revenues [Revenues less Operation and Maintenance Expenses] less the amounts, if any, required to be deposited from Revenues or Available Revenues into the renewal and replacement fund and operating reserve account established under the Trust Agreements, the Operation and Maintenance Reserve Account, the Capital Expenditures



Mr. Egerton van den Berg  
November 13, 1997

Fund and the Renewal and Replacement Fund\* shall equal at least 1.25 times the sum of the Aggregate Debt Service and Prior Lien Debt Service for such Fiscal Year, and in any event, as shall be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues or Available Revenues under the Trust Agreements and the [Bond] Resolution.

**Airline Lease and Use Agreements**

The Authority has entered into long-term Lease and Use Agreements with the following airlines serving the Airport (the Signatory Airlines):

- |                      |                      |
|----------------------|----------------------|
| AirTran Airways      | Northwest Airlines   |
| American Airlines    | Southwest Airlines   |
| American Trans Air   | Trans World Airlines |
| Comair               | US Airways           |
| Continental Airlines | United Airlines      |
| Delta Air Lines      |                      |

The Lease and Use Agreements require approval by a majority-in-interest of the Signatory Airlines of any issuance of Additional Bonds or other capital project financings to be supported by Signatory Airline rentals and fees.\*\* All elements of the 1997 Project whose costs are to be financed from the proceeds of the 1997 Bonds have received such majority-in-interest approval.

---

\*The names of the funds and accounts established under the Trust Agreements are prefixed with "Airport System." The names of the funds and accounts established under the Bond Resolution are prefixed with "Airport Facilities." For brevity, the prefixes are generally omitted in this report. The funds and accounts established under the Trust Agreements and the Bond Resolution are distinguished by the use of initial capital letters for the latter.

\*\*A majority-in-interest is defined in the Lease and Use Agreements as at least 50% in number of the Signatory Airlines that collectively paid more than 50% of the terminal fees and charges and landing fees paid directly to the Authority during the most recent 6 months.



Mr. Egerton van den Berg  
November 13, 1997

The Lease and Use Agreements provide for a "residual cost" formula under which Signatory Airline rentals, fees, and charges are reviewed at least annually and adjusted as necessary so that, for each Fiscal Year, Revenues (other than Available PFC Revenues) are at least equal to the sum of (1) 1.25 times debt service payable on Senior Lien Bonds (other than debt service to be paid from Available PFC Revenues), (2) debt service payable on Subordinated Indebtedness, (3) Operation and Maintenance Expenses, (4) required payments to third parties under agreements regarding interest rate swaps and other derivative financial products, (5) required deposits to the operating reserve account and renewal and replacement fund established under the Trust Agreements, (6) required deposits to the Operation and Maintenance Reserve Account, the Capital Expenditures Fund, and the Renewal and Replacement Fund established under the Bond Resolution, and (7) any required deposits to the PFC Account to reimburse it for withdrawals made to cure deficiencies in the Bond Fund.

The term of the Lease and Use Agreements extends through FY 2008. However, in the Rate Covenant of the Bond Resolution, the Authority covenants to impose rentals, fees, and charges as necessary to meet the requirements of the Bond Resolution after expiration of the Lease and Use Agreements.

### **Additional Bonds Test**

The 1997 Bonds are being issued as Additional Bonds under the Bond Resolution, which specifies certain conditions that must be met before Additional Bonds may be issued. These conditions require, among other things, that estimated future net revenues available for the payment of debt service, after all estimated fund deposits required under the Trust Agreements and the Bond Resolution are made, shall provide at least 1.25 times coverage of debt service on Senior Lien Bonds, as required by the Rate Covenant. This provision, referred to as the Additional Bonds Test, must be met for each of the 5 Fiscal Years following the Fiscal Year in which it is estimated by the Authority's Consulting Engineers that the Additional Project will be completed.

The Additional Bonds Test specifies that the required debt service coverage be demonstrated taking into account the sum of Aggregate Debt Service on all outstanding Senior Lien Bonds, the Additional Bonds that are the subject of the Additional Bonds Test, and any future Bonds that may be required to pay the costs of completing the Additional Project and any other uncompleted project, but not future Bonds that may be required for future projects.



Mr. Egerton van den Berg  
November 13, 1997

As discussed in the following section, the Authority has defined a program of capital improvements expected to be required at the Airport through approximately 2004 and expects to issue future Bonds, in addition to the 1997 Bonds, to finance certain of the costs of such planned capital improvements. The financial forecasts accompanying this report take into account the debt service requirements of such future Bonds, as well as the estimated capacity, amenities, operating expenses, and revenues associated with the future projects to be financed. Consequently, the financial forecasts are not as required by the Additional Bonds Test, but rather address the ability of the Authority to meet the debt service coverage requirements of the Rate Covenant taking into account the future issuance of all Bonds estimated to be required to allow completion of the Authority's 1997-2004 capital improvement plan.

To allow the effects of all such future financings to be evaluated, the financial forecasts are shown through FY 2005. (The Authority's Consulting Engineers estimate that the 1997 Project will be substantially completed during FY 1999. Therefore, the relevant years for the Additional Bonds Test would be FY 2000 through FY 2004.)

### **Future Capital Improvement Plan**

Projects in the Authority's 1997-2004 capital improvement plan that have been approved by a majority-in-interest of the Signatory Airlines include construction of the fourth airside building and related facilities to complete the existing north terminal complex; construction of a crossfield taxiway north of the existing terminal complex; development of the first phase of a new south terminal complex; and construction of other terminal, airfield, and access capacity improvements. Airline approval of certain of these projects is conditioned upon the achievement of specified numbers of passengers or aircraft operations at the Airport as well as certain airline occupancy commitments. Such conditions were agreed to by the Authority and the Signatory Airlines to ensure that the projects are undertaken as demand warrants. The Authority estimates that the approved future projects will cost approximately \$970 million.

Other future projects in the 1997-2004 capital improvement plan, for which Signatory Airline approval has not yet been sought, include the construction of a fourth runway and provision of rail access to the Airport. The Authority estimates that such other future projects will cost approximately \$529 million.



Mr. Egerton van den Berg  
November 13, 1997

It was assumed for this study that \$860 million of the \$1,499 million estimated costs of the planned future projects will be financed through the issuance of Additional Bonds in 1999 and 2000. However, the Authority has not yet committed to issuing such Additional Bonds to finance any projects included in the 1997-2004 capital improvement plan beyond the 1997 Project.

### **Passenger Facility Charge**

The Authority has received approval from the Federal Aviation Administration (FAA) to impose a passenger facility charge (PFC) of \$3 per eligible enplaned passenger at the Airport and has imposed the PFC since February 1993. Through September 30, 1997, PFC revenues received by the Authority, including investment earnings, totaled \$136,444,000, of which \$62,274,000 had been expended on approved project costs. Certain of the costs of the 1997 Project are to be funded from PFC revenues. The Authority has submitted an application to the FAA to allow PFC collections to continue beyond the currently authorized amount and plans to use future PFC revenues as a source of funding for the 1997-2004 capital improvement plan, both through the direct payment of project costs ("pay-as-you-go") and the payment of debt service on future financings.

### **Scope of Study**

In conducting our study, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the population and economy of the geographic region served, historical trends in airline traffic, and key factors that will affect future airline traffic
- Estimated sources and uses of funds for the 1997 Project and associated estimates of debt service requirements
- Preliminary estimates of sources and uses of funds for other projects in the 1997-2004 capital improvement plan and associated estimates of debt service requirements
- Terminal space and other facilities to be provided by the 1997 Project and other projects in the 1997-2004 capital improvement plan



Mr. Egerton van den Berg  
November 13, 1997

- Historical relationships among revenues, expenses, and airline traffic at the Airport and other factors that may affect future revenues and expenses
- The Authority's estimated results for the Airport for FY 1997, the annual budget for FY 1998, and other operational considerations
- The Authority's policies and contractual agreements relating to the use and occupancy of the Airport; the calculation and adjustment of airline rentals and fees; the operation of public automobile parking, rental car, and other concession and consumer service privileges; and the leasing of buildings and grounds
- Historical and estimated future PFC revenues

We also assisted Authority management in identifying the key factors upon which the financial results of the Airport will depend and in formulating assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits accompanying this report. Estimates of project costs, financing plans, and annual debt service requirements were provided by the sources noted on the exhibits.

### **Forecast Debt Service Coverage**

Forecasts of Net Revenues and the required deposits to the operating reserve account and the renewal and replacement fund established under the Trust Agreements and the Operation and Maintenance Reserve Account, the Capital Expenditures Fund, and the Renewal and Replacement Fund established under the Bond Resolution are set forth in the following tabulations and in Exhibit G. The estimated debt service requirements shown for Senior Lien Bonds include debt service for the 1997 Bonds and the planned 1999 Bonds and 2000 Bonds.

After the retirement date of the Prior Lien Bonds, scheduled to be in FY 2000, required deposits to the operating reserve account and the renewal and replacement fund will be replaced by required deposits to the Operation and Maintenance Reserve Account and the Renewal and Replacement Fund, respectively.



Mr. Egerton van den Berg  
 November 13, 1997

Fiscal Year	Net Revenues	Required deposits			Total	Net Revenues available for debt service
		Operating reserve account (a)	Renewal and replacement fund (b)	Capital Expenditures Fund		
1998	\$122,106,000	\$1,715,000	\$ 9,250,000	\$1,375,000	\$12,340,000	\$109,766,000
1999	144,617,000	1,063,000	16,635,000	1,442,000	19,140,000	125,477,000
2000	181,565,000	1,129,000	11,000,000	1,485,000	13,614,000	167,951,000
2001	208,996,000	1,893,000	10,500,000	1,530,000	13,923,000	195,073,000
2002	211,819,000	1,069,000	14,000,000	1,575,000	16,644,000	195,175,000
2003	237,700,000	2,659,000	9,500,000	1,921,000	14,080,000	223,620,000
2004	235,510,000	1,201,000	10,000,000	1,979,000	13,180,000	222,330,000
2005	236,055,000	1,244,000	10,500,000	2,038,000	13,782,000	222,273,000

Fiscal Year	Net Revenues available for debt service [A]	Debt service requirements			Debt service coverage ratio	
		Senior Lien Bonds (c) [B]	Subordinated Indebtedness	Total [C]	Senior Lien Bonds [A/B]	All indebtedness [A/C]
1998	\$109,766,000	\$ 69,054,000	\$ 9,627,000	\$ 78,681,000	1.59	1.40
1999	125,477,000	75,565,000	14,177,000	89,742,000	1.66	1.40
2000	167,951,000	110,066,000	24,101,000	134,167,000	1.53	1.25
2001	195,073,000	139,187,000	20,604,000	159,791,000	1.40	1.22
2002	195,175,000	139,190,000	20,702,000	159,892,000	1.40	1.22
2003	223,620,000	165,762,000	15,913,000	181,675,000	1.35	1.23
2004	222,330,000	165,773,000	15,137,000	180,910,000	1.34	1.23
2005	222,273,000	165,766,000	15,235,000	181,001,000	1.34	1.23

- (a) Operation and Maintenance Reserve Account after the retirement date of the Prior Lien Bonds in FY 2000.  
 (b) Renewal and Replacement Fund after the retirement date of the Prior Lien Bonds.  
 (c) Includes debt service requirements of proposed 1997 Bonds and planned 1999 Bonds and 2000 Bonds.



Mr. Egerton van den Berg  
November 13, 1997

Through the expected retirement date of the Prior Lien Bonds in FY 2000, gross debt service requirements are to be reduced by interest income on Bond Resolution funds. After the retirement date of the Prior Lien Bonds, interest income on Bond Resolution funds is to be included in Revenues and no longer deducted from gross debt service requirements for purposes of calculating debt service coverage. Also excluded from the debt service requirements shown are amounts payable from Bond proceeds (capitalized interest).

As indicated, the debt service coverage ratio for the Senior Lien Bonds, computed according to the requirements of the Bond Resolution, is forecast to be 1.34 or greater, exceeding the 1.25 times requirement of the Rate Covenant in each year of the forecast period. The coverage ratio for all indebtedness, including Subordinated Indebtedness, is forecast to be 1.22 or greater in each year of the forecast period.

### **Assumptions Underlying the Financial Forecasts**

The forecasts in this report are based on assumptions that were provided by or reviewed with and adopted by Authority management. The forecasts reflect management's judgment, based on present circumstances, of expected conditions and its expected course of action during the forecast period. Accordingly, the forecasts present, to the best of management's knowledge and belief as of the date of this report, the expected financial results of the Airport System for the forecast period.

Those key factors and assumptions that Authority management believes 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.



LEIGH FISHER ASSOCIATES

*Consultants to Airport Management*

Mr. Egerton van den Berg  
November 13, 1997

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 are likely to be differences between the forecast and actual results, and those differences may be material. We have no responsibility to update this report or the attachment because of events and transactions occurring after the date of the report.

\* \* \* \* \*

We appreciate the opportunity to serve as the Authority's Airport Consultant on the proposed financing.

Respectfully submitted,

*Leigh Fisher Associates*

LEIGH FISHER ASSOCIATES

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**Attachment**

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

**Greater Orlando Aviation Authority  
Orlando, Florida**

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## CONTENTS

	<b>Page</b>
<b>AIRLINE TRAFFIC ANALYSIS.....</b>	<b>A-23</b>
<b>Airport Facilities.....</b>	<b>A-23</b>
<b>Airport Service Region.....</b>	<b>A-25</b>
<b>Purpose of Travel.....</b>	<b>A-26</b>
<b>Economic Basis for Airline Traffic.....</b>	<b>A-28</b>
Tourism.....	A-28
Conventions.....	A-32
Hotel and Motel Accommodations.....	A-34
General Economy of the Airport Service Region.....	A-35
Economic Outlook.....	A-43
<b>Historical Airline Traffic.....</b>	<b>A-44</b>
Enplaned Passengers.....	A-44
Airline Passenger Market Shares.....	A-46
Airline Service.....	A-46
Airline Fares.....	A-50
Originating and Connecting Passengers.....	A-51
International Passengers.....	A-55
Other Major Florida Airports.....	A-57
Sanford Airport.....	A-58
Air Cargo.....	A-60
Aircraft Departures.....	A-61
Landed Weight.....	A-61
<b>Key Factors Affecting Future Airline Traffic.....</b>	<b>A-62</b>
National and International Economic and Political Conditions.....	A-63
Airline Service and Routes.....	A-63
Availability and Price of Aviation Fuel.....	A-63
Airline Economics, Competition, and Airfares.....	A-64
Capacity of National Air Traffic Control and Airport Systems.....	A-64
Capacity of the Airport.....	A-65
<b>Key Forecast Assumptions.....</b>	<b>A-65</b>
<b>Airline Traffic Forecasts.....</b>	<b>A-66</b>
Enplaned Passengers.....	A-66
Landed Weight.....	A-66
Comparative Growth Rates.....	A-68

CONTENTS (continued)

	<b>Page</b>
FINANCIAL ANALYSIS.....	A-70
Framework for Authority’s Financial Operations.....	A-70
Enabling Legislation.....	A-70
Trust Agreements.....	A-70
Bond Resolution.....	A-70
Rate Covenant.....	A-71
Airline Lease and Use Agreements.....	A-71
Passenger Facility Charge.....	A-72
1997-2004 Capital Improvement Plan.....	A-72
Approved Future Projects.....	A-73
Other Future Projects.....	A-74
Estimated Sources of Funding.....	A-75
Estimated 1997 Project Costs.....	A-76
Parking.....	A-76
Terminal.....	A-77
Airfield.....	A-78
Roadways.....	A-78
Sources of Funds To Pay 1997 Project Costs.....	A-78
Estimated 1997 Project Financing.....	A-78
Sources of Funds.....	A-79
Uses of Funds.....	A-79
Debt Service Requirements.....	A-79
Prior Lien Bonds.....	A-79
Outstanding Series of Bonds.....	A-80
Proposed Series 1997 Bonds.....	A-81
Planned Series of Bonds.....	A-81
Subordinated Indebtedness.....	A-82
Allocation of Debt Service to Cost Centers.....	A-84
Reconciliation of Historical Financial Results.....	A-85
Operation and Maintenance Expenses.....	A-85
Allocation of Operation and Maintenance Expenses to Cost Centers.....	A-88
Revenues.....	A-89
Signatory Airline Revenues.....	A-90
Average Payments per Enplaned Passenger.....	A-91
Terminal Concession Revenues.....	A-91
Automobile Parking.....	A-92
Rental Cars.....	A-93
Ground Transportation.....	A-94

CONTENTS *(continued)*

	<b>Page</b>
<b>Revenues <i>(continued)</i></b>	
Food and Beverage .....	A-95
Retail Merchandise .....	A-95
Duty Free Merchandise .....	A-97
Other Concessions and Services .....	A-97
Hotel .....	A-97
Other Terminal Area Revenues .....	A-98
Airfield Area Revenues .....	A-99
Tradeport and Other Areas Revenues .....	A-99
Interest Earnings .....	A-100
Available PFC Revenues .....	A-100
Authority Contributions .....	A-101
Application Of Revenues .....	A-101
Debt Service Coverage .....	A-106

## TABLES

		<b>Page</b>
1	Estimated Population of the Orlando MSA.....	A-25
2	Purpose of Passenger Travel.....	A-26
3	Enplaned Passengers by Purpose of Travel.....	A-27
4	Attendance at Major Tourist Attractions .....	A-29
5	Convention Attendance .....	A-33
6	Hotel and Motel Room Occupancy .....	A-34
7	Historical and Forecast Population .....	A-36
8	Age Distribution of Population .....	A-37
9	Historical and Forecast Nonagricultural Employment .....	A-39
10	Nonagricultural Employment by Industry Sector .....	A-41
11	Commercial Space.....	A-42
12	Historical Enplaned Passengers.....	A-45
13	Airline Passenger Market Shares.....	A-47
14	Average Daily Airline Aircraft Departures .....	A-48
15	Change in Average Daily Airline Aircraft Departures and Seats .....	A-49
16	Average Airline Fares.....	A-50
17	Average Airline Fares at Major Florida Airports.....	A-51
18	Domestic Passenger Destinations .....	A-53
19	International Enplaned Passengers .....	A-55
20	International Passenger Origins .....	A-57
21	Increases in Enplaned Passengers at Major Florida Airports .....	A-58
22	International Passengers at Orlando and Sanford .....	A-59

TABLES *(concluded)*

	<b>Page</b>
23 Historical Airline Aircraft Departures .....	A-61
24 Historical Revenue Landed Weight .....	A-62
25 Airline Traffic Forecasts .....	A-67
26 Allocation of Debt Service to Cost Centers .....	A-85
27 Reconciliation of Historical Financial Results .....	A-86
28 Existing and Planned Terminal Space.....	A-87
29 Allocation of Indirect Operation and Maintenance Expenses .....	A-88
30 Sources of Airport Revenues.....	A-89
31 Sources of Terminal Concession Revenues.....	A-92

## FIGURES

	<b>Page</b>
1 Airport Service Region .....	A-24
2 Attendance at Tourist Attractions .....	A-30
3 Hotel and Motel Rooms .....	A-35
4 Comparative Population Growth .....	A-37
5 Comparative Nonagricultural Employment Growth .....	A-40
6 Enplaned Passenger Trends .....	A-46
7 Top U.S. Origin-Destination Airports .....	A-52
8 Domestic Destination Cities .....	A-54
9 Historical and Forecast Enplaned Passengers .....	A-68
10 Comparative Growth Rates .....	A-69
11 Application of Revenues before Retirement Date of Prior Lien Bonds.....	A-102
12 Application of Revenues after Retirement Date of Prior Lien Bonds .....	A-103

## EXHIBITS

	<b>Page</b>
A-1 1997-2004 Capital Improvement Plan .....	A-107
A-2 Estimated 1997 Project Costs.....	A-108
B Estimated 1997 Project Financing.....	A-109
C Historical and Forecast Debt Service Requirements.....	A-110
D Historical and Forecast Operation and Maintenance Expenses .....	A-112
E Historical and Forecast Revenues.....	A-113
E-1 Calculation of Airline Terminal Building Rentals .....	A-115
E-2 Calculation of Airline Landing Fees.....	A-116
F Forecast Application of Revenues .....	A-117
F-1 Historical and Forecast Application of PFC Revenues.....	A-118
G Forecast Debt Service Coverage.....	A-119

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## **AIRLINE TRAFFIC ANALYSIS**

### **AIRPORT FACILITIES**

Orlando International Airport is 9 miles southeast of downtown Orlando in Orange County, Florida. The Airport occupies approximately 13,500 acres of land and has three north-south parallel runways. Two of these (Runways 18L-36R and 18R-36L, west of the passenger terminal complex) are 12,000 feet long and the third (Runway 17-35, east of the passenger terminal complex) is 10,000 feet long. All three runways are equipped with precision instrument landing systems and are capable of accommodating all-weather operations by the largest airline aircraft in use today. The spacing between Runway 17-35 and the other two runways is adequate to allow simultaneous approaches under FAA instrument flight rules.

The passenger terminal complex consists of a multilevel landside building and three airside buildings. The landside building accommodates passenger ticketing, baggage check-in, and baggage claim facilities; baggage handling and other facilities for airline operations; space for rental car counters, food and beverage concessions, retail merchandise concessions, and other passenger services; and a 446-room hotel with restaurants and conference facilities. The landside building is served by a three-level roadway system that provides access to separate enplaning, deplaning, and commercial vehicle curbsides. Rental car and public automobile parking spaces are provided in garages that are an integral part of or adjacent to the landside building.

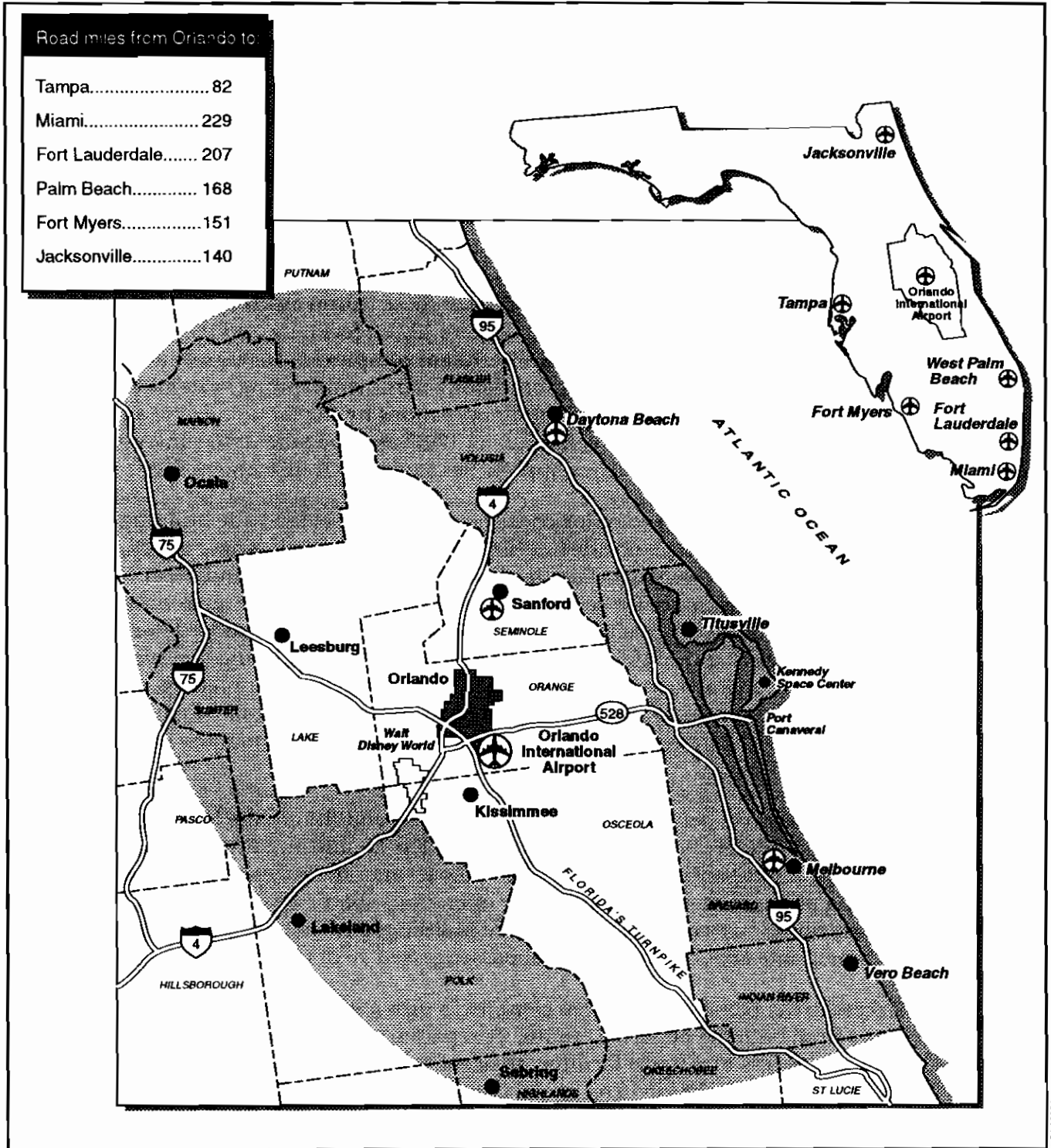
Passengers travel between the landside building and the airside buildings via an automated guideway transit (AGT) system. The airside buildings and aprons provide 78 aircraft parking positions (gates) for jet aircraft with associated passenger waiting areas, concessions, and airline operations space. Federal Inspection Services (FIS) facilities in two of the three airside buildings provide the capability to accommodate arriving international passengers at 16 of the 78 gates.

Access to the passenger terminal complex is provided by dedicated public roadways from both the north and south. A separate system of service roadways provides access to Airport facilities adjacent to the terminal complex, such as air cargo facilities, flight kitchens, rental car service areas, and employee parking lots.








The Orlando Tradeport comprises about 1,000 acres of leasable land on the west side of the Airport and is used for various aviation and nonaviation activities. The Tradeport accommodates a long-term public parking lot, air cargo facilities, a U.S. Department of Agriculture inspection station and perishables center, a regional U.S. Postal Service center, a Foreign Trade Zone, facilities for fixed base operators, aircraft maintenance hangars, and an aircraft fuel farm.

Road miles from Orlando to:

Tampa.....	82
Miami.....	229
Fort Lauderdale.....	207
Palm Beach.....	168
Fort Myers.....	151
Jacksonville.....	140



**LEGEND**

-  Primary area (Orlando Metropolitan Statistical Area)
-  Secondary area
-  County boundary
-  Major road
-  City of Orlando
-  Other city
-  Location of air carrier airport

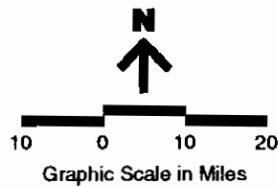


Figure 1  
**AIRPORT SERVICE REGION**  
 Orlando International Airport  
 November 1997



LEIGH FISHER ASSOCIATES

ORL2001

## AIRPORT SERVICE REGION

As shown on Figure 1, the Airport service region comprises eight entire counties: Brevard, Indian River, Lake, Orange, Osceola, Seminole, Sumter, and Volusia; and significant portions of six other counties: Flagler, Highlands, Marion, Okeechobee, Polk, and Putnam. The population of the Airport service region in 1995 was approximately 3 million. Other airports in the Airport service region with commercial airline service are Daytona Beach and Melbourne international airports, which provide limited domestic service (less than 10 departures per day each), and Orlando Sanford International Airport (Sanford Airport), which primarily serves international charter flights. (See discussion in the later section "Sanford Airport".)

The primary area within the Airport service region is the Orlando Metropolitan Statistical Area (Orlando MSA), comprising Lake, Orange, Osceola, and Seminole counties. Walt Disney World is located within the Orlando MSA, about 20 miles southwest of the Airport in Orange and Osceola counties. Economic and population data for the Orlando MSA are generally used in this report to describe the Airport service region.

In 1995, the estimated population of the four counties in the Orlando MSA was 1,396,600, as shown in Table 1.

Table 1  
**ESTIMATED POPULATION OF THE ORLANDO MSA**  
1995

<u>County</u>	<u>Population</u>	<u>Percent</u>
Orange	759,000	54.3%
Seminole	324,100	23.2
Lake	176,900	12.7
Osceola	<u>136,600</u>	<u>9.8</u>
Total	1,396,600	100.0%

Source: University of Florida, Bureau of  
Economic and Business Research.

## PURPOSE OF TRAVEL

In the Authority's most recent Airport passenger survey, conducted in August 1996, 58% of enplaned passengers indicated that tourism was their primary purpose of travel to Orlando; 32% indicated that business, a convention, or something other than tourism was their main purpose of travel; and 10% indicated that they were connecting between flights, as shown in Table 2.

Table 2  
**PURPOSE OF PASSENGER TRAVEL**  
 August 1996

Purpose of travel	Percentage of enplaned passengers		
	Residents	Nonresidents	Total
Originating passengers			
Tourism (a)	9%	49%	58%
Business (b)	<u>8</u>	<u>24</u>	<u>32</u>
	17%	73%	90%
Connecting passengers	--	<u>10</u>	<u>10</u>
Enplaned passengers	17%	83%	100%

Note: The percentages of business passengers and connecting passengers are estimated to be higher for the year as a whole than shown because August is a peak month for originating tourist passengers.

(a) Passengers whose primary purpose was reported as "pleasure" or "visit relatives."

(b) Passengers whose primary purpose was reported as "business," "business and pleasure," "convention," or "other."

Source: Greater Orlando Aviation Authority, survey conducted in August 1996.

A survey conducted by the Authority in December 1982 indicated that the comparable distribution of travel purpose was 75% for tourism, 20% for business, and 5% connecting passengers. Applying the percentage distributions reported in the 1982 and 1996 surveys to the annual number of enplaned passengers at the Airport in FY 1982 and FY 1996, respectively, results in the estimates shown in Table 3.

**Table 3**  
**ENPLANED PASSENGERS BY PURPOSE OF TRAVEL**

Purpose of travel	Enplaned passengers (millions)		
	1982	1996	Increase
Originating passengers			
Tourism	2.4	7.1	4.7
Business	<u>0.6</u>	<u>4.0</u>	<u>3.4</u>
	3.0	11.1	8.1
Connecting passengers	<u>0.2</u>	<u>1.2</u>	<u>1.0</u>
Enplaned passengers	3.2	12.3	9.1

Source: Greater Orlando Airport Authority, surveys conducted in December 1982 and August 1996.

Over the 14 years, the number of tourist passengers increased 3.0 times, while the number of business travelers increased 6.7 times. The 64-36 split between originating tourist and business travelers at Orlando in 1996 compares with an approximately 50-50 split nationwide.

The increased number of tourist passengers at Orlando is explained by:

- Development of area tourist attractions, particularly by Walt Disney World and Universal Studios Florida.
- Increases in the proportion of U.S. tourists who fly to Orlando rather than drive.
- Increases in the proportion of international visitors who fly directly to Orlando rather than using another U.S. gateway airport.

The increased number of business passengers is explained by the diversification and growth of the general economy of the Orlando MSA as well as by increased convention attendance.

## **ECONOMIC BASIS FOR AIRLINE TRAFFIC**

The following sections discuss the economic basis for airline passenger demand at the Airport—tourism, conventions, and the general economy of the Orlando MSA.

### **Tourism**

Table 4 and Figure 2 present historical attendance data for the major theme parks and other tourist attractions in the Airport service region and central Florida. Attendance at these attractions increased from 12.4 million in 1972, the first full year of Walt Disney World operations, to 59.4 million in 1996, a 6.8% average annual increase. In 1972, when Walt Disney World was the only major attraction in the region, its share of total attendance at tourist attractions was about 90%. By 1996, as a variety of other attractions had been developed, Walt Disney World's share of total attendance had decreased to about 60%. As of 1996, central Florida was home to six of the eight largest theme parks in the United States in terms of visitor attendance (Magic Kingdom, EPCOT Center, Disney-MGM Studios, Universal Studios Florida, Sea World, and Busch Gardens in Tampa).

In comparing the attendance at tourist attractions with the number of airline passengers at the Airport, it should be noted that a visitor is counted as an "attendance" each time that he or she enters an attraction. Thus, a single visitor may account for multiple attendances by visiting more than one attraction or by visiting an attraction more than once.

The U.S. tourist industry has grown as the proportion of national income spent on vacations has gradually increased. According to data compiled by the U.S. Bureau of Economic Analysis, total spending on amusement and recreation nationwide during the past 10 years has increased an average of about 5.5% per year (adjusted for inflation), compared with an average increase of 2.3% per year for Gross Domestic Product over the same period. The likely future stability of the tourist industry in the Airport service region is evidenced by the large investments made in the region by attraction operators, hotel operators, and other major corporations.

Table 4  
**ATTENDANCE AT MAJOR TOURIST ATTRACTIONS**  
 Orlando Airport Service Region  
 (in millions)

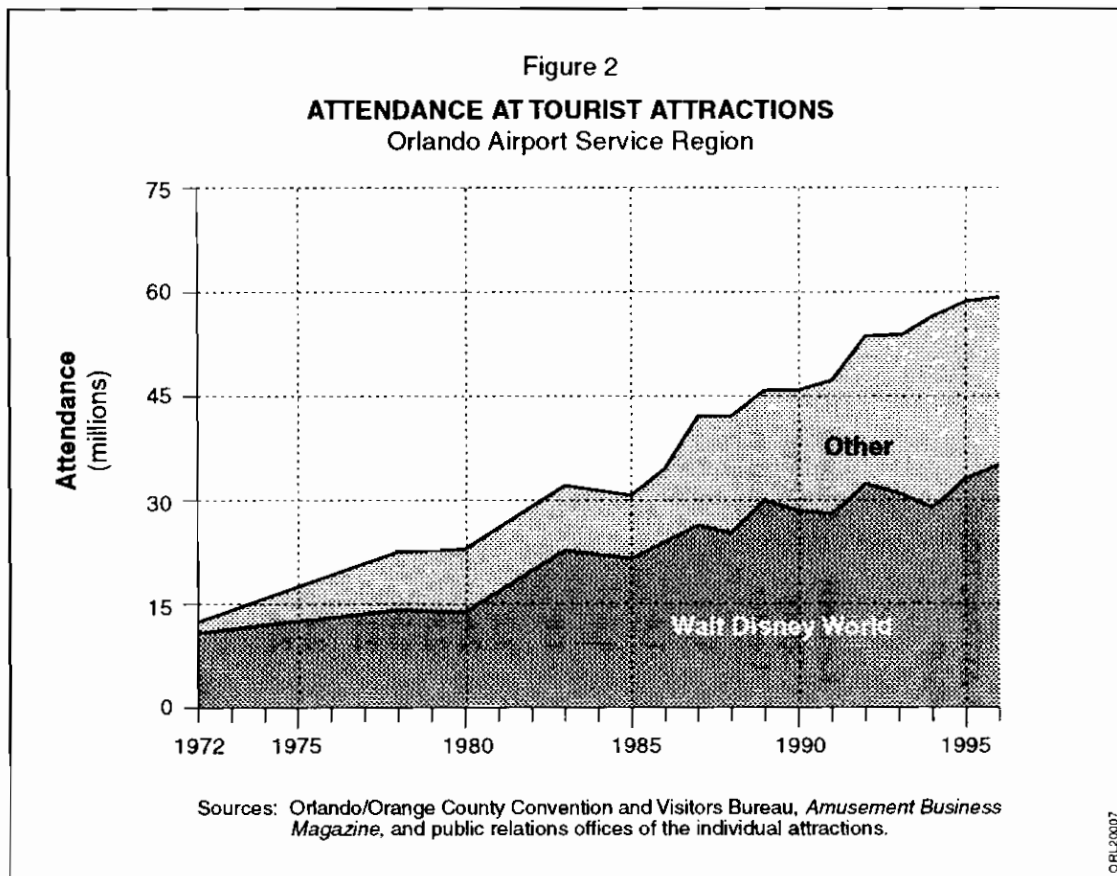
	Walt Disney World (a)	Universal Studios Florida	Sea World of Florida	Busch Gardens (b)	Kennedy Space Center	Church Street Station	Other (c)	Total
1972	10.7	--	--	--	1.7	--	--	12.4
1975	12.5	--	2.0	1.6	1.4	--	--	17.5
1980	13.8	--	3.0	3.1	1.6	--	1.4	22.9
1985	21.5	--	3.5	2.9	1.8	--	1.0	30.7
1990	28.4	2.8	3.8	3.1	3.2	2.5	2.1	45.9
1991	28.0	5.9	3.4	2.9	2.6	2.5	2.0	47.3
1992	30.2	6.7	4.1	3.1	2.8	2.6	2.3	51.8
1993	31.2	7.4	4.5	3.5	2.5	2.6	2.3	54.0
1994	28.9	7.7	4.6	3.7	2.1	2.6	2.1	51.7
1995	33.1	8.0	5.0	4.0	2.2	2.6	2.1	57.0
1996	35.0	8.4	5.1	4.2	2.4	2.0	2.3	59.4

(a) Includes Magic Kingdom, EPCOT Center, and Disney-MGM Studios.

(b) In Tampa, outside the primary Airport service region.

(c) Cypress Gardens and Wet n' Wild.

Sources: Orlando/Orange County Convention and Visitors Bureau, *Amusement Business Magazine*, and public relations offices of the individual attractions.



**Walt Disney World.** Since the opening of the Magic Kingdom in 1971, Walt Disney World has been the single most important generator of tourists to Orlando and airline passengers at the Airport. In Airport passenger surveys conducted for the Authority, between 60% and 70% of originating nonresident passengers said they had visited Walt Disney World.

The development and expansion of Walt Disney World has centered on its three theme parks, the Magic Kingdom, EPCOT Center, and Disney-MGM Studios; and its associated attractions, hotels, resorts, and recreational facilities. The Magic Kingdom, which opened in 1971, is an imaginative theme park similar in concept to, but larger than, the original Disneyland in Anaheim, California. EPCOT Center, comprising Future World and World Showcase, opened in 1982. Disney-MGM Studios, comprising movie production facilities, including working sound stages, and a theme park, opened in 1989.

Other facilities and attractions that have been added to Walt Disney World include Typhoon Lagoon, a water thrill park, opened in 1989; Pleasure Island, a nighttime entertainment complex at Disney Village, completed in 1989; and several hotel and resort projects. In 1996, Disney opened the first phase of Celebration City in Osceola

County, a \$2.5 billion, 5,150-acre development designed as a “city of the future” with residences, schools, and retail services. As of July 1997, 470 of the ultimately planned 1,215 homes had been constructed and sold.

A planned \$3 billion expansion of Walt Disney World is to include Wild Animal Kingdom, a fourth theme park; the International Sports Complex, featuring sports-related entertainment; a 1,900-room hotel and associated convention center; and additional shopping and nightlife facilities.

As shown in Table 4, the development of new attractions has produced corresponding increases in attendance at Walt Disney World, from 10.7 million in 1972 to 35.0 million in 1996.

**Universal Studios Florida.** In June 1990, MCA, Inc., opened Universal Studios Florida in Orange County. The complex includes the largest film and television studio outside California and a theme park. Visitors to Universal Studios can see motion pictures and television shows being produced and enjoy more than 50 attractions at the theme park. The complex attracted 8.4 million attendances in 1996.

Universal Studios Florida has acquired property in Orlando to permit a planned \$2.6 billion expansion to include Islands of Adventure, a new 110-acre theme park with 5 island attractions and Florida’s first high-speed rollercoasters; 4 hotels; an entertainment district; and a golf course. The hotel and entertainment complex is to be located between the existing Universal Studios Florida complex and the new Islands of Adventure, and represents a move towards a resort package concept which will compete with Walt Disney World.

Universal Studios Florida has also announced longer-term plans to develop two more theme parks and associated facilities on 2,080 acres of property in Orange County that it is acquiring from Lockheed Martin. In addition to the two theme parks, planned development includes 13,000 hotel rooms; two golf courses; 800,000 square feet of retail, restaurant, office, and entertainment space; and associated transportation systems. Most of this development is expected to occur between 2005 and 2010, beyond the forecast period covered by this report.

**Sea World of Florida.** Billed as the world’s largest marine life park, Sea World of Florida is an educational and entertainment complex located in Orange County that includes an aquarium, a zoological park, and a theater. Sea World of Florida is owned by Anheuser Busch and attracted 5.1 million attendances in 1996.

**Busch Gardens.** Busch Gardens is an African-themed entertainment park offering rides, entertainment, shopping, dining, and one of North America’s largest collection of animals native to Africa. Although located in Tampa, about 80 miles west of the Airport, Busch Gardens is a popular attraction for tourists staying in

Orlando. Busch Gardens is also owned by Anheuser Busch and attracted 4.2 million attendances in 1996.

**Kennedy Space Center.** The Kennedy Space Center, the site of all U.S. space shuttle launches, is near Cape Canaveral in Brevard County, about 40 miles east of the Airport. The National Aeronautics and Space Administration (NASA) operates a visitor center that attracted 2.4 million attendances in 1996. The Kennedy Space Center offers free exhibits of spacecraft, movies, and guided tours of the Center and Patrick Air Force Base.

**Church Street Station.** Church Street Station, a retail and entertainment complex in downtown Orlando, attracted an estimated 2.0 million attendances in 1996. The attraction was designed to resemble a 19th-century downtown, with each of its restaurants having a particular historic theme.

**Planned Developments.** Tourist attraction developments expected to generate increased visitors to Orlando during the forecast period include:

- Walt Disney World's 25th Anniversary, being celebrated in 1997
- Opening of Walt Disney World's International Sports Complex in 1997
- Expansion of Disney Village in 1997
- Opening of Universal Studios' City Walk attraction scheduled in 1998
- Opening of Walt Disney World's Wild Animal Kingdom theme park scheduled in 1998
- Opening of Sea World of Florida's Journey to Atlantis attraction scheduled in 1998
- Opening of Universal Studios' Island of Adventure theme park scheduled in 1999

Orlando economic analyst Fishkind & Associates projects that these and other developments will increase total attendance at tourist attractions in the Airport service region to 70 million by 2002.

## **Conventions**

In 1986, Orlando was ranked by *Business Travel News* as the thirteenth largest convention market in the United States in terms of delegates. Comparable data, as presented in Table 5, suggest that, in 1995, Orlando was the nation's third largest

convention market, after Las Vegas and Chicago. Reasons cited for the increased popularity of Orlando as a location for conventions and conferences include the development of area attractions, the increased number of hotel rooms and meeting facilities, and the increased availability of direct airline service to the Airport from the nation's major metropolitan areas.

The Convention and Visitors Bureau records "overnight group meeting visitors" to include attendees and accompanying nonattendees at conventions and other group meetings in Orlando. In 1995, 2,720,000 such visitors were recorded. In 1996, 3,240,000 such visitors were recorded, an increase of 19.1%.

Table 5  
**CONVENTION ATTENDANCE**  
1995

	Number of overnight group meeting visitors
Las Vegas	2,925,000
Chicago	2,860,000
<b>Orlando</b>	<b>2,720,000</b>
San Diego	1,952,000
Philadelphia	1,463,000
New York	1,453,000
San Francisco	1,450,000
Washington, D.C.	1,380,000
Boston	1,213,000
Phoenix	1,100,000

Source: Convention and visitors bureaus for cities listed, as compiled by the Chicago Convention and Visitors Bureau.

The Convention and Visitors Bureau estimates that the total economic impact of convention activity in the Orlando MSA was about \$2.5 billion in 1995.

The Orange County Convention Center, which has recently been expanded, provides 1.1 million square feet of convention and exhibit space. In 1998, the center is expected to rank as the third largest convention facility in the country (after McCormick Place in Chicago with 1.7 million square feet and the Las Vegas Convention Center with 1.2 million square feet). In addition, Orlando area hotels

offer over 1.0 million square feet of meeting and exhibit space. The increased availability of convention facilities in Orlando has resulted in advance bookings for some of the largest national conventions, suggesting that convention attendance in the Orlando MSA will continue to increase.

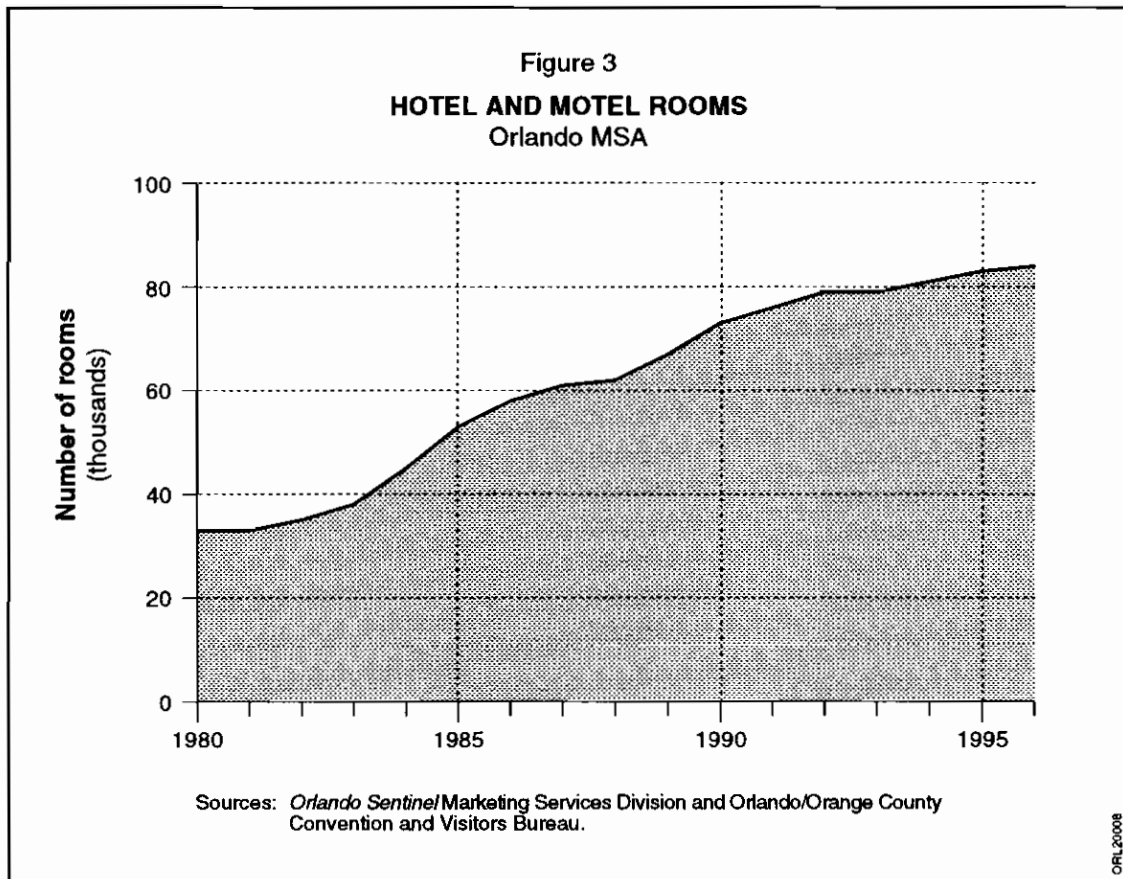
### **Hotel and Motel Accommodations**

The development of hotels and motels is important in supporting the growth of the tourist and convention industries. The Convention and Visitors Bureau estimates that the number of hotel and motel rooms in the Orlando MSA in 1996 was greater than in any other U.S. metropolitan area except Las Vegas. Table 6 shows the number of rooms and average occupancy rates for the Orlando MSA. The number of rooms increased an average of 6.1% per year from 1980 to 1996, while relatively high average occupancy rates have been maintained.

Table 6  
**HOTEL AND MOTEL ROOM OCCUPANCY**  
Orlando MSA

<u>Year</u>	<u>Hotel and motel rooms</u>	<u>Average occupancy rate</u>
1980	32,834	71%
1985	52,783	67
1986	57,696	71
1987	60,959	74
1988	61,558	76
1989	67,379	80
1990	72,821	77
1991	76,019	72
1992	79,174	75
1993	79,094	73
1994	80,829	71
1995	83,099	75
1996	84,134	80

Sources: 1980-1990: *Orlando Sentinel*  
Marketing Services Division.  
1991-1996: Orlando/Orange  
County Convention and  
Visitors Bureau.



The Convention and Visitors Bureau projects that the number of hotel and motel rooms in the Orlando MSA will increase to between 95,000 and 100,000 by 2000.

### **General Economy of the Airport Service Region**

While tourism and convention activity have historically been the most important determinants of passenger traffic at the Airport, recent increases in traffic are also explained by the growth in the resident population and general economy of the Airport service region.

**Population.** For the past 20 years, Orlando has been one of the nation's fastest-growing metropolitan areas. Table 7 and Figure 4 present historical and forecast population data for the Orlando MSA, the State of Florida, and the United States.

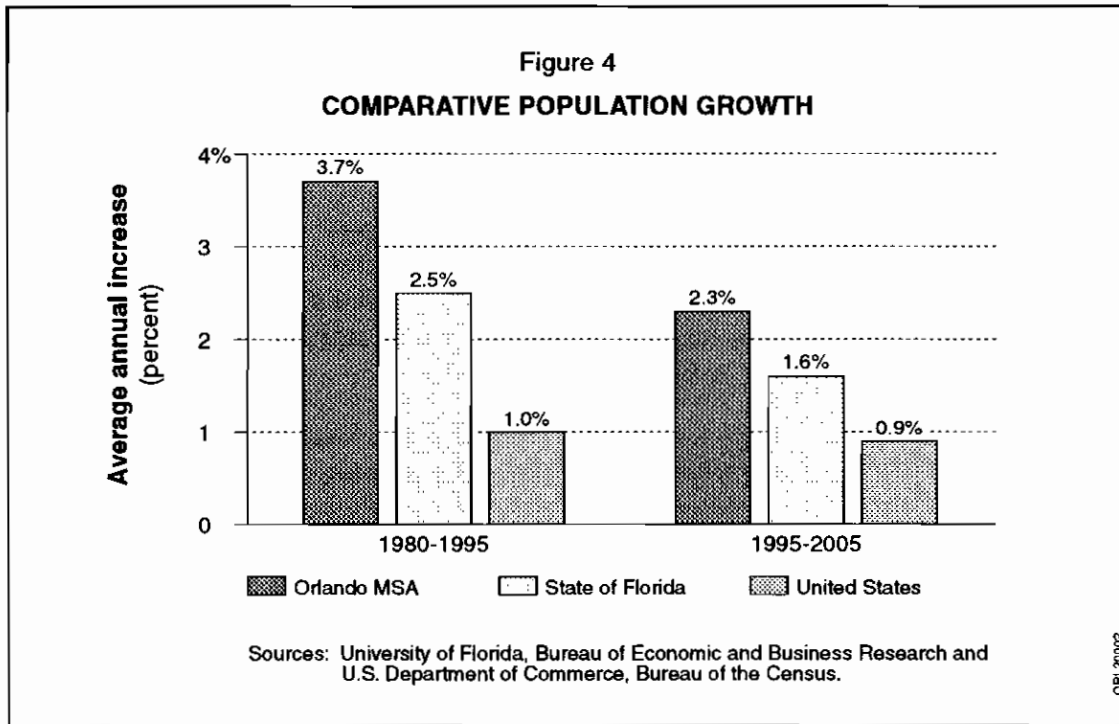
Table 7

**HISTORICAL AND FORECAST POPULATION**

Year	Orlando MSA	Average annual increase		
		Orlando MSA	State of Florida	United States
Historical				
1980	804,900			
1985	989,100	4.2%	3.0%	1.0%
1990	1,224,800	4.4	2.7	0.9
1991	1,270,900	3.8	2.0	1.4
1992	1,300,900	2.4	1.7	1.2
1993	1,331,600	2.4	1.4	1.1
1994	1,359,100	2.1	2.0	0.9
1995	1,396,600	2.8	1.9	0.9
1980-1995		3.7%	2.5%	1.0%
Forecast				
2000	1,575,500	2.4	1.7	0.9
2005	1,753,600	2.2	1.5	0.9
1995-2005		2.3%	1.6%	0.9%

Sources: Orlando MSA and State of Florida: University of Florida, Bureau of Economic and Business Research, *Florida Statistical Abstract 1993-1996*; and *Florida Population Studies*, February 1993 and 1994.

United States: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States, 1993* and *Current Population Reports, Series P-25, January 1996*; and NPA Data Services, Inc., *Key Indicators of County Growth, 1970-2025*.



Most of the Orlando MSA's recent population growth has resulted from in-migration, much of it explained by the warm climate, which makes Florida attractive to retirees. However, population growth in the Orlando MSA has also resulted from the relocation of younger members of the labor force in response to job opportunities. As a result, the Orlando MSA has a younger population profile than the State as a whole, as shown in Table 8.

**Table 8**  
**AGE DISTRIBUTION OF POPULATION**

Age	Percent of 1995 population	
	Orlando MSA	Florida
24 and younger	34%	31%
25 to 44	33	29
45 to 64	20	21
65 and older	<u>13</u>	<u>19</u>
	100%	100%

Source: University of Florida, Bureau of Economic and Business Research.

The population of the Orlando MSA is forecast by the University of Florida, Bureau of Economic and Business Research, to reach approximately 1.8 million by 2005, continuing to increase faster than the populations of the State of Florida and the United States.

**Nonagricultural Employment.** Table 9 and Figure 5 present historical and forecast nonagricultural employment data for the Orlando MSA, the State of Florida, and the United States. As with population, nonagricultural employment growth in the Orlando MSA has historically outpaced nonagricultural employment growth in the State and the nation.

As of June 1997, the unemployment rate in the Orlando MSA was 3.6%, compared with 4.9% for the State and 5.0% for the nation as a whole.

The high historical rate of growth in nonagricultural employment in the Orlando MSA reflects both the expanding regional economy and increases in the labor participation rate (the proportion of the population that is employed). The labor participation rate, which has increased primarily because more women have joined the labor force, increased from 39% in 1980 to 51% in 1995. It is not expected that the labor participation rate will increase significantly in the future. As a result, the forecast rate of growth in nonagricultural employment is closer to the forecast rate of growth in population than has been the case historically.

From 1995 to 2005, nonagricultural employment in the Orlando MSA is forecast by the University of Florida, Bureau of Economic and Business Research, to increase an average of 3.0% per year, exceeding the rates of nonagricultural employment growth in the State and the nation.

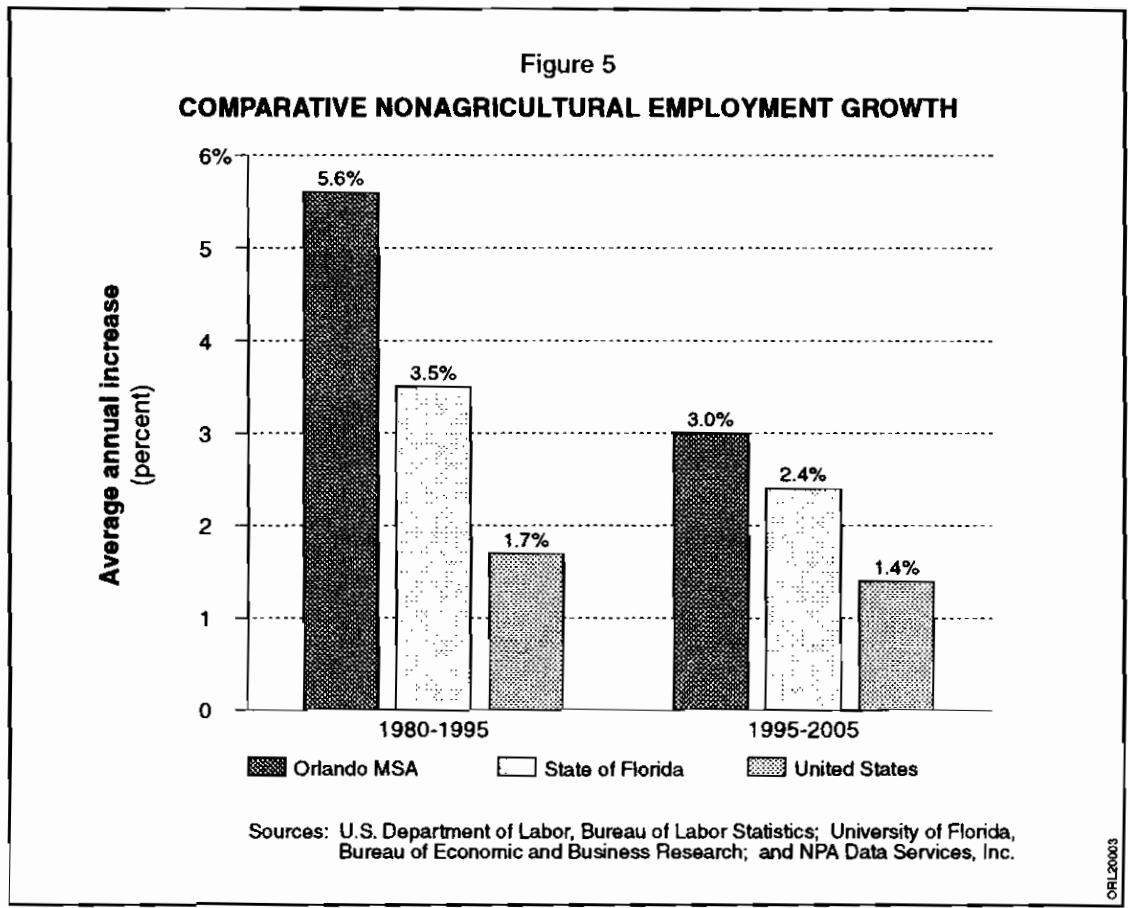
Table 9  
**HISTORICAL AND FORECAST NONAGRICULTURAL EMPLOYMENT**

Year	Orlando MSA	Average annual increase (decrease)		
		Orlando MSA	State of Florida	United States
<b>Historical</b>				
1980	312,700			
1985	446,200	7.4%	4.3%	1.5%
1990	610,600	6.5	4.1	2.4
1991	600,000	(1.6)	(1.7)	(1.1)
1992	618,400	3.0	1.2	0.3
1993	650,000	5.1	4.0	2.0
1994	686,400	5.6	4.1	3.0
1995	710,400	3.5	3.5	2.3
1980-1995		5.6%	3.5%	1.7%
<b>Forecast</b>				
2000	823,100	3.0	2.5	1.4
2005	951,000	2.9	2.2	1.3
1995-2005		3.0%	2.4%	1.4%

Sources: Historical: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May issues, 1981 through 1996.

Forecast: Orlando MSA and Florida: Based on growth rates contained in University of Florida, Bureau of Economic and Business Research, *The Florida Long-Term Economic Forecast 1996*.

United States: Based on growth rates contained in NPA Data Services, Inc., *Key Indicators of County Growth, 1970-2025*.



**Key Economic Activities.** Table 10 presents the percentage distribution of nonagricultural employment for the Orlando MSA, the State of Florida, and the United States.

The nonagricultural employment profile for the Orlando MSA reflects, among other influences, the importance of the tourist and convention industries. Employment in the services sector in the Orlando MSA accounted for 40.5% in 1995 compared with 34.3% for the State and 28.1% for the nation. The University of Florida, Bureau of Economic and Business Research, estimates that, in 1995, 138,300 people were employed in lodging, tourist attraction, and restaurant operations in the Orlando MSA, representing 48% of employment in the services sector.

The film industry is another rapidly growing segment of the services sector in the Orlando MSA. With the development of Disney-MGM Studios and Universal Studios Florida, much filmmaking has moved from California and New York. Reasons cited for relocating movie and television production to Orlando include the availability of larger and more modern facilities, favorable weather, and advantages in the costs of doing business, particularly land and labor costs. According to the

Table 10  
**NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR**  
 1995

	Orlando MSA	State of Florida	United States
Mining and construction	5.2%	5.2%	5.0%
Manufacturing	7.2	8.0	15.8
Transportation and public utilities	5.3	5.1	5.3
Wholesale and retail trade	24.9	25.8	23.3
Finance, insurance, and real estate	5.9	6.3	6.0
Services	40.5	34.3	28.1
Government	<u>11.2</u>	<u>15.4</u>	<u>16.5</u>
<b>Total</b>	100.0%	100.0%	100.0%

Note: Columns may not add to totals shown because of rounding.

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

Economic Development Commission of Mid-Florida, the value of film production in central Florida increased from \$2.5 million in 1986 to \$185 million in 1995. Three national cable television networks are currently based in central Florida (Nickelodeon, the Golf Channel, and America's Health Network).

Professional sports teams based in Orlando include the Orlando Magic (National Basketball Association), the Orlando Predators (Arena Football League), and the Orlando Solar Bears (International Hockey League). Orlando hosts several major sporting events each year.

Because of its location and transportation network, the Orlando MSA is the principal trade and distribution center serving central Florida. Major companies using Orlando as a distribution center include Chrysler Corporation, Toys 'R' Us, Walgreens, and Whirlpool. According to *Sales and Marketing Management*, retail sales in the Orlando MSA increased from \$3.9 billion in 1980 to \$15.1 billion in 1995. More than 60 industrial and business parks are located in the Orlando MSA, occupying about 68 million square feet of space.

The Orlando MSA is a center for light and precision manufacturing. According to the Economic Development Commission of Mid-Florida, more than three-quarters of the approximately 11,000 new manufacturing jobs created in the Orlando MSA since 1980 have been in high-technology industries. These industries now represent

about half the MSA's manufacturing base. One high-technology industry that has experienced particularly rapid growth is the laser and electro-optics industry.

Lockheed Martin, producer of high-technology defense and aerospace products, has reduced its Orlando work force in recent years, but remains one of the area's largest employers with about 3,700 employees. Other important high-technology companies in the Orlando MSA include Cirent Semiconductor (formerly AT&T Microelectronics) and Westinghouse Electric Group. High-technology research is conducted in such facilities as the Institute for Simulation and Training and the Center for Research and Education in Optics and Lasers.

According to *Site Selection Magazine*, the Orlando MSA ranked among the top 10 U.S. metropolitan areas in new facilities and expansions in 1995, contributing to a strong construction industry. According to the Economic Development Commission of Mid-Florida, demand for commercial space in the Orlando MSA has produced relatively high occupancy rates, notwithstanding the rapid construction of new space. Table 11 presents data on commercial space for 1996.

Table 11		
<b>COMMERCIAL SPACE</b>		
Orlando MSA		
1996		
Type	Square footage (millions)	Occupancy rate
Industrial	67.9	91%
Retail	39.9	81
Office	22.4	92

Source: Economic Development Commission of Mid-Florida.

Construction activity in the Orlando MSA is also generated by the growing demand for hotel rooms and convention facilities, and continuing investments in infrastructure, such as the planned expansion of the Airport. According to Orlando economic analyst Fishkind & Associates, the Airport expansion program will, at its peak, add 9,800 construction jobs to the economy.

**Military Employment.** The Naval Training Center (NTC) Orlando is scheduled to be closed as a U.S. Navy facility by 1999. The City of Orlando has developed a reuse plan for the base and has negotiated the terms of the transfer of the property from the U.S. Navy to the City. Reuse activities that have been implemented include development of a Veterans Affairs outpatient clinic at the former Naval Hospital, establishment of a U.S. Customs Service national communications center, and opening of a satellite office of the Defense Finance and Accounting Service. Given the demand for new commercial space, it is expected that other areas of the former naval base will be absorbed for private development.

Other military installations in the Orlando MSA include the Naval Air Warfare Center; the U.S. Army Simulation, Training and Instrumentation Command; and the U.S. Air Force Agency for Modeling & Simulation.

### **Economic Outlook**

Economic expansion of the Airport service region is expected to be caused by, among other influences: (1) continued development of the tourist and convention industries, particularly developments at Walt Disney World, Universal Studios Florida, other theme parks, and hotel and convention facilities; (2) continued growth of Orlando as a center of transportation and distribution for central Florida; and (3) expansion of high-technology manufacturing industries.

The rapid development of the Airport service region has generated concerns regarding the ability of the region's infrastructure, support functions, and natural resources to continue to accommodate growth. In 1990, growth management legislation was enacted by the State requiring that adequate infrastructure be in place before new construction projects are undertaken. This legislation, and any future restrictions that are imposed on growth, may limit the pace of regional development relative to that experienced historically. However, continued economic growth since 1990 and infrastructure projects planned for the next several years indicate that the region has the capacity to accommodate further growth. This capacity for growth is enhanced by the availability of undeveloped land in the region and investments in infrastructure such as the Central Florida Greenway toll road system, the Osceola Parkway, and the Orlando Utilities Commission's Stanton II power generating plant.

According to analysts of the regional economy, the outlook for the Orlando MSA is for continued growth in population and employment at annual rates exceeding the State and national averages. While the economy is not expected to expand as rapidly as it did during the 1980s and early 1990s, according to Woods & Poole Economics, Orlando is expected to be the nation's fastest growing metropolitan area from 1996 to 2005. This projected economic growth, combined with the planned expansion of Airport facilities, is expected to result in continued increases in airline traffic at the Airport.

## **HISTORICAL AIRLINE TRAFFIC**

According to data published by the Airports Council International-North America, in 1996, the Airport was the 24th busiest airport in the world and the 16th busiest in the United States in terms of total passengers. According to data published by the U.S. Department of Transportation, in 1996, the Airport was the 8th busiest in the United States in terms of domestic originating passengers (i.e., excluding passengers connecting between flights).

As of June 1997, all nine U.S. major passenger airlines and 18 other U.S. airlines operating jet aircraft with 60 or more seats provided scheduled passenger service at the Airport, mainly to domestic destinations but also to international destinations via direct or connecting flights. Four commuter airlines also provided passenger service, mainly to domestic destinations. Twenty-nine foreign-flag airlines provided service to international destinations. Eleven airlines provided all-cargo service.

### **Enplaned Passengers**

Table 12 and Figure 6 present historical data on enplaned passengers at the Airport. The data are for all enplaned passengers on all airlines at the Airport—domestic, international, originating, and connecting.

As shown on Figure 6, the number of passengers enplaning at the Airport has historically increased much more rapidly than the number enplaning in the nation as a whole. Between 1980 and 1996, the number of enplaned passengers at the Airport increased at an average rate of 8.6% per year, compared with averages of 4.2% per year for the State and 4.3% per year for the United States.

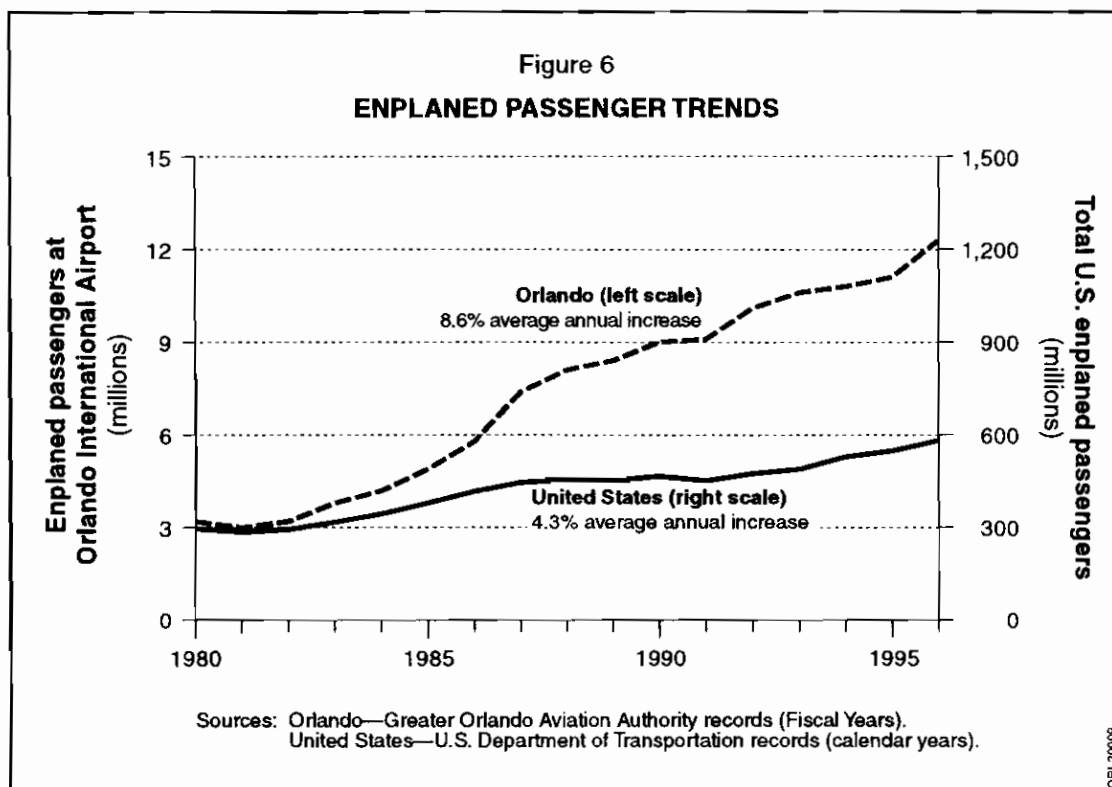
As discussed in previous sections, increased passenger traffic at the Airport has resulted from the development of tourist attractions and the expansion of the general economy of the Airport service region. Passenger traffic has also been stimulated by the increased availability of high-frequency, low-fare airline service by such airlines as AirTran Airways, Delta Express, and Southwest Airlines.

Table 12  
**HISTORICAL ENPLANED PASSENGERS**  
 Orlando International Airport

Fiscal Year (a)	Domestic	International	Total	Annual percent increase
1980	3,215,158	84,400	3,299,558	--%
1985	4,717,138	148,023	4,865,161	8.8
1986	5,619,244	194,400	5,813,644	19.5
1987	7,138,347	264,300	7,402,647	27.3
1988	7,697,431	352,891	8,050,322	8.7
1989	7,743,205	680,422	8,423,627	4.6
1990	8,123,642	878,276	9,001,918	6.9
1991	8,126,308	925,476	9,051,784	0.6
1992	8,877,180	1,206,055	10,083,235	11.4
1993	9,331,599	1,307,592	10,639,191	5.5
1994	9,567,584	1,268,479	10,836,063	1.9
1995	9,935,368	1,163,628	11,098,996	2.4
1996	11,029,252	1,240,599	12,269,851	10.5
1997	12,340,621	1,070,508	13,411,129	9.3

(a) Ended September 30.

Source: Greater Orlando Aviation Authority records.



### Airline Passenger Market Shares

Table 13 presents the passenger market shares for the airlines serving the Airport. Relative to most large airports, passenger traffic at the Airport is fairly evenly distributed among several airlines. An increase in the number of airlines serving Orlando in recent years has contributed to this relatively even distribution. The airline with the largest passenger market share at the Airport, Delta, accounted for approximately 29% of enplaned passengers in FY 1997. The Signatory Airlines as a group (including Comair) accounted for approximately 85% of enplaned passengers in FY 1997.

### Airline Service

Table 14 presents the number of average daily scheduled departures by passenger airline aircraft, by airline, for March 1997 (the peak month of the year).

Since October 1996, Delta has operated certain of its short-haul services with its low-fare Delta Express division. Delta Express is based in Orlando and, as of March 1997, accounted for 59 of Delta's 101 daily scheduled flights at the Airport. As part

Table 13

**AIRLINE PASSENGER MARKET SHARES**Orlando International Airport  
FY 1997

	<u>Enplaned passengers</u>	<u>Percent of total</u>
<b>Signatory Airlines</b>		
Delta Air Lines	3,833,100	28.6%
US Airways	1,934,817	14.4
American Airlines	908,611	6.8
Northwest Airlines	838,449	6.3
Continental Airlines	812,759	6.1
Southwest Airlines	753,561	5.6
United Airlines	633,470	4.7
AirTran Airways	540,253	4.0
Trans World Airlines	473,478	3.5
American Trans Air	<u>376,377</u>	<u>2.8</u>
	11,104,875	82.8%
<b>Nonsignatory airlines</b>		
AirTran Airlines (a)	122,211	0.9%
America West Airlines	130,734	1.0
Other	<u>528,683</u>	<u>3.9</u>
	781,628	5.8%
<b>Foreign-flag airlines</b>		
Virgin Atlantic Airways	237,023	1.8%
Other	<u>632,508</u>	<u>4.7</u>
	869,531	6.5%
<b>Commuter airlines</b>		
Comair (Delta Connection) (b)	331,377	2.5%
Flagship (American Eagle)	111,854	0.8
Other	<u>211,864</u>	<u>1.6</u>
	<u>655,095</u>	<u>4.9%</u>
<b>Airport total</b>	13,411,129	100.0%

Note: All airlines with 100,000 or more enplaned passengers are shown.

(a) ValuJet Airlines until September 1997.

(b) Also a Signatory Airline.

Source: Greater Orlando Aviation Authority records.

Table 14  
**AVERAGE DAILY AIRLINE AIRCRAFT DEPARTURES**  
Orlando International Airport  
March 1997

Domestic scheduled service	
Delta Air Lines	101 (a)
US Airways	51
Southwest Airlines	25
AirTran Airways	22
Continental Airlines	20
American Airlines	19
Northwest Airlines	17
United Airlines	13
Trans World Airlines	10
America Trans Air	5
America West Airlines	5
Other	<u>23</u>
Subtotal	311
Domestic commuter service	
Comair (Delta Connection)	50
FloridaGulf Airlines (US Airways Express)	30
Gulfstream International Airlines	14
American Eagle	<u>9</u>
Subtotal	103
International scheduled service	<u>14 (b)</u>
Total scheduled service	428
Nonscheduled service	<u>25</u>
Total	453

- (a) 42 daily flights operated as Delta Air Lines and 59 daily flights operated as Delta Express.
- (b) 3 daily flights operated by Delta, 1 daily flight operated by commuter airlines, and 10 daily flights operated by foreign-flag airlines.

Sources: Scheduled service: Official Airline Guides, Inc.  
Nonscheduled service: Greater Orlando Aviation Authority records.

of its expansion into Florida, Southwest began service at the Airport in April 1996 and, as of March 1997, operated 25 daily flights. AirTran is based in Orlando and began service at the Airport in October 1994. As of March 1997, AirTran operated 22 daily flights. In July 1997, AirTran announced its intention to merge with ValuJet and, effective September 1997, ValuJet began operating as AirTran Airlines. The merger has received regulatory approval and shareholder approval is expected by the end of 1997.

Table 15 shows the increase in passenger airline service at the Airport between March 1992 and March 1997. The number of daily aircraft departures increased 30% and the number of scheduled daily seats increased 20% over the 5 years. The average number of seats per departure for scheduled flights has decreased, from 131 to 120, over the 5 years, reflecting the introduction of low-fare, short-haul service by airlines using narrowbody aircraft and the expansion of commuter service.

**Table 15**  
**CHANGE IN AVERAGE DAILY AIRLINE AIRCRAFT DEPARTURES AND SEATS**

	March 1992		March 1997	
	Daily departures	Daily seats	Daily departures	Daily seats
Scheduled service				
Domestic	253	39,497	311	45,223
Domestic commuter	<u>62</u>	<u>1,565</u>	<u>103</u>	<u>3,259</u>
Subtotal	315	41,062	414	49,482
International	<u>12</u>	<u>1,742</u>	<u>14</u>	<u>2,894</u>
Total scheduled	327	42,804	428	51,376
Nonscheduled service (a)	<u>21</u>	n.a.	<u>25</u>	n.a.
Total Airport	348	n.a.	453	n.a.

n.a. = not available.

(a) Domestic and international.

Sources: Scheduled service: Official Airline Guides, Inc.

Nonscheduled service: Greater Orlando Aviation Authority records.

## Airline Fares

Airline fares are an important determinant of passenger demand, particularly in a predominantly tourist destination market such as Orlando. With the introduction of low-fare service by new-entrant airlines and fare matching by incumbent airlines, average fares at the Airport have decreased, as shown in Table 16. Average fares at the Airport are somewhat lower than those offered at other major Florida airports, as shown in Table 17.

Table 16  
**AVERAGE AIRLINE FARES**  
Orlando International Airport

<u>Fiscal Year</u>	<u>Average airfare (a)</u>
1991	\$130
1992	139
1993	141
1994	131
1995	129
1996	122

(a) Average fare for originating passengers on domestic airlines other than commuter airlines.

Source: U.S. Department of Transportation/Air Transport Association, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*.

Table 17  
**AVERAGE AIRLINE FARES AT MAJOR FLORIDA AIRPORTS**  
 12 Months Ended September 30, 1996

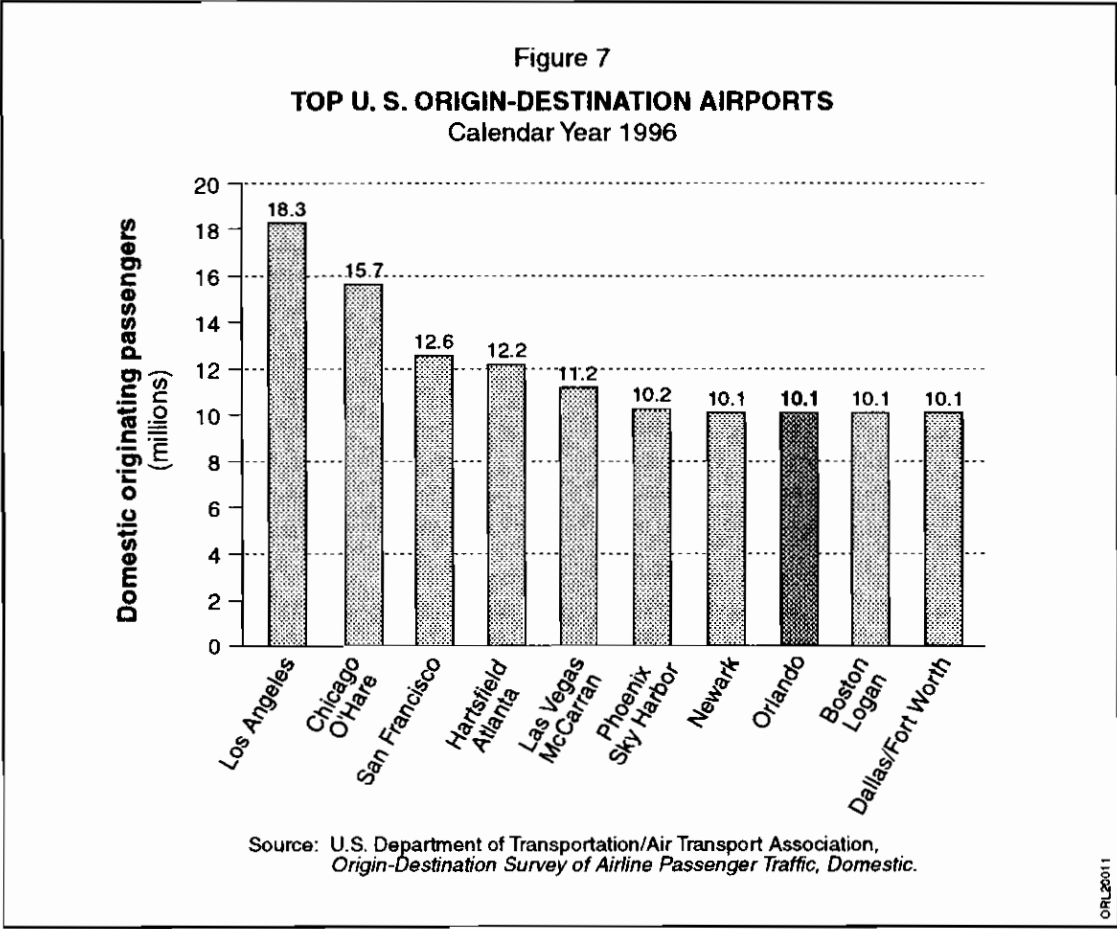
International airport	Average airfare (a)
Orlando	\$122
Tampa	124
Fort Lauderdale-Hollywood	128
Southwest Florida (Fort Myers)	129
Palm Beach	135
Miami	138
Jacksonville	148

(a) Average fare for originating passengers on domestic airlines other than commuter airlines.

Source: U.S. Department of Transportation/Air Transport Association, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*.

### Originating and Connecting Passengers

An estimated 85% of passengers enplaning at the Airport in FY 1996 were originating passengers, beginning their air journeys at the Airport. (The 85% estimate for the full year is less than the 90% estimate developed from the August 1996 survey and discussed in the earlier section "Purpose of Travel" because August is a peak month for originating tourist passengers.) As shown on Figure 7, in 1996, Orlando was the eighth busiest domestic originating passenger airport in the United States.



**Domestic Origin-Destination Markets.** Table 18 lists the 26 destination cities that accounted for 1% or more of domestic passengers originating their air journeys from Orlando for the 12 months ended September 30, 1996. These cities were the destinations for approximately 70% of all domestic scheduled airline passengers at the Airport. The top five markets—New York, Chicago, Washington, D.C., Boston, and Miami—accounted for about 32% of Airport passengers. All but 2 of the 26 cities listed are more than 500 air miles from Orlando.

**Table 18**  
**DOMESTIC PASSENGER DESTINATIONS**  
**Orlando International Airport**  
**12 Months Ended September 30, 1996**

City of destination (a)	Air miles from Orlando	Percent of enplaned passengers	Daily scheduled nonstop departures (b)
New York (c)	950	11.9%	34
Chicago (d)	1,005	5.6	14
Washington, D.C. (e)	759	5.3	23
Boston	1,121	4.5	15
Miami	193	4.5	19
Atlanta	403	4.2	19
Detroit	957	3.9	10
Philadelphia	861	3.5	18
Los Angeles (f)	2,217	2.8	4
Dallas/Fort Worth	984	2.3	12
San Juan	1,189	2.0	4
Hartford	1,050	1.9	7
San Francisco (g)	2,445	1.7	1
Indianapolis	828	1.6	7
Pittsburgh	834	1.4	8
Minneapolis	1,310	1.4	4
Milwaukee	1,066	1.4	3
Denver	1,553	1.3	4
Houston (h)	853	1.2	7
Columbus	802	1.2	6
Cincinnati	756	1.2	7
St. Louis	881	1.2	7
Cleveland	895	1.1	3
Nashville	616	1.1	6
Las Vegas	2,039	1.0	1
Kansas City	1,072	<u>1.0</u>	<u>3</u>
Cities listed		70.2%	246
Other cities		<u>29.8</u>	<u>65</u>
All cities		100.0%	311

(a) Cities with 1% or more of domestic passengers enplaned on scheduled airlines at Orlando International Airport (in 10% sample).

(b) Official Airline Guides, Inc., *Official Airline Guide*, March 1997. Flights scheduled by scheduled U.S. major and national airlines. Departures of charter, foreign-flag, and commuter airlines are excluded.

(c) John F. Kennedy International, LaGuardia, and Newark International airports.

(d) Chicago O'Hare International and Midway airports.

(e) Washington Dulles International, Washington National, and Baltimore/Washington International airports.

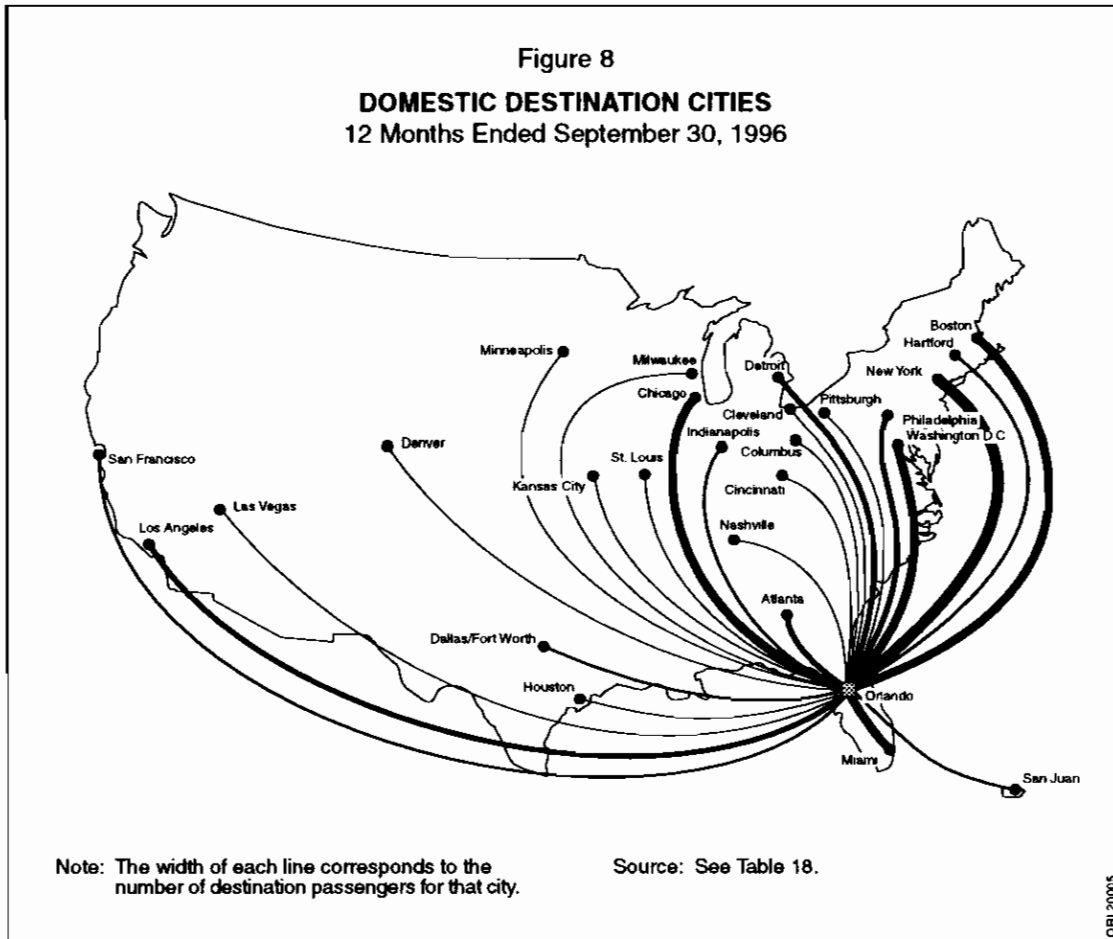
(f) Los Angeles International, Burbank-Glendale-Pasadena, Long Beach, John Wayne (Orange County), and Ontario International airports.

(g) San Francisco, Oakland, and San Jose international airports.

(h) George Bush Intercontinental/Houston and William P. Hobby airports.

Source: U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, 12 months ended September 30, 1996, except as noted.

Table 18 also presents the number of daily nonstop departures by the scheduled airlines serving the Airport (excluding charter, foreign-flag, and commuter airlines). As of March 1997, there were a total of 311 such daily departures. Of these, 246 were to the cities listed in Table 18, providing at least one daily scheduled nonstop departure from Orlando to all the cities listed.



**Connecting Passengers.** Until the mid-1980s, passengers connecting between airline flights at the Airport accounted for only about 5% of enplaned passengers. In the early 1990s, the share of connecting passengers increased to about 20% as a result of Delta and then United providing connecting flights through Orlando. It is estimated that connecting passengers now represent about 15% of enplaned passengers.

Delta continues to provide connecting flights at Orlando, particularly flights connecting with those of its commuter affiliate, Comair. These two airlines account for most of the connecting passengers at the Airport. US Airways also generates connecting traffic at the Airport largely through its Florida route network operated by US Airways Express.

## International Passengers

**International Enplaned Passengers.** Table 19 presents historical data on international enplaned passengers. Between FY 1980 and FY 1993, the number of international passengers at the Airport increased an average of 23.5% per year (compared with approximately 5% for the nation as a whole). In FY 1993, international passengers accounted for 12.3% of total passengers at the Airport. In FY 1994 and FY 1995, the number of international enplaned passengers at the Airport decreased, primarily because of unfavorable currency exchange rates and concerns regarding crimes against tourists in the State of Florida.

Table 19

### INTERNATIONAL ENPLANED PASSENGERS

Fiscal Year (a)	International passengers			Average annual increase (decrease)	Percent of total passengers
	Scheduled	Charter	Total		
1980	923	83,477	84,400	—%	2.6%
1985	10,327	137,696	148,023	11.9	3.0
1990	237,061	641,215	878,276	42.8	9.8
1991	268,388	657,088	925,476	5.4	10.2
1992	431,359	774,696	1,206,055	30.3	12.0
1993	520,496	787,096	1,307,592	8.4	12.3
1994	558,607	709,872	1,268,479	(3.0)	11.7
1995	598,168	565,460	1,163,628	(8.3)	10.5
1996	712,537	528,062	1,240,599	6.6	10.1
1997	727,116	343,392	1,070,508	(13.7)	8.0

(a) Ended September 30.

Source: Greater Orlando Aviation Authority records.

In April 1996, Sanford Airport was certified for international service and began to serve some international charter passenger traffic that would otherwise be accommodated at Orlando International Airport. Notwithstanding this transfer of traffic, international passenger enplanements at the Airport increased in FY 1996. The 13.7% decrease in enplanements in FY 1997 reflects the first full season of operations at Sanford Airport. The potential effect of Sanford and other airports on future traffic at the Airport is discussed in the later section, "Sanford Airport."

As can be seen from Table 19, approximately 68% of the international enplaned passengers at Orlando International Airport in FY 1997 departed on scheduled flights, in contrast to the early 1980s, when virtually all international passengers flew on charter flights. This increase in the share of passengers on scheduled flights results from an increase in scheduled service in response to passenger demand as well as the use of Sanford Airport for certain charter flights. According to periodic surveys conducted by the Authority, since 1980, an increased number of international visitors to Orlando have flown directly to Orlando rather than connecting through other U.S. gateway airports.

Because of the international appeal of Orlando's tourist attractions and the growth and diversification of the economy of the Airport service region, it is expected that direct scheduled international service and the number of international passengers at the Airport will increase. According to the U.S. Travel and Tourism Administration, Orlando is the fifth most popular destination for overseas visitors to the United States, after New York City, Los Angeles, Honolulu, and San Francisco.

**International Passenger Origins.** Table 20 presents the origins of international passengers at the Airport in FY 1996.

Table 20 INTERNATIONAL PASSENGER ORIGINS FY 1996	
<u>International origin</u>	<u>Distribution of passengers</u>
United Kingdom	53.8%
Continental Europe	14.0
Canada	11.5
South America	9.0
Central America	6.8
Caribbean	3.9
Other	<u>1.0</u>
Total	100.0%

Source: Greater Orlando Aviation Authority records.

The large number of British passengers is explained by the popularity of Orlando (and Florida in general) as a tourist destination and the increased availability of direct airline service between the United Kingdom and Orlando. British tourists who formerly used Miami or other U.S. gateway airports can now fly directly to Orlando.

### **Other Major Florida Airports**

Other major air carrier airports competing with Orlando International as a gateway to Florida are Miami International (229 miles from Orlando by road), Tampa International (82 miles), Fort Lauderdale-Hollywood International (207 miles), Palm Beach International (168 miles), Southwest Florida International in Fort Myers (151 miles), and Jacksonville International (140 miles). Table 21 presents a comparison of the increases in the numbers of passengers enplaned at these airports.

Table 21

**INCREASES IN ENPLANED PASSENGERS AT MAJOR FLORIDA AIRPORTS**

International airport	Enplaned passengers (millions)			Average annual increase 1980-1996
	1980	1990	1996	
Orlando	3.3	9.0	12.3	8.6%
Miami	10.3	12.9	16.7	3.1
Tampa	3.8	5.3	6.5	3.5
Fort Lauderdale- Hollywood	3.0	4.6	5.6	3.9
Palm Beach	1.3	2.9	2.9	5.1
Southwest Florida	0.6	1.9	2.2	8.8
Jacksonville	0.9	1.4	1.9	4.8

Note: Orlando data are for Fiscal Years ended September 30; other data are for calendar years.

Source: Airports Council International-North America.

The number of passengers enplaned at Orlando International has increased faster than at any other major Florida airport except Southwest Florida International, which accommodates only 18% as many passengers. More passengers are enplaned at Miami International than at Orlando International, but many of Miami's passengers are connecting between flights. Orlando International is the largest domestic origin-destination passenger airport and serves more domestic cities directly than any other Florida airport.

### **Sanford Airport**

Sanford Airport, 20 miles northeast of downtown Orlando, has a single runway (9,600 feet long) capable of accommodating operations by large airline aircraft and a passenger terminal with four aircraft gates equipped with loading bridges. The airport began processing international passengers in April 1996 and primarily serves international charter flights. The numbers of arriving international passengers at Orlando International Airport and Sanford Airport are compared in Table 22. In FY 1997, the number of enplaned passengers at Sanford Airport accounted for approximately 4% of the combined total of enplaned passengers (domestic plus international) at the two airports.

Table 22

**INTERNATIONAL PASSENGERS AT ORLANDO AND SANFORD**

	<u>FY 1996</u>	<u>FY 1997</u>
<b>Orlando International Airport</b>		
Arriving international passengers	1,150,222	996,000 (a)
Percent of total	85%	68%
<b>Sanford Airport</b>		
Arriving international passengers	197,524	478,632
Percent of total	<u>15%</u>	<u>32%</u>
<b>Combined total</b>		
Arriving international passengers	1,347,746	1,474,632
Percent of total	100%	100%

Note: Passengers who precleared customs and immigration at their origin airport and passengers in transit are excluded.

(a) Preliminary estimate.

Source: U.S. Customs Service.

While it is expected that airlines, particularly international charter airlines, will continue to serve Sanford Airport, such service is not expected to have a material effect on the overall number of passengers using Orlando International Airport in the long term because of (1) Orlando International's much greater capacity to accommodate increases in passenger traffic, (2) the likely reduction in the cost advantages enjoyed by Sanford Airport in its early stages of passenger operations, and (3) the commitments made by the major U.S. airlines at Orlando International.

The terminal facilities at Sanford Airport have an estimated annual capacity of approximately 600,000 arriving international passengers, assuming current seasonal and time-of-day activity patterns (which are similar to those for international passengers at Orlando International). Sanford Airport accommodated approximately 480,000 arriving passengers in FY 1997, meaning that additional investments in terminal facilities will soon be required if the airport is to accommodate further increases in passenger numbers.

One of the reasons cited by international charter airlines using Sanford Airport in preference to Orlando International is the lower average cost per passenger. Much of this cost difference has to date been explained by U.S. Customs fees, which are not assessed at airports with low numbers of international passengers. According to Authority staff, because of the increase in passengers at Sanford, full U.S. Customs

fees will be charged there by mid-1998, with the result that the overall difference between the two airports in fees and charges for the use of airport facilities, which was approximately \$15 per arriving passenger at the end of 1996, will be reduced to less than \$5 per arriving passenger by the end of 1998. This difference in facility use charges could be reduced further as additional investments are required at Sanford. The Authority is also considering means whereby charges for international airlines at Orlando International could be made more competitive with the charges at Sanford and other international gateway airports.

It is considered unlikely that any of the major domestic airlines serving Orlando International will move their operations to Sanford. The Signatory Airlines, which together account for 85% of Orlando International Airport's enplaned passengers, have long-term lease and financial commitments at the Airport and have approved major terminal capacity expansion projects in the 1997-2004 capital improvement plan.

In preparing the forecasts of passenger enplanements for Orlando International Airport, it was assumed that terminal facilities at Sanford Airport will be enlarged (to provide up to approximately twice the current passenger capacity) and that the airport will serve increased numbers of international passengers. However, it was assumed that most of the growth in international passenger demand in the region will be accommodated at Orlando International Airport and that, by 2005, Sanford Airport will accommodate between 30% and 40% of the combined total of international passengers (or between 4% and 6% of the total of all passengers) being served by the two airports. It was assumed that Sanford Airport will not serve significant numbers of domestic passengers.

### **Air Cargo**

Between FY 1980 and FY 1997, air cargo enplaned at the Airport increased from 22,000 tons to 105,000 tons, an average increase of 9.6% per year. Much of the recent increase in air cargo has resulted from the use of air express for the shipment of documents and other high-priority materials. The distribution of cargo enplaned at the Airport in FY 1997 was 19% air mail and 81% freight and express. About 50% of the total cargo tonnage was enplaned on flights of the passenger airlines, with Delta enplaning the largest share. Among the all-cargo airlines, FedEx (21%) and United Parcel Service (19%) enplaned the largest shares.

The U.S. Department of Agriculture inspection station and perishables center at the Airport accommodates the import and export of perishable plants and other commodities requiring temperature- and humidity-controlled storage. The center is expected to add impetus to the development of the Airport as an air cargo center.

## Aircraft Departures

Table 23 presents historical airline aircraft departures from the Airport. The number of departures by aircraft in passenger service has increased from an average of 168 per day in FY 1980 to an average of 414 per day in FY 1997. Aircraft departures of the all-cargo airlines increased from an average of 5 per day in FY 1980 to an average of 15 per day in FY 1997.

Table 23  
**HISTORICAL AIRLINE AIRCRAFT DEPARTURES**  
Orlando International Airport

Fiscal Year (a)	Passenger service		All-cargo service		Total annual departures
	Annual	Average daily	Annual	Average daily	
1980	61,411	168	1,687	5	63,098
1985	69,221	190	2,073	6	71,294
1986	82,364	226	2,223	6	84,587
1987	95,334	261	2,635	7	97,969
1988	116,584	319	3,916	11	120,500
1989	110,720	303	4,879	13	115,599
1990	112,857	309	4,254	12	117,111
1991	117,086	321	4,328	12	121,414
1992	124,028	340	4,088	11	128,116
1993	141,488	388	3,826	10	145,314
1994	145,114	398	4,357	12	149,471
1995	143,401	393	5,216	14	148,617
1996	145,579	399	4,809	13	150,388
1997	150,964	414	5,305	15	156,269

(a) Ended September 30.  
Source: Greater Orlando Aviation Authority records.

## Landed Weight

Table 24 presents historical revenue landed weight (i.e., total certificated weight of aircraft landing in revenue service) at the Airport. Total landed weight increased from about 9.2 million 1,000-pound units in FY 1980 to about 19.2 million 1,000-pound units in FY 1997, an average increase of 4.4% per year. The average

landed weight per departure decreased as the result of changes in the mix of aircraft types serving the Airport.

Table 24  
**HISTORICAL REVENUE LANDED WEIGHT**  
 Orlando International Airport  
 (in 1,000-pound units)

Fiscal Year (a)	Landed weight	Average landed weight per departure
1980	9,228,538	146.3
1985	9,462,518	132.7
1986	10,571,747	125.0
1987	13,584,765	138.7
1988	15,434,605	127.9
1989	15,045,732	130.2
1990	15,398,664	131.5
1991	15,929,114	131.2
1992	17,619,670	137.5
1993	19,064,596	131.2
1994	18,162,054	121.5
1995	17,931,397	120.7
1996	18,265,608	121.5
1997	19,232,843	123.1

(a) Ended September 30.

Source: Greater Orlando Aviation Authority records.

### KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the population and economy of the Airport service region, discussed in the earlier section "Economic Basis for Airline Traffic," key factors that will affect airline traffic at Orlando International Airport are:

- National and international economic and political conditions
- Airline service and routes
- Availability and price of aviation fuel

- Airline economics, competition, and airfares
- The capacity of the national air traffic control and airport systems
- The capacity of the Airport

These key factors are discussed in the following sections.

### **National and International Economic and Political Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Sustained future growth in domestic airline passenger traffic will depend largely on the ability of the nation to sustain economic growth.

International economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries are increasingly important influences on passenger traffic at major U.S. airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect airline travel. International economic and political conditions will continue to affect the number of passengers enplaning at the Airport.

### **Airline Service and Routes**

The most important determinant of passenger airline traffic demand at a predominantly origin-destination airport such as Orlando International Airport is the population and economy of the region served by the airport. However, the number of enplaned passengers also depends to some extent on the airline service provided. Since passage of the Airline Deregulation Act of 1978, airlines have been free to enter or leave individual air traffic markets at will. Consequently, it is uncertain which airlines, if any, will serve particular origin-destination routes.

### **Availability and Price of Aviation Fuel**

There has been no shortage of aviation fuel since the "fuel crisis" of 1974. However, the price of aviation fuel continues to be an important and uncertain factor affecting airline operating economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and airline operating results, although since 1992 the average price of aviation fuel has been fairly stable. In the long term, fuel prices are likely to increase as worldwide oil reserves are gradually depleted, but industry analysts do not expect such increases until beyond the forecast period.

## **Airline Economics, Competition, and Airfares**

As discussed in the earlier section "Airline Fares," airfares have an important effect on passenger demand, particularly for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden; passenger demand, capacity, and yield management; market presence; competition; and ticket taxes.

During the late 1980s and early 1990s, the established major airlines experienced increased competition from low-cost, low-fare airlines, including established airlines such as America West and Southwest; new entrant airlines, such as AirTran, KIWI, and ValuJet; and commuter airlines. The response by the established major airlines to the increased competition has varied. In some markets, the major airlines have reduced service; in other markets, they have reduced fares and increased service. The major airlines have attempted to adjust their cost structures to remain competitive and some have established their own low-fare operations to compete in selected markets. As discussed earlier, Delta Express operates in many traditional Delta markets, particularly to and from Florida. Most large origin-destination passenger markets have attracted low-fare competition in one form or another, and passenger traffic has increased accordingly.

Since 1970, a 10% tax has been levied on all passenger tickets. These funds are deposited in the Aviation Trust Fund of the U.S. Treasury. Between January 1996 and August 1996, and then again between January 1997 and March 1997, authority to levy the ticket tax lapsed, resulting in effectively lower airfares on some airlines during those periods. The 10% ticket tax was again effective between April 1997 and September 1997. Effective October 1997, the airline ticket tax formula was modified to provide for, among other things, a reduction in the percentage tax rate and the imposition of certain per-flight-segment fees. The overall tax burden for domestic travel under the modified formula is expected to be similar to that under the previous formula.

## **Capacity of National Air Traffic Control and Airport Systems**

Demands on the national air traffic control system continue to cause aircraft delays and restrictions—both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. Increasing demands on the national air traffic control and airport systems could cause delays and restrictions in the future, although the FAA is giving priority to automating and enhancing the computer, radar, and communications equipment of the air traffic control system and developing additional airfield capacity at critical airports through the construction of new runways and the more effective use of existing runways.

## **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 Orlando will, in the long term, depend on the provision of increased capacity at the Airport itself.

The 1997 Project will increase the capacity of the terminal facilities to accommodate increased numbers of enplaned passengers. As discussed in the later section "1997-2004 Capital Improvement Plan," further additions and modifications to terminal facilities are planned to ensure that increased terminal capacity is available to meet passenger demand. Analyses of airfield capacity and aircraft delays conducted during preparation of the Authority's 1995 Master Plan for the Airport suggest that, while the fourth runway will be economically justified, the three existing runways could accommodate forecast increases in aircraft operations through FY 2005 without excessive delays.

## **KEY FORECAST ASSUMPTIONS**

Forecasts of airline traffic were prepared taking into account analyses of the economic basis for airline traffic, analyses of historical airline traffic, and an assessment of the key factors likely to affect future airline traffic, all as discussed in earlier sections. Key assumptions regarding future airline traffic are as disclosed in this section.

In general, it was assumed that growth in airline traffic at the Airport will occur largely as a function of growth in tourism and the population and economy of the Airport service region, and that continued development of airline service at the Airport will not be constrained by the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

More specifically, it was assumed that, through FY 2005:

1. The national economy will experience moderate growth at an average rate of between 2.0% and 2.5% per year.
2. The general economy of the Airport service region will continue to increase faster than that of the United States as a whole, as discussed in the earlier section "Economic Basis for Airline Traffic."
3. Walt Disney World, Universal Studios Florida, other tourist attractions, convention facilities, and hotels will continue to be developed and attract increasing numbers of U.S. and international visitors to Orlando.

4. Low-fare service will continue to be offered by airlines such as Delta Express and Southwest and airfares for flights to and from Orlando will increase at rates generally consistent with the prices of other goods and services.
5. The Airport will continue to be used as a connecting point by some airlines, with originating passengers continuing to account for approximately 85% of enplaned passengers.
6. The Authority will develop additional passenger capacity at the Airport generally in accordance with its 1997-2004 capital improvement plan and the schedule discussed in the later section "1997-2004 Capital Improvement Plan."
7. Sanford Airport will continue to accommodate increased numbers of charter international passengers but will account for less than 6% of the combined number of passengers enplaning at Orlando International and Sanford Airport.

## **AIRLINE TRAFFIC FORECASTS**

Table 25 presents the forecasts of enplaned passengers and landed weight at the Airport. The forecasts of enplaned passengers are shown graphically on Figure 9.

### **Enplaned Passengers**

The total number of enplaned passengers is forecast to increase from 13,411,129 in FY 1997 to 19,700,000 in FY 2005, an average increase of 4.9% per year. This rate of increase compares with an average increase of about 4.0% per year forecast by the FAA for the nation as a whole. By FY 2005, international passengers are forecast to account for about 10% of the Airport total.

### **Landed Weight**

Aircraft landed weight is forecast to increase from 19,232,843 thousand-pound units in FY 1997 to 26,200,000 units in FY 2005, an average increase of 3.9% per year. The forecast growth rate for landed weight is slightly lower than that for enplaned passengers, reflecting a combination of assumptions that (1) the average passenger boarding load factor will increase from an estimated 72% in FY 1997 to about 75% by FY 2005, (2) the average size of passenger aircraft in use at the Airport will increase from an estimated 126 seats per departure in FY 1997 to 132 seats per departure in FY 2005, and (3) the average landed weight per aircraft will increase from 123,000 pounds in FY 1997 to 128,000 pounds in FY 2005.

Table 25

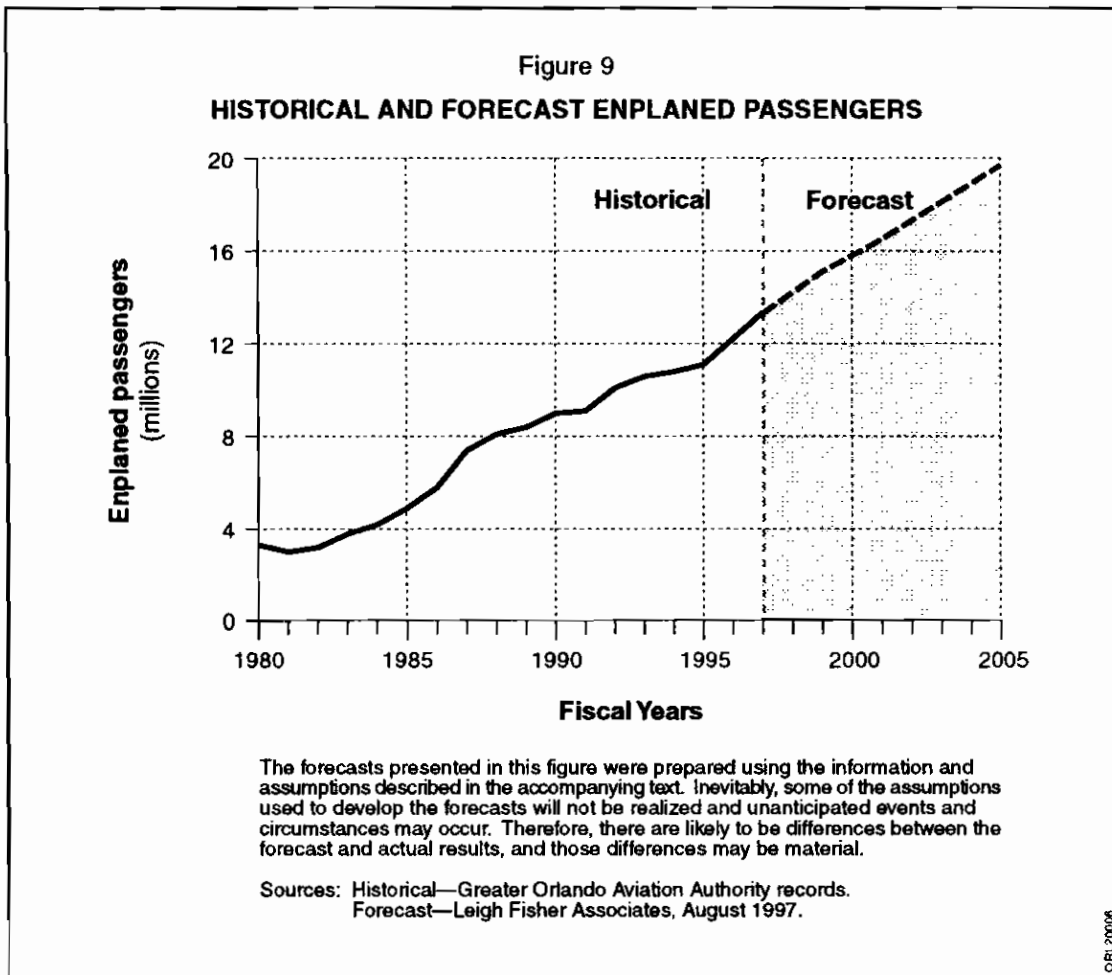
**AIRLINE TRAFFIC FORECASTS**  
Orlando International Airport

The forecasts presented in this table were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Actual				Forecast		
	1995	1996	1997	1998	1999	2000	2005
<b>Enplaned passengers</b>							
Domestic	9,935,368	11,029,252	12,340,621	12,970,000	13,690,000	14,400,000	17,800,000
International	<u>1,163,628</u>	<u>1,240,599</u>	<u>1,070,508</u>	<u>1,230,000</u>	<u>1,310,000</u>	<u>1,400,000</u>	<u>1,900,000</u>
Total	11,098,996	12,269,851	13,411,129	14,200,000	15,000,000	15,800,000	19,700,000
Signatory Airlines	8,424,548	9,479,663	11,436,252	12,100,000	12,800,000	13,400,000	16,700,000
Nonsignatory airlines	<u>2,674,448</u>	<u>2,790,188</u>	<u>1,974,877</u>	<u>2,100,000</u>	<u>2,200,000</u>	<u>2,400,000</u>	<u>3,000,000</u>
Total	11,098,996	12,269,851	13,411,129	14,200,000	15,000,000	15,800,000	19,700,000
Average annual increase	--	10.5%	9.3%	5.9%	5.6%	5.3%	4.5%
<b>Landed weight (1,000-lb units)</b>							
Passenger airlines							
Domestic	15,282,579	15,496,646	16,456,041	17,400,000	18,200,000	19,000,000	22,300,000
International	<u>1,737,934</u>	<u>1,949,892</u>	<u>1,864,012</u>	<u>2,000,000</u>	<u>2,100,000</u>	<u>2,200,000</u>	<u>2,900,000</u>
All-cargo airlines	17,020,513	17,446,538	18,320,053	19,400,000	20,300,000	21,200,000	25,200,000
Total	<u>910,884</u>	<u>819,070</u>	<u>912,790</u>	<u>870,000</u>	<u>890,000</u>	<u>900,000</u>	<u>1,000,000</u>
Signatory Airlines	17,931,397	18,265,608	19,232,843	20,270,000	21,190,000	22,100,000	26,200,000
Nonsignatory airlines	12,933,969	13,859,492	15,076,558	16,000,000	16,700,000	17,500,000	20,700,000
Total	<u>4,997,428</u>	<u>4,406,116</u>	<u>4,156,285</u>	<u>4,270,000</u>	<u>4,490,000</u>	<u>4,600,000</u>	<u>5,500,000</u>
Average annual increase	--	1.9%	5.3%	5.4%	4.5%	4.3%	3.5%

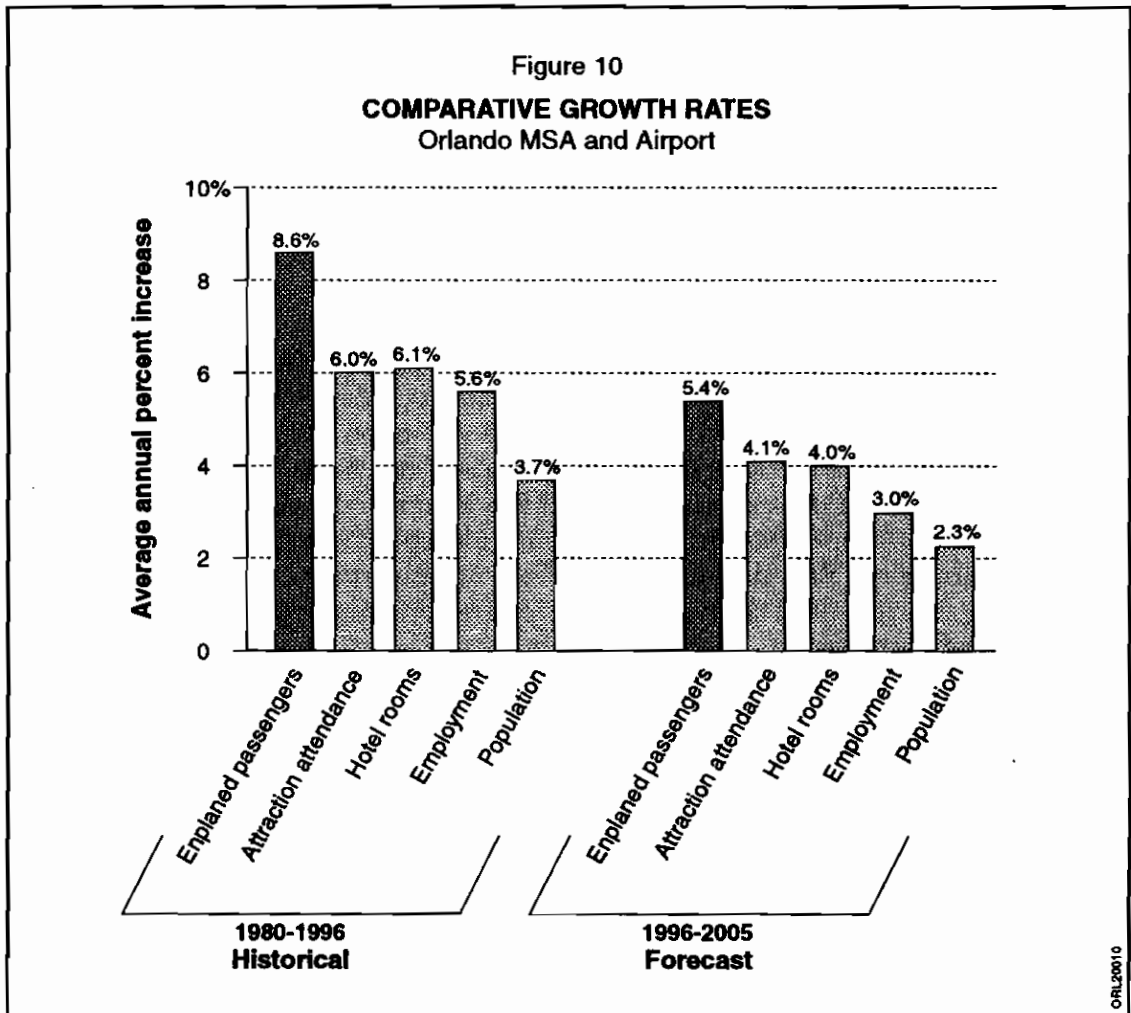
Note: For Fiscal Years ending September 30.

Sources: Actual: Greater Orlando Aviation Authority records.  
Forecast: Leigh Fisher Associates, August 1997.



### Comparative Growth Rates

Figure 10 presents historical and forecast comparative growth rates for enplaned passengers at the Airport and key economic indicators for the Orlando MSA. The forecast growth rates for attraction attendance, hotel rooms, employment, and population are as estimated by the sources noted in the earlier section "Economic Basis for Airline Traffic."



As shown, the forecast rate of growth for numbers of enplaned passengers is consistent with the corresponding forecast growth rates for key economic indicators, relative to their historical relationships. Reasons to expect that the rate of growth in numbers of passengers will continue to exceed the rates of growth in the economic indicators shown include continued increases in the nationwide propensity to travel (as evidenced by the percentage of the population using air travel and the average number of trips per year) and continued increases in the proportion of visitors to Orlando who fly rather than drive.

## **FINANCIAL ANALYSIS**

### **FRAMEWORK FOR AUTHORITY'S FINANCIAL OPERATIONS**

The Authority is an agency of the City of Orlando and is governed by a seven-member board. The Authority board appoints an executive director who directs the management and operation of the Authority's airports with a staff of approximately 625 full-time employees.

The Authority operates Orlando International Airport, which is owned by the City of Orlando, under an agreement that extends to 2026, as a self-supporting enterprise fund. (If the agreement with the City were not to be extended beyond 2026, the City would be required to take on all obligations of the Authority, including the obligation to pay Bond debt service from the Revenues of the Airport System.) The Authority also operates Orlando Executive Airport, a general aviation airport. Under the Bond Resolution, Orlando Executive Airport is not a part of the Airport System and revenues derived from its operation are not pledged to the payment of Bond debt service.

### **Enabling Legislation**

Under the Greater Orlando Aviation Act, the Authority is charged with operating the Airport as a financially self-sustaining enterprise and is authorized to issue revenue bonds, payable solely from Airport System revenues, to pay the costs of acquiring or constructing improvements to the Airport System. The Authority is also authorized by the Act to establish and collect rentals, fees, and charges for services and facilities provided by the Airport System and to pledge such revenues to the payment of debt service on revenue bonds.

### **Trust Agreements**

In 1972 and 1974, the City of Orlando (then the Airport operator) issued two series of Airport Revenue Bonds (the Prior Lien Bonds) under the terms of substantially similar Trust Agreements that specify the required application of Airport System Revenues until the retirement date of the Prior Lien Bonds. (See the later section "Application of Revenues.") The Prior Lien Bonds are secured by a prior pledge of and first lien on Revenues and have a final maturity date of March 1, 2000.

### **Bond Resolution**

The Bond Resolution was adopted in 1978 in conjunction with the Authority's first issuance of Airport Facilities Revenue Bonds. Under Section 401 of the Bond Resolution, the Authority pledges the Revenues of the Airport System to the

payment of debt service on Outstanding Bonds subordinate only to the pledge and lien created by the Trust Agreements. Before the Prior Lien Bonds are retired, Bonds, including the proposed 1997 Bonds, are payable from and secured by a pledge of Available Revenues, i.e., all Revenues remaining after the payment of the debt service on the Prior Lien Bonds and other fund deposits required under the Trust Agreements. After the Prior Lien Bonds are retired, the Bonds will be payable from and secured by a pledge of and first lien on all Revenues. The Bond Resolution specifies the required application of Available Revenues before the retirement date of the Prior Lien Bonds and the application of Revenues after the retirement date of the Prior Lien Bonds. (See the later section "Application of Revenues.") Except as noted otherwise, capitalized terms in this report are as defined in the Bond Resolution.

### **Rate Covenant**

Under Section 711 of the Bond Resolution, referred to as the Rate Covenant, the Authority covenants that it will establish and collect rates, fees, rentals, and other charges for the use of the Airport System as required to ensure that, in each Fiscal Year, Net Revenues (Revenues less Operation and Maintenance Expenses) less amounts required to be deposited into the operating reserve account and the renewal and replacement fund established under the Trust Agreements and less amounts required to be deposited into the Operation and Maintenance Reserve Account, the Capital Expenditures Fund, and the Renewal and Replacement Fund established under the Bond Resolution shall equal at least 1.25 times the sum of Aggregate Debt Service on Outstanding Bonds and debt service on Prior Lien Bonds for such Fiscal Year. Before the Prior Lien Bonds are retired, no deposits are required to be made into the Operation and Maintenance Reserve Account or the Renewal and Replacement Fund.

Amounts in the Prepaid Airline Fees and Charges Fund at the end of each Fiscal Year are required to be deposited into the revenue fund established under the Trust Agreements or the Revenue Fund established under the Bond Resolution and are treated as Available Revenues or Revenues, as the case may be, in the first 3 months of the following Fiscal Year.

### **Airline Lease and Use Agreements**

The Lease and Use Agreements between the Authority and the Signatory Airlines establish procedures for the annual review and adjustment of Signatory Airline terminal building rentals and aircraft landing fees under a "residual cost" formula, which ensures that the Rate Covenant of the Bond Resolution is met. (See the later section "Signatory Airline Revenues.") The term of the Lease and Use Agreements extends through FY 2008. However, the Authority's obligation to meet the Rate

Covenant remains as long as any Bonds are outstanding, notwithstanding the expiration or termination of the Lease and Use Agreements.

### **Passenger Facility Charge**

The Authority has received approval from the FAA to impose a passenger facility charge (PFC) of \$3 per eligible enplaned passenger at the Airport and has imposed the PFC since February 1993. To date, the FAA has approved Authority applications to impose the PFC and use PFC revenues to pay \$171,811,000 of the project costs of various Airport improvements. Through September 30, 1997, PFC revenues received by the Authority, including investment earnings, totaled \$136,444,000, of which \$62,274,000 had been expended on approved project costs.

Approved PFC projects include land acquisition, improvements to and renovations of existing passenger terminal buildings, preliminary design of the fourth airside building, rehabilitation of AGT vehicles, installation of terminal and roadway signs, improvements to roadways, environmental studies and design for the north crossfield taxiway, and various other airfield projects.

In September 1997, the Authority submitted an application for authority to collect an additional \$231,750,000 of PFC revenues (to be used for an estimated \$111,484,000 of project costs and \$120,266,000 of financing costs) and expects to receive FAA approval in February 1998. Most of such PFC revenues would be used for certain of the costs of the approved future projects shown in Exhibit A-1. Estimated PFC revenues to be used for certain of the costs of the 1997 Project are as shown in Exhibit A-2.

### **1997-2004 CAPITAL IMPROVEMENT PLAN**

The Authority has defined a plan for major capital improvements to the Airport that are expected to be required in the 1997-2004 time period. Estimated project costs and funding sources for the elements of the 1997 Project are presented in Exhibit A-2 and described in the later section, "Estimated 1997 Project Costs." All elements of the 1997 Project listed in Exhibit A-2 have been unconditionally approved by a majority-in-interest of the Signatory Airlines.

Estimated project costs and funding sources for the other elements of the 1997-2004 capital improvement plan are presented in Exhibit A-1 and discussed in the following sections according to (1) those projects for which approval by a majority-in-interest of the Signatory Airlines has been received and (2) other future projects for which airline approval has not yet been sought.

## Approved Future Projects

Projects listed in Exhibit A-1 as approved future projects (total estimated cost \$970,053,000) are projects for which majority-in-interest airline approval has been received, in some cases subject to conditions. The projects, status of airline majority-in-interest approvals, and estimated completion dates are as follows:

### Terminal

- Construct a new fourth airside terminal building with 16 aircraft gates, an AGT system between the new airside and the landside building, additional central utility plant capacity, and associated facilities in the landside building, accomplishing the complete buildout of the north passenger terminal complex.

Unconditionally approved.

Estimated completion: FY 2000

- Convert four existing gates to allow their use for domestic or international passenger arrivals and construct other improvements and renovations to existing terminal facilities.

Unconditionally approved.

Estimated completion: FY 2000

- Construct site improvements, access roadways, utilities, and other infrastructure for a new south terminal complex.

Approved when annual passengers at the Airport (enplaned plus deplaned) reach 27.25 million or annual air carrier aircraft operations (landings plus takeoffs) reach 220,000, estimated to occur in FY 1998.

Estimated completion: FY 2000

- Design the initial phase of the south terminal complex to provide a minimum of 16 gates and related passenger terminal facilities when the north terminal complex has reached capacity.

Unconditionally approved.

Estimated completion: FY 2000

- Construct the initial phase of the south terminal complex.

Approved when annual passengers at the Airport (enplaned plus deplaned) reach 28.5 million or annual air carrier operations reach 230,000, estimated to occur in FY 1999, and airline lease commitments are received for at least 50% of airline rentable space in the south terminal for a minimum of 5 years, assumed to occur by FY 1999.

Estimated completion: FY 2002

### **Airfield**

- Construct a crossfield taxiway north of the existing passenger terminal connecting the east and west runway complexes.

Unconditionally approved.

Estimated completion: FY 2001

- Reconstruct the bridges carrying the crossfield taxiways south of the existing passenger terminal over the south Airport access road to allow widening of the road.

Approved when annual passengers at the Airport (enplaned plus deplaned) reach 27.25 million or annual air carrier aircraft operations (landings plus takeoffs) reach 220,000, estimated to occur in FY 1998.

Estimated completion: FY 2002

- Construct a new air traffic control tower.

Unconditionally approved.

Estimated completion: FY 2000

### **Other Future Projects**

Other future projects for which airline approval has not yet been sought (total estimated cost \$529,046,000) include the following:

#### **Terminal**

- Construct various improvements and renovations to existing terminal facilities.

Estimated completion: FY 2002

## **Airfield**

- Construct a fourth runway, parallel to the existing three runways, to the east.

Estimated completion: FY 2002

- Reconstruct the south end of one of the two existing west runways (Runway 18R-36L).

Estimated completion: FY 1999

- Reconstruct the aircraft parking apron at the former passenger terminal for air cargo aircraft use.

Estimated completion: FY 1999

## **Roadways and Parking**

- Construct an extension of Cargo Road and an interchange to improve Airport access from the north.

Estimated completion: FY 2002

- Construct other roadway and parking capacity improvements.

Estimated completion: FY 2002

## **Other**

- Construct facilities to provide rail access to the Airport and complete the acquisition of land for future east airfield development.

Estimated completion: FY 2002

## **Estimated Sources of Funding**

The estimated sources of funds for the 1997-2004 capital improvement plan shown in Exhibit A-1 are consistent with the Authority's estimates and expectations of funds to be available from federal and State grants-in-aid, PFC revenues, Subordinated Indebtedness, the Improvement and Development Fund, and other Authority funds over the 1997-2004 time period.

The Authority expects that future PFC revenues will be used to pay project costs on a "pay-as-you-go" basis and to pay debt service on future bond issues. For purposes of the financial forecasts, it was assumed that the project costs shown in Exhibit A-1 under "net to be funded with Airport revenue Bonds" will be funded with the proceeds of Additional Bonds to be paid from Airport Revenues, including Available PFC Revenues.

The Authority intends to undertake future projects as they are required by aviation demand, are economically justified, can be supported by available sources of funds and reasonable user fees, and receive majority-in-interest airline approval as required under the Lease and Use Agreements.

### **ESTIMATED 1997 PROJECT COSTS**

Exhibit A-2 presents estimated 1997 Project costs and sources of funds as provided by the Authority and the Authority's Consulting Engineers. Descriptions of the 1997 Project elements follow.

#### **Parking**

**Parking garage additions:** Construct additional structural parking adjacent to the existing garages north and south of the landside terminal building to add approximately 3,100 spaces for public parking and 1,500 spaces for rental car parking.

Estimated completion: September 1999

**Garage elevator lobby enclosures:** Enclose and air-condition the elevator lobbies for the parking garages.

Estimated completion: March 1999

**Public parking lots:** Construct a new remote public parking lot with approximately 3,300 parking spaces and add spaces to an existing remote public parking lot.

Estimated completion: March 1999

**Employee parking lot:** Construct a new employee parking lot to replace temporary employee parking located on the future fourth airside apron.

Estimated completion: September 1999

**Other parking projects:** Construct roadway bridges to improve vehicle circulation at the first level of the landside terminal building. Also, relocate rental car maintenance facilities and infrastructure to allow development of the new remote public parking lot.

Estimated completion: March 1999

## **Terminal**

**Ground transportation lobby and additional curbsides:** Expand and reconfigure the first level of the landside terminal building to accommodate expanded lobbies for airline passenger check-in, rental car, and ground transportation functions. Also, add new vehicle curbsides at the first level of the landside building.

Estimated completion: September 1999

**Baggage systems and terminal equipment:** Install automated pier-sort baggage handling systems in the landside terminal, common-use terminal equipment (CUTE), and multiple-user flight information display system (MUFIDS).

Estimated completion: June 1999

**Expansion of northeast terminal quadrant:** Expand the northeast quadrant of the landside terminal building on four levels to add space and capacity needed for airline passenger check-in, baggage claim, and baggage handling functions associated with future fourth airside terminal operations. Extend the fourth level of the terminal to provide hotel space to replace space to be displaced by the development of the AGT station for the future fourth airside.

Estimated completion: June 1999

**Other landside and airside improvements:** Add new elevators, replace existing elevators, renovate and expand existing restrooms in the landside terminal building, and complete various other landside and airside renovation projects.

Estimated completion: June 1999

**Communications center:** Upgrade and expand the Airport communications center.

Estimated completion: December 1998

### **Airfield**

**Clearing and earthworks:** Clear Airport land and construct earthworks to allow future Airport development.

Estimated completion: December 1998

**Airfield projects:** Undertake various airfield repairs and improvements.

Estimated completion: September 1998

### **Roadways**

Widen the Airport loop road providing access to the passenger terminal. Also, construct an interchange between the main Airport access road and Cargo Road to improve remote parking and other Airport facilities.

Estimated completion: September 1999

## **SOURCES OF FUNDS TO PAY 1997 PROJECT COSTS**

The Authority has received approval for State grants for the employee parking lot and expects to receive other federal and State grants in the amounts shown in Exhibit A-2. To date, the Authority has received FAA approval to use approximately \$5,157,000 of PFC revenues (on a pay-as-you-go basis) for certain terminal improvements and the roadway projects and expects to receive approval to use the entire amount of PFC revenues shown in Exhibit A-2. Other 1997 Project costs are to be paid from Subordinated Indebtedness, the Improvement and Development Fund, other Authority funds, and the proceeds of the proposed 1997 Bonds, as shown in Exhibit A-2.

## **ESTIMATED 1997 PROJECT FINANCING**

Exhibit B presents a summary of the estimated sources and uses of funds for financing the 1997 Project. The estimated sources and uses of funds were provided by Goldman Sachs & Co., using information provided by the Authority and the Authority's Consulting Engineers regarding the estimated cost and timing of the elements of the 1997 Project and the estimated receipt of federal and State grants.

## **Sources of Funds**

The sources of funds for the 1997 Project are, as shown in Exhibits A-2 and B:

- Proceeds from the sale of the 1997 Bonds
- Gulf Breeze loan (Subordinated Indebtedness)
- Interest earnings on the Construction Fund and capitalized interest account
- Federal and State grants-in-aid
- PFC revenues (pay-as-you-go)
- Authority Improvement and Development Fund
- Other Authority funds

## **Uses of Funds**

The estimated uses of funds are to:

- Deposit to the 1997 Construction Fund amounts required to pay 1997 Project costs
- Deposit to the 1997 Construction Fund (capitalized interest account) amounts required to pay interest on the 1997 Bonds during construction
- Deposit to the Debt Service Reserve Account an amount required to meet the Debt Service Reserve Requirement
- Pay any bond insurance premium, underwriters' discount, and other issuance costs

## **DEBT SERVICE REQUIREMENTS**

Exhibit C presents the Authority's historical and forecast annual debt service requirements on Prior Lien Bonds, outstanding Bonds, proposed 1997 Bonds, planned 1999 Bonds and 2000 Bonds, and Subordinated Indebtedness.

### **Prior Lien Bonds**

The Prior Lien Bonds were issued in 1972 and 1974 under the terms of the Trust Agreements. As of September 30, 1997, \$2,310,000 of Prior Lien Bonds were outstanding. The Series 1972 and Series 1974 Bonds are scheduled to be retired in

March 1998 and March 2000, respectively. The Authority intends to use amounts in the debt service reserve funds for each series to make final debt service payments.

### **Outstanding Series of Bonds**

Eight series of Airport Facilities Revenue Bonds and Refunding Revenue Bonds are outstanding under the Bond Resolution. As of September 30, 1997, \$858,945,000 of such Bonds was outstanding.

Under an agreement with the Signatory Airlines, the Authority is obligated to prepay directly from the Improvement and Development Fund approximately \$2,700,000 in debt service for the 1988 Bonds in FY 1998 through FY 2000. Such debt service is associated with unleased space in the northeast quadrant of the landside terminal building and represents a requirement of approximately \$3,200,000, less a \$500,000 credit for lease payments already being made. This arrangement is to continue until the date of beneficial occupancy of the fourth airside (assumed to be at the beginning of FY 2001). However, for purposes of the financial forecasts and the calculation of debt service coverage under the Rate Covenant, no such prepayments of debt service have been taken into account. The entire debt service requirements of the 1988 Bonds are included in the forecast debt service requirements (Exhibit C) and the calculation of Signatory Airline rentals and fees (Exhibits E-1 and E-2).

The Authority expects to receive payments under interest rate swap agreements entered into in August 1995 in connection with the 1987 Bonds and the 1988 Bonds. Estimates of such interest rate swap receipts, as provided by Goldman, Sachs & Co., are included as Revenues (Exhibit E) and offset required debt service payments by approximately \$5,400,000 per year in FY 1999 through FY 2008 and a nominal amount (approximately \$100,000 or less) per year in FY 2009 through FY 2018.

The Authority also expects to receive payments under an interest rate swap agreement entered into in October 1997 in connection with certain outstanding 1992 and 1993 Bonds and subordinate bonds. Estimates of such interest rate swap receipts associated with the 1992 and 1993 Bonds, as provided by Goldman, Sachs & Co., are included as Revenues (Exhibit E) and offset required debt service payments by approximately \$1,300,000 per year in FY 1998 through FY 2006.

Upon the planned refunding of the 1987 Bonds and 1988 Bonds in FY 1998, debt service on the refunding bonds will be payable, at a variable rate, subordinate to the debt service requirements of outstanding Bonds. However, under the terms of the swap agreement, the Authority will pay a fixed interest rate, and, by agreement with the Signatory Airlines, 25% coverage on the refunding bonds will be included in the annual calculation of landing fees as if the refunding bonds were Senior Lien Bonds. Accordingly, forecast debt service on the refunding bonds is shown in Exhibit C as a continuation of debt service on the 1987 Bonds and 1988 Bonds.

## Proposed Series 1997 Bonds

The 1997 Bonds are to be on a parity with all other outstanding Bonds. According to the Authority's Bond counsel, interest on the Series 1997 Bonds is to be tax-exempt and subject to the alternative minimum tax (AMT).

The forecast debt service requirements of the 1997 Bonds were estimated using the following assumptions, as provided by Goldman, Sachs & Co., the representative of the underwriters:

	<u>Series 1997</u>
Principal amount:	\$173,365,000
Bonds to be dated:	November 15, 1997
Average interest rate:	5.78%
Interest only to be paid through:	FY 1999
Principal amortization through:	FY 2027
Annual debt service	
FY 2000 through FY 2008:	\$10,006,000
FY 2009 through FY 2027:	\$17,900,000

Interest on the 1997 Bonds is to be capitalized for the various construction periods of the elements of the 1997 Project (through FY 1999 for certain elements).

## Planned Series of Bonds

As discussed earlier in the section "1997-2004 Capital Improvement Plan," the Authority may issue Additional Bonds to fund certain of the costs of the 1997-2004 capital improvement plan.

For purposes of this report, issues of such Additional Bonds were assumed in 1999 and 2000. The proceeds of these planned Bond issues would be used to pay project costs, repay any commercial paper notes or other interim financing costs, meet the Debt Service Reserve Requirement for the Bonds, and pay issuance costs. Interest on the 1999 Bonds and 2000 Bonds through the construction periods of the various proposed projects was also assumed to be paid from the proceeds of the Bonds. It was assumed that approximately \$393 million of 1999 Bonds and \$606 million of 2000 Bonds would be issued, as follows.

	Series 1999		Series 2000	
	Available PFC Revenues	Other Revenues	Available PFC Revenues	Other Revenues
Bonds to be paid from:				
Principal amount	\$87,152,000	\$305,745,000	\$254,129,000	\$351,890,000
Bonds to be issued at beginning of	FY 1999	FY 1999	FY 2000	FY 2000
Average interest rate	6.5%	6.5%	6.5%	6.5%
Interest only to be paid through	FY 2000	FY 2008	FY 2002	FY 2008
Principal amortization through:	FY 2028	FY 2028	FY 2029	FY 2029
Annual debt service (a)				
Beginning in	FY 2001	FY 2001	FY 2003	FY 2003
Amount	\$6,837,000 (b)	\$19,873,000	\$20,209,000 (c)	\$22,873,000

(a) See also Exhibit C.

(b) Interest only (\$5,665,000) in FY 1999 and FY 2000.

(c) Interest only (\$16,518,000) in FY 2000 through FY 2002.

As shown in the preceding tabulation and Exhibit F-1 and discussed in the later section, "Available PFC Revenues," the Authority plans to use PFC revenues to pay certain of the debt service requirements of the planned 1999 Bonds and 2000 Bonds. Under the Bond Resolution, such Available PFC Revenues are included as Revenues (Exhibit E).

### Subordinated Indebtedness

In addition and subordinate to the Senior Lien Bonds, the Authority has annual debt service requirements for certain Subordinated Indebtedness, as shown in Exhibit C.

**Gulf Breeze Loan for the 1997 Project.** The Authority intends to borrow approximately \$85,900,000 from the City of Gulf Breeze, Florida, Local Government Loan Program, to finance certain government purpose elements of the 1997 Project, and expects to repay the loan over a 30-year period. The Authority also expects the Gulf Breeze loan to bear interest at a variable rate, and to enter into an interest rate swap agreement to convert the variable rate to a fixed rate beginning in FY 2001.

The forecast debt service requirements of the Gulf Breeze loan for the 1997 Project were provided by Goldman, Sachs & Co., the representative of the underwriters. Interest on the Gulf Breeze loan is to be capitalized for the various construction periods of the elements of the 1997 Project (through FY 1999 for certain elements).

**Hotel Financing.** The Authority has financed the costs of the hotel through the issuance of subordinated revenue bonds and the proceeds of loans from the City of Gulf Breeze, Florida, Local Government Loan Program.

In August 1992, the Authority issued \$39,010,000 of taxable fixed-rate subordinated revenue bonds that are to be amortized through FY 2012. In August 1994, the Authority entered into an interest rate swap agreement in connection with the bonds. Estimated receipts under the agreement, as provided by Goldman, Sachs & Co., are included as Revenues (Exhibit E) and offset required debt service payments by between \$600,000 and \$800,000 per year through FY 2002. As mentioned previously, in October 1997, the Authority entered into another interest rate swap agreement in connection with the 1992 Subordinate Bonds. Estimated receipts under the agreement, as provided by Goldman, Sachs & Co., which are in addition to payments received in connection with the August 1994 agreement, are included as Revenues (Exhibit E) and offset required debt service payments by approximately \$200,000 per year in FY 1998 through FY 2006.

Four Gulf Breeze loans have been made in an aggregate amount of \$34,990,000. These loans bear interest at variable rates and are to be amortized fully through FY 2015.

The debt service payable on all Subordinated Indebtedness for the hotel (before interest rate swap payments for the 1992 bonds) is estimated to be \$6,122,000 in FY 1997, increasing to \$6,701,000 in FY 2005.

Under the hotel management agreement between the Authority and Hyatt Corporation, Hyatt is, at the Authority's request, obligated to make operating loans to the Authority if hotel operating needs exceed those budgeted. Any such loans would be repaid by the Authority in the following year and the loan costs included in the annual calculation of Signatory Airline terminal building space rentals. To date, no such loans have been required and none is forecast to be required.

**Cargo Facility Bonds.** In 1989, the Authority issued \$6,150,000 of subordinated revenue bonds to finance certain cargo facilities. As of September 30, 1997, \$4,800,000 in principal on these bonds was outstanding. In December 1999 a balloon payment of \$4,491,000 is due. The Authority intends to refinance the balloon payment and extend the final maturity of the bonds through FY 2008. Annual debt service payments after such refinancing are estimated to be \$650,000 per year.

**Florida Department of Transportation Loans.** In 1997, the Florida Department of Transportation (FDOT) extended the due date of a \$10,000,000 interest-free loan to the Authority to 2007. The Authority intends to accumulate funds to repay the loan in 10 annual installments of \$1,000,000.

**Other Subordinated Indebtedness.** The Authority has provided interim financing for Airport land acquisition and certain capital improvements from the proceeds of commercial paper notes. Under the commercial paper program, for which Morgan Guaranty Trust Company of New York is the liquidity provider, the Authority may borrow up to \$100,000,000 until October 2000 and an additional \$150,000,000 until October 1998. As of September 30, 1997, the Authority had \$26,512,000 of commercial paper notes outstanding.

The Authority intends to continue to provide interim financing for certain projects from commercial paper notes or similar sources of Subordinated Indebtedness. As shown in Exhibit C, annual debt service payments for such interim financings are forecast to increase from \$1,500,000 in FY 1998 to \$2,200,000 in FY 2005. In addition, Exhibit C shows the estimated debt service requirements of financing new buses to serve employee parking lots and a new computerized financial management and information system.

By agreement with the Signatory Airlines, certain of the costs of a \$38,700,000 program to refurbish the existing terminal buildings are to be financed by the issuance of commercial paper notes. For purposes of the financial forecasts, approximately \$13,000,000 of the costs of this terminal refurbishment program is assumed to be borrowed in FY 1998 and FY 1999 and then repaid in FY 2000 through FY 2002. (The remainder of the costs of the refurbishment program is forecast to be paid from increased deposits to the renewal and replacement fund. See Exhibit F.)

In FY 1996 and FY 1997, the Authority issued commercial paper notes to pay a portion of the debt service on the 1987 Bonds and 1988 Bonds. The notes are assumed to be repaid in FY 1999 and FY 2000 from the refunding of such Bonds and associated interest rate swap payments to the Authority. See Exhibits C and E.

## **ALLOCATION OF DEBT SERVICE TO COST CENTERS**

Table 26 presents the estimated allocation of debt service to the Terminal Area and Airfield Area cost centers in FY 2003, following the occupancy of the first phase of the new south terminal complex. In accordance with the Lease and Use Agreements, debt service for roadway and other projects that fall under the Other Areas cost center is allocated to the Airfield Area cost center.

Table 26  
**ALLOCATION OF DEBT SERVICE TO COST CENTERS**  
 FY 2003

	Percent allocation	
	Terminal Area	Airfield Area
Outstanding Bonds	85%	15%
Proposed 1997 Bonds	91	9
Planned 1999 Bonds	80	20
Planned 2000 Bonds	89	11
Subordinated Indebtedness	65	35
Total	84%	16%

Debt service on outstanding Bonds was assumed to be allocated between the two cost centers according to the percentages used in the Authority's FY 1998 budget. Debt service on the proposed 1997 Bonds, the planned 1999 Bonds and 2000 Bonds, and Subordinated Indebtedness was assumed to be allocated between the two cost centers in proportion to the net costs of associated terminal and airfield projects.

### **RECONCILIATION OF HISTORICAL FINANCIAL RESULTS**

Table 27 presents a reconciliation of the Orlando International Airport's financial results for FY 1995 and FY 1996 (1) as set forth in the Authority's annual financial statements, presented in conformity with generally accepted accounting principles (GAAP) and audited by independent certified public accountants, and (2) as analyzed in this report, presented in accordance with the requirements of the Bond Resolution. All amounts are rounded to the nearest thousand dollars.

### **OPERATION AND MAINTENANCE EXPENSES**

Exhibit D presents historical and forecast Operation and Maintenance Expenses. Data for FY 1993 through FY 1996 are from the Authority's financial statements. Data for FY 1997 are from the Authority's annual budget or as estimated using year-to-date data from the Authority's records. Data for FY 1998 are from the Authority's annual budget.

Table 27

**RECONCILIATION OF HISTORICAL FINANCIAL RESULTS**

Greater Orlando Aviation Authority  
Orlando International Airport  
(for Fiscal Years ended September 30)

	1995	1996
<b>NET INCOME (per financial statements)</b>		
Operating revenues	\$174,464,000	\$182,675,000
Operating expenses	<u>(84,246,000)</u>	<u>(87,260,000)</u>
Operating income before depreciation	\$ 90,218,000	\$ 95,415,000
Depreciation	<u>(45,488,000)</u>	<u>(50,272,000)</u>
	\$ 44,730,000	\$ 45,143,000
Nonoperating expenses	<u>(51,644,000)</u>	<u>(51,865,000)</u>
Net income	<u>(\$ 6,914,000)</u>	<u>(\$ 6,722,000)</u>
<b>NET REVENUES (per Bond Resolution)</b>		
Revenues	\$198,811,000	\$208,820,000
Operation and Maintenance Expenses	<u>(79,404,000)</u>	<u>(83,032,000)</u>
Net Revenues	\$119,407,000	\$125,788,000
Required fund deposits	<u>(5,038,000)</u>	<u>(6,285,000)</u>
Net Revenues available for debt service	<u>\$114,369,000</u>	<u>\$119,503,000</u>
<b>RECONCILIATION</b>		
Net income	(\$ 6,914,000)	(\$ 6,722,000)
Add back:		
Depreciation	45,488,000	50,272,000
Interest expense	72,594,000	70,929,000
Prepaid airline fees and charges	19,523,000	20,289,000
Noncapitalized expenditures from restricted and other accounts	1,997,000	3,979,000
Deferred revenue	1,750,000	3,144,000
Hotel revenues and expenses accrued in other accounts	754,000	150,000
Deduct:		
Interest income on restricted accounts, Revenue Fund, and nontrustee revenue account	(14,889,000)	(15,483,000)
Required deposits	(5,038,000)	(6,285,000)
Principal payments made from Operation and Maintenance Fund	(621,000)	(669,000)
Passenger facility charge (PFC) revenues	(202,000)	(43,000)
Capital items purchased from Operation and Maintenance Fund	(41,000)	(15,000)
Gain on sale of fixed assets	<u>(32,000)</u>	<u>(43,000)</u>
	<u>\$114,369,000</u>	<u>\$119,503,000</u>

Source: Greater Orlando Aviation Authority records.

The forecasts of Operation and Maintenance Expenses were developed on the basis of the Authority's budget for FY 1998; assumed increases in costs as a result of inflation; forecast activity levels; planned expansions of facilities; and other assumptions about Airport operations. In particular, it was assumed that, during the forecast period:

- The unit costs of salaries, wages, fringe benefits, materials, services, and supplies will increase an average of 3% per year as a result of inflation.
- The costs of operating, maintaining, and administering terminal building, airfield, and other Airport facilities will increase as a function of the forecast increases in passenger and aircraft activity documented in the earlier section "Airline Traffic Forecasts."
- Increased operating expenses for automobile parking will be incurred in FY 2000 and FY 2002 to reflect the operation of additional shuttle bus service to new remote employee and public lots.
- Increased operating expenses will be incurred in FY 2000 to reflect operation by the Authority of common-use baggage handling systems and other terminal equipment to be installed as part of the 1997 Project.
- The Airport terminal, airfield, and other facilities will be expanded as proposed in the 1997-2004 capital improvement plan. Expenses will be increased in FY 2000 to reflect the addition of space associated with the 1997 Project, in FY 2001 to reflect the addition of space in the new fourth airside and the landside terminal, and in FY 2003 to reflect the addition of space in the new south terminal complex, as shown in Table 28.

Table 28  
**EXISTING AND PLANNED TERMINAL SPACE**  
(in square feet)

	Existing	Planned		
	FY 1997	FY 2000	FY 2001	FY 2003
Airline rented space	774,000	783,000	1,057,000	1,199,000
Total enclosed space	3,451,000	3,542,000	4,171,000	4,888,000

Sources: Greater Orlando Aviation Authority, the Greiner-PB Team, and ZHA Incorporated.

The Authority provides approximately 3,400 spaces for parking by airline and Airport employees at a remote site served by shuttle buses and receives revenues from the sale of employee parking permits to offset the shuttle bus costs. Payments made by the airlines for their employee parking (included in Exhibit D as a reimbursement) were \$2,043,000 in FY 1996 and are forecast to increase under the assumption that the cost of employee permits will increase from \$30 to \$35 per month in FY 2000 upon the opening of the new employee lot being constructed as part of the 1997 Project.

## ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES TO COST CENTERS

In the calculation of Signatory Airline terminal building rentals and landing fees, indirect expenses are allocated to the Terminal Area, Airfield Area, and Other Areas cost centers either (1) in proportion to total direct expenses or (2) in accordance with specified percentages. Table 29 shows the allocations for the FY 1998 budget, which are assumed to apply throughout the forecast period.

Table 29  
**ALLOCATION OF INDIRECT OPERATION AND MAINTENANCE EXPENSES**  
Budget FY 1998

Indirect expense	Terminal Area	Airfield Area	Other Areas
Administration	50.0%	20.0%	30.0%
Operations	In proportion to direct expenses (a)		
Facilities	In proportion to direct expenses (a)		
Aircraft rescue and fire fighting	15.0	80.0	5.0
Airport police	90.0	5.0	5.0
Security	In proportion to direct expenses (b)		
Properties	50.0	--	50.0
Parking and shuttles	In proportion to direct expenses (a)		
Other	70.6	11.8	17.6
Reimbursements			
Employee parking	In proportion to direct expenses (a)		
Security and other	90.0	5.0	5.0

(a) Expenses allocated to all three cost centers.

(b) Expenses allocated only to Terminal Area and Airfield Area cost centers.

## REVENUES

Exhibit E presents historical and forecast Revenues. Data for FY 1993 through FY 1996 are from the Authority's financial statements. Data for FY 1997 are from the Authority's annual budget or as estimated using year-to-date data from the Authority's records. Data for FY 1998 are mostly from the Authority's annual budget.

The principal sources of Revenues for FY 1996 were as shown in Table 30.

	Amount	Percent of total
Signatory Airlines		
Terminal building rentals	\$ 40,338,000	19.3%
Landing and apron use fees	12,577,000	6.0
Prepaid fees and charges	19,523,000	9.4
	\$ 72,438,000	34.7%
Terminal concessions	101,426,000	48.6
Other Terminal Area revenues	10,068,000	4.8
Other Airfield Area revenues	17,463,000	8.4
Tradeport and Other Areas revenues	7,425,000	3.5
Total Revenues	\$208,820,000	100.0%

Source: Greater Orlando Aviation Authority financial statements.

The individual components of Revenues shown in Exhibit E were forecast on the basis of the Authority's budget for FY 1998, allowances for inflation, and the provision of the various leases and agreements between the Authority and the Signatory Airlines and other Airport tenants and users. Revenues from sources related to passenger numbers, such as terminal concession revenues and Available PFC Revenues, and from sources related to aircraft movements, such as landing fees and gate use fees, were forecast to change as a function of the forecast activity described in the earlier section "Airline Traffic Forecasts." The specific assumptions underlying the individual components of Revenues are described in the following sections.

## **Signatory Airline Revenues**

Signatory Airline rentals and fees were forecast using the rate-adjustment procedures set forth in the Lease and Use Agreements. Under a "residual cost" formula, Signatory Airline rentals and fees are reviewed at least annually and adjusted as necessary so that total Revenues (including Signatory Airline rentals and fees and amounts transferred from the Prepaid Airline Fees and Charges Fund but excluding Available PFC Revenues) are sufficient to pay Operation and Maintenance Expenses, make required deposits to the various funds and accounts established under the Trust Agreements and the Bond Resolution (including deposits required to pay debt service on Subordinated Indebtedness, to pay any amounts required under agreements regarding interest rate swaps or other derivative financial products, and to reimburse the PFC Account for any withdrawals made to cure deficiencies in the Bond Fund), and generate 1.25 times the debt service requirements of outstanding Senior Lien Bonds (excluding debt service to be paid from Available PFC Revenues).

The Authority typically adjusts Signatory Airline landing fees effective August 1 and terminal rentals effective September 1 using budgeted expenses and revenues for the Fiscal Year beginning October 1, in accordance with the rate-making methodology in the Lease and Use Agreements. The revenues described in the following sections were forecast on the assumption that the Signatory Airlines collectively will pay all rentals and fees required under the terms of the Lease and Use Agreements.

**Terminal Building Rentals.** Exhibit E-1 shows the calculation of Signatory Airline terminal building space rentals. The sum of forecast Operation and Maintenance Expenses, debt service, and required fund deposits allocable to the Terminal Area, less forecast revenues allocable to the Terminal Area, gives the net requirement to be met through Signatory Airline space rentals. The average terminal building rental rate is then calculated by dividing the annual rental requirement by the square feet of enclosed space actually rented by the Signatory Airlines. The enclosed space rented is forecast to increase from approximately 774,000 square feet in FY 1998 to approximately 1,199,000 square feet in FY 2003 with the completion of the projects in the 1997-2004 capital improvement plan. See Table 28.

**Landing Fees.** Exhibit E-2 shows the calculation of Signatory Airline aircraft landing fees. The calculations follow the residual cost formula of the Lease and Use Agreements under which Operation and Maintenance Expenses, debt service, debt service coverage on all Senior Lien Bonds, and required fund deposits allocable to the Airfield Area are credited with the revenues allocable to the Airfield Area (and the net surplus or deficit from the Other Areas cost center) to determine the net requirement to be met through Signatory Airline landing fees. The landing fee rate

is then calculated by dividing the annual landing fee requirement by forecast Signatory Airline landed weight. See Table 25.

In Exhibit E-2, all amounts transferred from the Prepaid Airline Fees and Charges Fund are assumed to be deducted from the gross landing fee requirement to estimate a net requirement. Although the landing fee rate adopted in the Authority's annual budget is the gross rate, in effect the Signatory Airlines pay the lower net rate over the year as a whole.

**Other Fees and Charges.** As shown in Exhibit E, the Signatory Airlines also make payments to the Authority for the costs of financing certain tenant facilities. They also pay fees for the use of aircraft parking positions at the terminal aprons. Forecast increases in such payments are shown in FY 2001 and FY 2003 to reflect the planned addition of tenant facilities and aircraft parking positions at the new terminals.

### **Average Payments per Enplaned Passenger**

Exhibit E summarizes historical and forecast payments made by the Signatory Airlines in terminal building rentals, other terminal payments, landing fees, and apron use fees. The sum of such Signatory Airline payments (excluding prepaid fees and charges) has decreased from an average of \$7.26 per enplaned passenger in FY 1993 to an estimated \$4.16 per enplaned passenger in FY 1997. This decrease has resulted from a combination of large increases in concession and other nonairline revenues, relatively small increases in operating expenses, and increased numbers of enplaned passengers. Signatory Airline payments are forecast to be less than \$7.00 per enplaned passenger throughout the forecast period, after taking into account the estimated debt service requirements and Operation and Maintenance Expenses associated with completing the 1997-2004 capital improvement plan.

### **Terminal Concession Revenues**

The principal concessions at the Airport are automobile parking, rental cars, other ground transportation, food and beverage, and retail merchandise, including duty free merchandise. The Authority also derives revenue from the Airport hotel, advertising, telephones, insurance, a bank, and other concessions and consumer services. Between FY 1993 and FY 1996, such revenues increased 34% as a result of increased passenger traffic and the addition of new and improved concessions and services. Terminal concession revenues for FY 1996 were distributed as shown in Table 31.

Table 31  
**SOURCES OF TERMINAL CONCESSION REVENUES**  
 FY 1996

	Revenues	Revenues per enplaned passenger
Automobile parking	\$ 19,461,000	\$1.59
Rental cars	36,043,000	2.94
Ground transportation	4,645,000	0.38
Food and beverage	9,656,000	0.79
Merchandise and other	11,055,000	0.90
Hotel	<u>20,566,000</u>	<u>1.67</u>
Total	\$101,426,000	\$8.27

Source: Greater Orlando Aviation Authority financial statements.

### **Automobile Parking**

Most public parking spaces at the Airport are provided in the terminal complex, in two six-level garages and a surface lot adjacent to the landside terminal building and in a garage on the roof of the terminal building. These facilities provide about 7,400 public parking spaces and accommodate rental car ready and return spaces, parking for some Airport employees, and hotel valet parking. As of January 1997, year-round public parking is also provided at a remote "Park-and-Ride" lot in the Tradeport. This lot has about 2,100 paved spaces and is served by a shuttle bus service. In addition, approximately 4,500 public parking spaces are provided off Airport property by private operators, some in conjunction with rental car businesses.

Additional on-Airport public parking spaces are to be constructed as part of the 1997 Project. When enlarged, the parking garages in the terminal complex are expected to provide a total of over 9,200 spaces for public parking. In addition, the Park-and-Ride lot will be replaced as a year-round facility by a new 3,300-space remote lot located more conveniently to the Airport's main entrance. (The Park-and-Ride lot will continue to be used for parking as needed during the Thanksgiving and Christmas periods.) Additional parking spaces are planned to be constructed in conjunction with the new south terminal complex.

In October 1997, the daily parking rate in the terminal garages was increased from \$8 to \$10. Parking rates in the terminal garages are now \$1 per half-hour up to a maximum of \$10 per day. In the Park-and-Ride lot, the rate is \$4 per day. Before the October 1997 increase, parking rates were last increased in 1991. The Authority plans to change parking rates as necessary to balance the use of available spaces in the terminal garages and remote lots and to generate increased revenues.

In the forecasts, it was assumed that public parking rates will be increased as follows:

	Existing	Effective October 1999	Effective October 2003
Short-term parking	\$1 per 30 minutes	\$1 per 20 minutes	\$1 per 20 minutes
Terminal garages	\$10 per day	\$10 per day	\$12 per day
Existing Park-and-Ride remote lot	\$4 per day	\$4 per day (holiday use only)	\$4 per day (holiday use only)
New remote lot	Not in use	\$6 per day	\$8 per day

The Authority's public parking facilities and associated revenue control systems are operated under a parking management agreement. Under the agreement, the parking operator remits to the Authority all parking revenues collected (as well as revenues collected from the commercial vehicle lanes). The Authority reimburses the operator for all direct operating expenses (as included in an operating budget approved by the Authority) and pays the operator a management fee. The automobile parking revenues shown in Exhibit E, \$19,461,000 in FY 1996, are predominantly gross revenues from public parking (net only of sales taxes paid by the Authority) but also include revenues from hotel and employee parking in the terminal garages. (Revenues received from the airlines for employee parking services are shown in Exhibit D as a reimbursement.) The assumed changes in parking rates and forecast increases in airline passengers were taken into account in the forecasts of public parking revenues.

### **Rental Cars**

According to statistics published in *Auto Rental News*, Orlando International Airport was the largest rental car market in the United States in 1996, generating over \$340,000,000 in gross revenues. Revenues derived by the Authority from rental car concession fees, rentals for counter and office space in the terminal building, and rentals for ready and return car parking spaces in the terminal garages totaled \$36,043,000 in FY 1996, approximately 60% from on-Airport operators and 40% from off-Airport operators.

In addition, the on-Airport operators pay rentals for service, maintenance, and storage sites (included in Exhibit E with "other Terminal Area revenues") and the off-Airport operators pay fees for the use of the terminal curbsides by their courtesy vehicles (included in Exhibit E with "ground transportation").

**On-Airport Operators.** Four on-Airport rental car agencies (Avis, Budget, Dollar, and National) operate under the terms of competitively bid concession agreements. Under the terms of the agreements, the rental car concessionaires pay to the Authority privilege fees as a percentage of their gross receipts (subject to minimum annual guaranteed amounts).

In June 1997, the Authority received competitive bids for on-Airport rental car privileges and awarded four such privileges (to the same agencies) with terms expected to be 10 years commencing in FY 1999. The new agreements call for concession fees equal to the greater of (1) minimum annual amounts for each of the first 3 years and adjusted amounts thereafter or (2) effective percentage fees of 9.8% of gross receipts. The agreements also specify rental rates for office and counter space and ready and return car parking spaces being added as part of the 1997 Project. The Authority is also seeking competitive proposals from disadvantaged business enterprises for a fifth on-Airport rental car concession.

The forecasts of on-Airport rental car revenues to the Authority were based on the terms and conditions of the four new concession agreements, expected occupancies of Airport rental car facilities, forecast passengers, and inflation-adjusted revenues per passenger.

**Off-Airport Operators.** Several operators provide off-Airport rental car services, transporting their customers to and from the Airport in courtesy vehicles. The largest of these operators are Alamo and Hertz. Off-Airport rental car operators are effectively charged 8.7% of their gross receipts in addition to access fees for the use of the commercial vehicle curbsides. Off-Airport rental car revenues were forecast assuming inflation-adjusted revenues per passenger.

### **Ground Transportation**

Under commercial ground transportation rules and regulations adopted by the Authority, all vans, buses, and other commercial vehicles using the terminal curbsides are charged per-trip fees calculated to recover the costs of providing and operating the roadways and curbsides used by commercial vehicles. In addition, certain commercial ground transportation operators such as taxicabs pay privilege fees to conduct business at the Airport. Ground transportation fee revenues were \$4,645,000 in FY 1996 and were forecast assuming a constant revenue per passenger.

## **Food and Beverage**

Four food and beverage concessionaires occupy approximately 94,000 square feet of space in the landside and airside terminal buildings and offer restaurants, food courts with brand-name offerings, snackbars, specialty coffee bars, and cocktail lounges.

Host Marriott Services, the primary food and beverage concessionaire, occupies about 80,000 square feet of space and operates all food and beverage facilities in the landside terminal, as well as certain facilities in two of the airside terminals, under a 15-year agreement that expires in FY 2002. Host Marriott's leasehold area accommodates the Shipyard Brewing Company, a working brewery whose beers are offered at restaurants and bars throughout the Airport. Host Marriott pays the Authority 11% to 13% (depending on sales volume) of its gross sales to the public on food and nonalcoholic beverages and 16% to 18% (depending on sales volume) on its gross sales of alcoholic beverages against minimum annual guarantees that increase from \$10,223,000 in FY 1998 to \$14,638,000 in the final year of the agreement. To date, Host Marriott has paid the minimum guaranteed amount during each year of the agreement.

Other food and beverage services are operated by disadvantaged business enterprises. Sunshine Cafe/Savvy Services provides snack bar services under an agreement that expires in September 1999. Perez of Florida operates a specialty gourmet coffee bar under an agreement that expires in September 2002. DanFine Inc. provides food and beverage services under an agreement that expires in November 2007. All these agreements call for percentages of gross receipts (depending on sales volume) or a minimum annual guarantee, whichever is greater.

Through FY 2002, food and beverage revenues were forecast to increase as a function of increases in passengers and inflation or the minimum annual guarantees specified in the various agreements, whichever amounts are greater. Payments by Host Marriott were forecast as the minimum guaranteed amounts through FY 2002. After FY 2002, food and beverage revenues were forecast as a function of passengers and inflation.

## **Retail Merchandise**

The Authority has implemented one of the most successful airport retail merchandise programs in the nation. Aside from duty free, discussed in the next section, 28 concessionaires provide merchandise services in the landside and airside terminals and together occupy about 75,000 square feet of space. About 65,000 square feet of this space has been developed for themed retail and other specialty shops.

Basic news, sundries, and gift services are provided by four concessionaires (Fenton Hill, the Keys Group, The Paradies Shops, and W. H. Smith) under agreements that expire in FY 2002. In addition, in April 1997, Lake Buena Vista Communities (the Walt Disney Organization) opened two gift shops in one of the airside terminals to complement its themed retail shop in the landside terminal. Each concessionaire pays 13% on news and sundry items and 17% on gift items against minimum annual guarantees. In FY 1996, the financial return to the Authority from news, sundries, and gift services was \$3,032,000.

Themed retail concessions are a major component of the Authority's retail program. The Walt Disney Organization, Universal Studios Florida, and Sea World operate themed retail shops in the landside building under agreements that expire in FY 2002. The Walt Disney Organization pays 22% of gross receipts up to \$3,000,000 and 20% of gross receipts over \$3,000,000 or a minimum annual guarantee of \$1,300,000. Universal Studios Florida and Sea World pay 17% of gross receipts plus profit sharing against minimum annual guarantees ranging from \$409,000 to \$1,316,000. In FY 1996, the financial return to the Authority from the themed retail concessions was \$2,525,000.

In 1995, the Authority entered into an agreement that expires in FY 2002 with a third-party master developer, Ogden Properties, to develop specialty retail shops in 27,000 square feet of space adjacent to the corridors connecting the east and west halls of the landside building. To date, the master developer has entered into subconcession agreements with 18 specialty retailers, including The Body Shop, Bon Voyage, the Discovery Channel, the Tie Rack, and Warner Bros. The master developer pays the Authority a minimum annual guarantee of \$989,000. Each of the subconcessionaires pays a minimum annual concession fee to the developer and, in certain instances, a percentage fee after sales reach a stated level. The Authority receives 50% of any percentage fees payable to the developer by its subconcessionaires. In FY 1996 (a partial year under the agreement), the financial return to the Authority under the master developer agreement was \$783,000.

In addition to the three themed retail concessionaires and the specialty retailers operating under the master developer agreement, several disadvantaged business enterprises offer merchandise services, including Benjamin Books, the Grove Sweet Shop, and Sunglass International. These concessionaires operate under agreements that have expiration dates ranging through FY 2002 and pay the Authority percentages of gross sales (ranging from 10% to 15% depending on the product) against minimum annual guarantees. In FY 1996, the financial return to the Authority from these specialty retail concessions was \$308,000.

Through FY 2002, the expiration date of most of the agreements, retail merchandise revenues were forecast as a function of increases in passengers and inflation or the minimum annual guarantees specified in the various agreements, whichever amounts are greater. After FY 2002, retail merchandise revenues were forecast to increase with passengers and inflation.

## **Duty Free Merchandise**

Duty free merchandise services were provided by Sunbelt International through April 1997 and returned \$1,677,000 to the Authority in FY 1996. Since May 1997, Alpha Retail Duty and Tax Free Shopping has provided duty free merchandise services under an agreement that expires in FY 2002. Under the agreement, Alpha Retail pays fees of 16% on the first \$12,000,000 in sales and 18% thereafter, or a minimum annual concession fee of \$5,329,000, whichever amount is greater. The concessionaire operates from facilities in the landside terminal and the two airside terminals that accommodate arriving international passengers. These facilities occupy approximately 10,000 square feet.

Through FY 2002, duty free revenues were forecast to be the minimum annual guaranteed amounts. After FY 2002, duty free revenues were forecast as a function of the number of international passengers and inflation.

## **Other Concessions and Services**

Other concessions and services include advertising, telephones, a bank, currency exchange, baggage carts and baggage checkroom, barbershop and shoeshine, and travel services. Except for advertising and telephones, these concessions and services pay a percentage of gross receipts (10% or 15%) against a minimum annual guarantee.

In May 1996, the privilege for advertising in the terminal was reawarded as a management contract. In FY 1996, advertising revenues to the Authority were \$1,147,000. Telephones are also a major revenue generator and returned \$706,000 to the Authority in FY 1996.

Revenues from advertising, telephones, and other concessions and services were forecast to increase as a function of increases in passengers and inflation or the minimum annual guarantees specified in the various agreements.

Under a new agreement for telephone services with Sprint that became effective in August 1997, the Authority receives approximately \$0.07 per passenger (enplaned plus deplaned) or a minimum annual fee of \$1,897,000, whichever amount is greater.

## **Hotel**

The Hyatt Corporation operates a 446-room first-class hotel in the landside building under a 20-year management agreement that expires in 2011 with a 10-year option to extend. The hotel was opened in August 1992. The hotel is operated for the Authority as a Hyatt Regency and offers a wide range of services, including a 125-seat full-service dining room, a 250-seat casual dining room, and a 35,000-square-foot conference center, complete with ballrooms, meeting rooms, and

an amphitheater with sophisticated visual aids. The conference facilities are being expanded and improved as part of the 1997 Project.

Under the management agreement, the Authority receives all revenues from the operation of the hotel and pays all debt service, operating, and maintenance costs associated with its operation. In addition, the Authority annually pays Hyatt a percentage of gross receipts as a management fee and pays an additional percentage of available cash flow above agreed-upon amounts as an incentive for the hotel operator to maximize the hotel's surplus revenues. The agreement also provides that amounts, calculated as a percentage of gross receipts, are to be deposited annually into an account in the Capital Expenditures Fund for the replacement of furniture, fixtures, and equipment.

The Authority has agreed with the Signatory Airlines that amounts equal to two-thirds of any surplus revenues generated from the hotel's operation will be deposited into the Discretionary Fund for use by the Authority, at its sole discretion, for any legal Airport purpose. In FY 1996, gross hotel revenues were \$20,955,000 and the contribution to the Discretionary Fund was \$740,000.

In FY 1997, the average room rate was approximately \$113 per night and the average room occupancy rate was approximately 78%. Hotel revenues were forecast by assuming that by FY 1999, when the improved conference facilities are completed, the average room rate will be approximately \$124, with an average room occupancy rate of 80%. Thereafter, the average room rate was forecast to increase with inflation with a continued average room occupancy rate of 80%. Additional revenues were forecast to be derived from the food, beverage, meeting room, and other services.

### **Other Terminal Area Revenues**

Other Terminal Area revenues include facility use fees paid for the use of aircraft parking positions, Federal Inspection Services (FIS) facilities, and associated terminal facilities by charter and other nonsignatory airlines, both international and domestic (\$7,302,000 in FY 1996), and space rentals paid by rental car operators and other nonairline tenants (\$714,000 in FY 1996). Also included under other Terminal Area revenues are allocated interest income on invested Trust Agreement funds (discussed later in the section "Interest Earnings") and allocated interest rate swap receipts (discussed earlier in the sections "Outstanding Series of Bonds" and "Subordinated Indebtedness").

Fees for the use of FIS and other terminal facilities by charter and other nonsignatory airlines are charged per aircraft gate use as a function of the seating capacity of the aircraft and the facilities used. Examples of current charges are \$460 per gate use for a 175-seat narrowbody aircraft in domestic service and \$1,620 per gate use for a 375-seat widebody aircraft in international service. Such

fees were forecast to increase as a function of forecast increases in aircraft movements assuming that the current schedule of fees will remain in effect through the forecast period.

### **Airfield Area Revenues**

Airfield Area revenues (other than those paid by the Signatory Airlines) include (1) apron use fees paid by nonsignatory passenger airlines, (2) landing fees paid by nonsignatory passenger and cargo airlines, (3) in-flight catering fees, (4) fueling system rentals, (5) fuel flowage and other aviation fees, and (6) allocated interest income on invested Trust Agreement funds (discussed later in the section "Interest Earnings"), and (7) allocated interest rate swap receipts. Such revenues totaled \$17,463,000 in FY 1996.

Nonsignatory airlines pay landing fees at the same rate as the Signatory Airlines, but do not participate in credits from the Prepaid Airline Fees and Charges Fund. Thus, nonsignatory airlines pay the gross landing fee rate calculated in Exhibit E-2 rather than the net rate that is forecast, in effect, to be paid by the Signatory Airlines.

The Authority has nonexclusive concession privilege agreements with Caterair, Dobbs International Services, and Flying Food Group under which these three concessionaires provide in-flight food and beverage catering services. The agreements provide for the payment to the Authority of a percentage of gross receipts (5% for most receipts) as privilege fees in addition to facility rentals.

Fueling system rental rates are set to recover debt service plus 25% coverage on Bonds used to finance aircraft fueling systems. A ground rent is also paid. The Lease and Use Agreements provide that the required fueling system payments are to be included in the calculation of Signatory Airline landing fees in the event that they are not collected under the fueling system agreements. Fuel flowage fees are paid to the Authority by nonsignatory airlines and other users at various rates. Such revenues were forecast to increase as a function of the various agreements and forecast increases in aviation activity.

### **Tradeport and Other Areas Revenues**

The principal sources of revenues in the Other Areas cost center are rentals and fees paid by tenants of land and buildings in the Tradeport on the west side of the Airport. The Tradeport includes fixed base operator facilities, aircraft maintenance and modification hangars and shops (including a maintenance hangar leased by AirTran Airways), and other aviation buildings; air cargo aircraft parking aprons; a 300,000-square-foot cargo handling center; a regional U.S. Postal Service center; a Foreign Trade Zone; a USDA inspection station and perishables center; and various nonaviation facilities.

Most of the facilities in the Tradeport are occupied under the terms of long-term leases that extend beyond the forecast period. Approximately 500 acres are under lease and another 500 leasable acres are available for future development. The Authority is actively pursuing development of the Tradeport.

Included with Tradeport and Other Areas revenues are rentals and fees paid by the Airport's two fixed base operators, Aircraft Service International, Inc., and Signature Flight Support. These two operators hold nonexclusive rights to provide ground support, overhaul, and fueling services for aircraft operations at the Airport. The operators pay rentals for buildings and hangars and percentages of gross receipts from certain commercial aviation activities.

### **Interest Earnings**

Under the Trust Agreements, Revenues are defined to include all interest income derived from funds and accounts established under the Trust Agreements, which include the operating reserve account and the renewal and replacement fund. These interest earnings totaled \$2,081,000 in FY 1996, allocated 50% to the Terminal Area and 50% to the Airfield Area cost centers. Such interest earnings will cease in FY 2000 with the retirement of the Prior Lien Bonds.

Under the Bond Resolution, interest income derived from funds and accounts established under the Bond Resolution (except the Construction Fund) are, before the retirement date of the Prior Lien Bonds in FY 2000, credited to the Debt Service Account for the payment of Bond debt service. Through the retirement date of the Prior Lien Bonds, these interest earnings are not included as Revenues under the Bond Resolution and are not included in Exhibit E but are instead shown in Exhibits F and G as a reduction of Bond debt service payable from Revenues.

After the retirement of the Prior Lien Bonds in FY 2000, interest earnings on Bond Resolution funds are to be included in Revenues, as shown in Exhibit E.

Interest earnings on the Bond Resolution funds—the Bond Fund, Debt Service Reserve Account, Capital Expenditures Fund, Discretionary Fund, Improvement and Development Fund, and Prepaid Airline Fees and Charges Fund—totaled \$13,916,000 in FY 1996. In forecasting such interest earnings, it was assumed that estimated available balances in the various funds and accounts will earn interest at rates between 5% and 6%.

### **Available PFC Revenues**

Revenues are to be defined to include Available PFC Revenues, i.e., those PFC revenues that are to be used to pay that portion of the debt service requirements of Bonds that is allocable to the financing of approved PFC projects plus debt service coverage of up to 25%. It was assumed that a portion of such Available PFC

Revenues will be applied to the future payment of debt service on the planned 1999 Bonds and 2000 Bonds, as shown in Exhibits F and F-1. Available PFC Revenues are forecast to increase to \$33,807,000 in FY 2003.

## **AUTHORITY CONTRIBUTIONS**

By agreement with the Signatory Airlines, certain contributions are to be made by the Authority to pay (1) certain debt service on the 1988 Bonds for unleased space in the northeast quadrant of the landside terminal building until the date of beneficial occupancy of the fourth airside, as discussed in the earlier section "Outstanding Series of Bonds;" (2) certain debt service on the 1992 subordinated hotel bonds in FY 1998 from surplus revenues generated by the hotel in FY 1996; and (3) any deficits incurred in the operation of the perishables center. Such contributions are not defined as Revenues under the Bond Resolution.

## **APPLICATION OF REVENUES**

Figure 11 diagrams the application of Revenues to the funds and accounts required by the Trust Agreements and the Bond Resolution before the retirement of the Prior Lien Bonds, expected to be on March 1, 2000. Figure 12 diagrams the application of Revenues after the retirement of the Prior Lien Bonds. Both figures show the assumed future application of Available PFC Revenues to the payment of debt service on future issues of Additional Bonds.

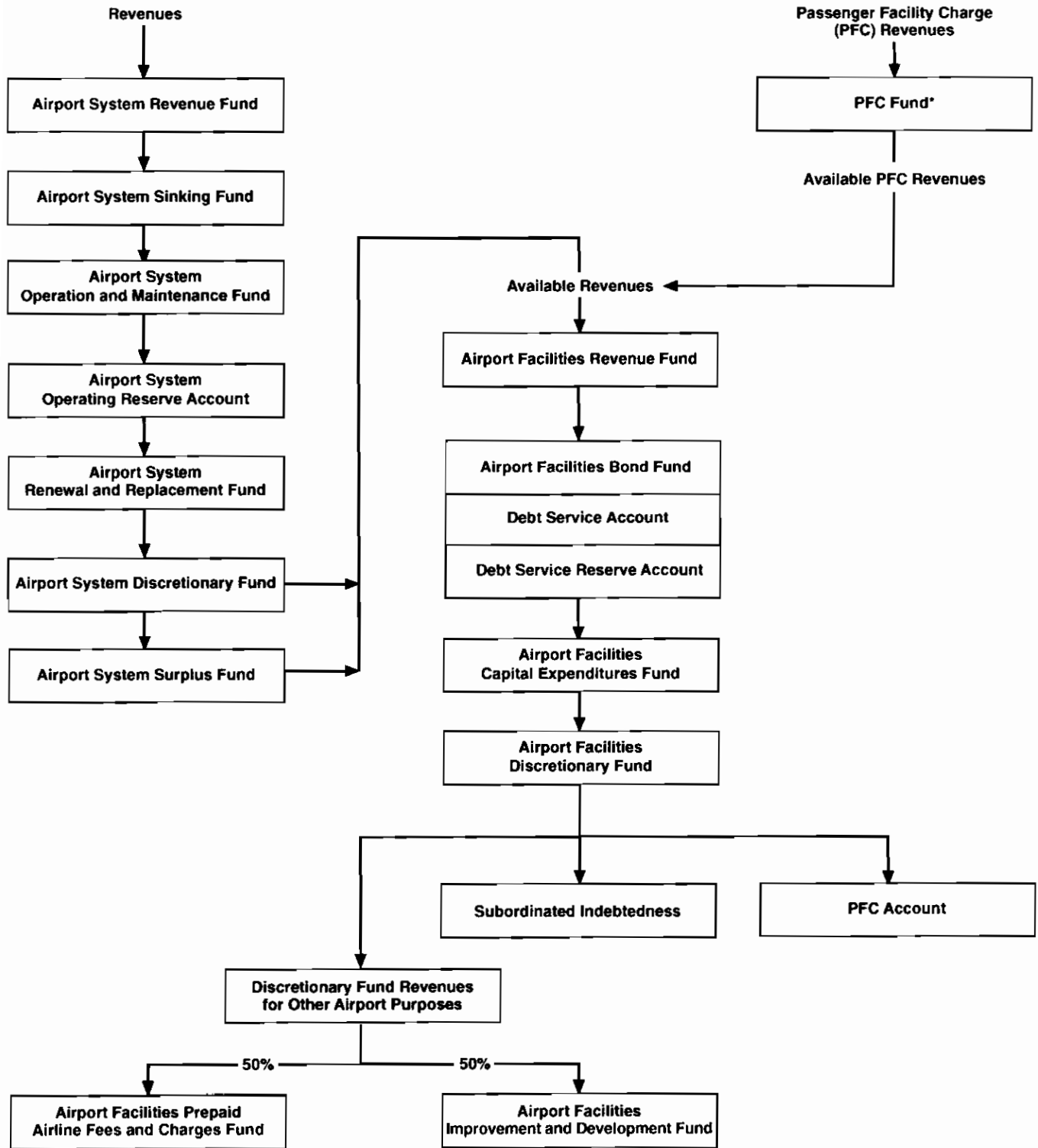
Exhibit F presents the forecast application of Revenues to the various funds and accounts. Exhibit F-1 presents historical and forecast PFC revenues and their application for pay-as-you-go project expenditures and as Available PFC Revenues.

The Bond Resolution provides that, before the retirement of the Prior Lien Bonds, all Revenues are to be deposited into the revenue fund established under the Trust Agreements. Moneys held in the revenue fund are to be deposited in each Fiscal Year into the funds and accounts established under the Trust Agreements in the following order of priority and amounts.\*

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\*The names of the funds and accounts established under the Trust Agreements are prefixed with "Airport System." The names of the funds and accounts established under the Bond Resolution are prefixed with "Airport Facilities." For brevity, the prefixes are omitted in the text of this report. The funds and accounts established under the Trust Agreements and the Bond Resolution are distinguished by the use of initial capital letters for the latter. The names of the funds and accounts established under the subordinated revenue bond indenture are prefixed with "Airport facilities subordinated revenue bonds" or, in this report, simply "subordinated bonds."

# APPLICATION OF REVENUES BEFORE RETIREMENT DATE OF PRIOR LIEN BONDS



\* PFC revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC projects.

Figure 11  
**APPLICATION OF REVENUES  
 BEFORE RETIREMENT DATE OF PRIOR LIEN BONDS**

Greater Orlando Aviation Authority  
 November 1997



# APPLICATION OF REVENUES AFTER RETIREMENT DATE OF PRIOR LIEN BONDS

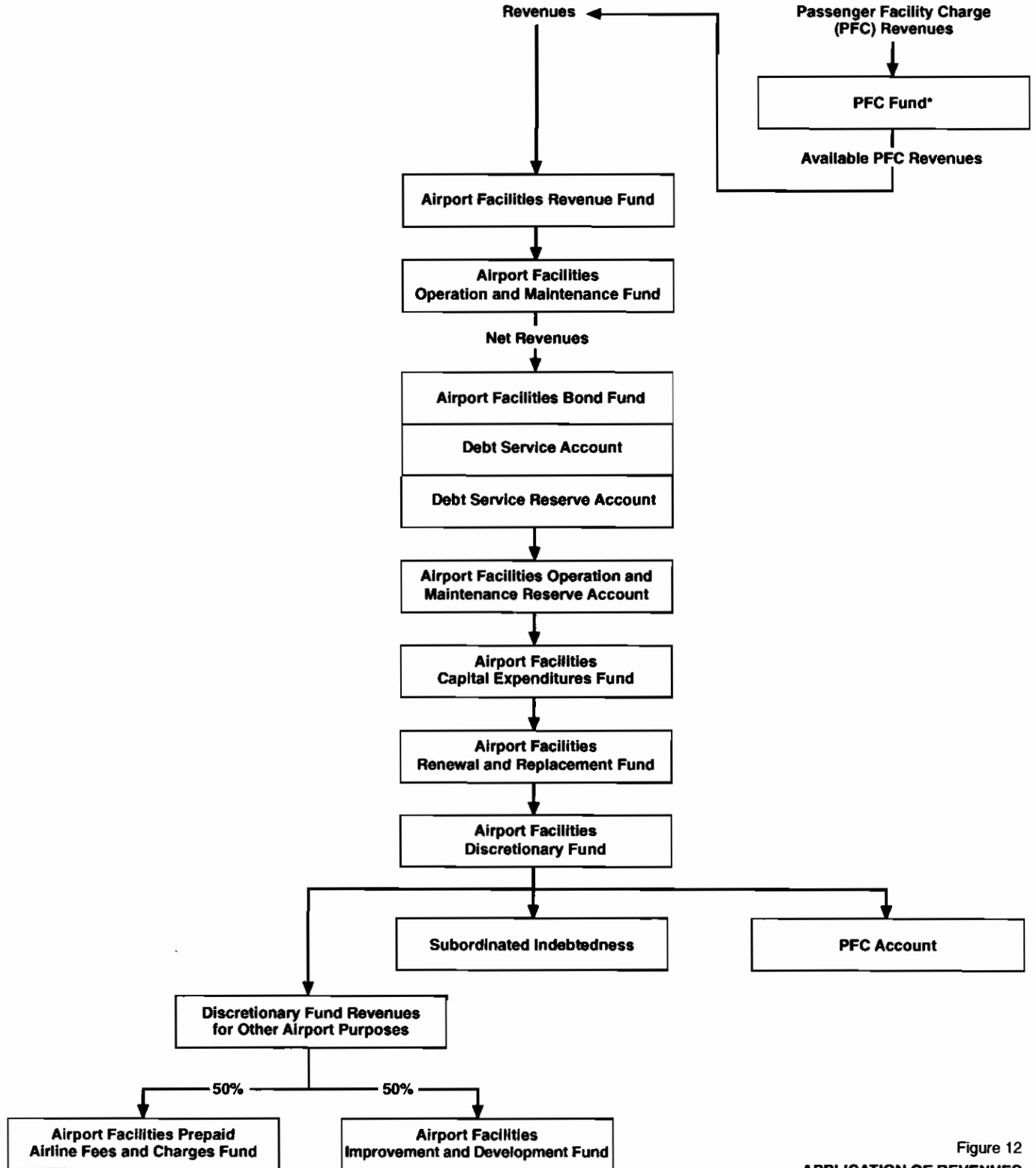


Figure 12  
APPLICATION OF REVENUES  
AFTER RETIREMENT DATE OF PRIOR LIEN BONDS

Greater Orlando Aviation Authority  
November 1997

\* PFC revenues in excess of Available PFC Revenues may be expended by the Authority for other eligible PFC projects.



1. *Sinking fund*: Amounts required for the payment of interest, principal, and reserve account requirements on the Prior Lien Bonds.
2. *Operation and maintenance fund*: Amounts required for the payment of Operation and Maintenance Expenses.
3. *Operating reserve account*: One-sixth of budgeted annual Operation and Maintenance Expenses. Available operating reserve account balances may be used only for the payment of operating expenses if insufficient funds are available in the operation and maintenance fund. Exhibit F shows separately the forecast annual operating reserve account requirements for the hotel.
4. *Renewal and replacement fund*: Such amount as is certified as necessary by the Airport Consultant, \$9,250,000 for FY 1998. Available renewal and replacement fund balances may be used only for the costs of reconstructing, renewing, and replacing Airport facilities, including equipment.

The Authority has discussed with the Signatory Airlines an increase in deposits to the renewal and replacement fund to fund certain of the costs of a planned \$38,700,000 program of terminal refurbishment. As shown in Exhibit F, increased deposits to the renewal and replacement fund are assumed to be made annually between FY 1999 and FY 2002 to fund such costs. The Authority plans to fund remaining costs of the terminal refurbishment program through the issuance of commercial paper notes. See the earlier section "Other Subordinated Indebtedness."

5. *Discretionary fund*: 7.5% of budgeted Revenues.
6. *Surplus fund*: All moneys remaining in the revenue fund after the preceding deposits have been made.

The Bond Resolution provides that, before the retirement of the Prior Lien Bonds, Available Revenues in the discretionary fund and surplus fund are to be deposited into the Revenue Fund established under the Bond Resolution. Amounts in the Revenue Fund are then to be applied to the funds and accounts established under the Bond Resolution in the following order of priority.

7. *Bond Fund—Debt Service Account*: Amounts required for the payment of interest and principal on Bonds. Before the retirement of the Prior Lien Bonds, interest income on Bond Resolution funds (except the Construction Fund) is also credited to the Debt Service Account, thereby reducing the amount required to be transferred from the Revenue Fund. After the retirement of the Prior Lien Bonds, no such credits are to be made.

8. *Bond Fund—Debt Service Reserve Account:* Amounts required to maintain a balance equal to the Debt Service Reserve Requirement. It was assumed that no such amounts will be required from Revenues during the forecast period.
9. *Capital Expenditures Fund:* Budgeted amounts required for the purchase of equipment and other capital items as specified by the Lease and Use Agreements. The annual amount, \$368,000 in FY 1998, is adjusted annually in proportion to changes in the Producer Price Index of the U.S. Bureau of Labor Statistics. In addition, amounts required to provide a reserve for the replacement of hotel furniture, fixtures, and equipment are to be deposited.
10. *Discretionary Fund:* The following amounts are to be deposited:
  - (1) Amounts required to provide for the payment of authorized Subordinated Indebtedness, plus
  - (2) Any amounts required to make payments to third parties under agreements regarding interest rate swaps and other derivative financial products, plus
  - (3) \$2,000,000 per year, or such greater amount as is consistent with the terms of the Lease and Use Agreements, plus
  - (4) Two-thirds of any surplus revenues generated by the operation of the hotel (after the payment of hotel-related debt service), plus
  - (5) an amount equal to the difference between (a) the amount of Available PFC Revenues deposited in the Revenue Fund plus any amounts withdrawn from the PFC Account to cure deficiencies in the Bond Fund and (b) the amount used to pay the debt service requirements of Bonds allocable to the financing of approved PFC projects (to be deposited in the PFC Account of the Discretionary Fund).

Available balances in the PFC Account may be used for any approved PFC purpose. Other balances in the Discretionary Fund available after the payment of Subordinated Indebtedness and other obligations may be used by the Authority, at its sole discretion, for any legal Airport purpose.

At the end of each Fiscal Year, amounts remaining in the Revenue Fund after all the foregoing deposits have been made are to be deposited into the Improvement and Development Fund and the Prepaid Airline Fees and Charges Fund.

11. *Improvement and Development Fund*: 50% of amounts remaining in the Revenue Fund. Available fund balances may be used to pay the costs of the current Fiscal Year's Airport Improvement and Development Plan as approved by a majority-in-interest of the Signatory Airlines. Balances may also be used to purchase or redeem Bonds.
12. *Prepaid Airline Fees and Charges Fund*: 50% of amounts remaining in the Revenue Fund. Under the Bond Resolution, amounts transferred to the Prepaid Airline Fees and Charges Fund are defined as Revenues. Under the Lease and Use Agreements, these amounts are credited against Signatory Airline rentals and fees payable in the next Fiscal Year. In the financial forecasts, all such amounts are assumed to be credited against Signatory Airline landing fees.

#### **DEBT SERVICE COVERAGE**

Exhibit G presents forecasts of Net Revenues, required fund deposits to be made from Net Revenues, the resultant Net Revenues available for debt service, and the calculation of debt service coverage.

In each year FY 1998 through FY 2005, the forecast debt service coverage ratio for the Senior Lien Bonds is forecast to be 1.34 or greater, exceeding the 1.25 times requirement of the Rate Covenant. The coverage ratio for all indebtedness, including Subordinated Indebtedness, is forecast to be 1.22 or greater.

**1997-2004 CAPITAL IMPROVEMENT PLAN**  
Greater Orlando Aviation Authority

Sources of funds

Project costs (a)	Federal grants	State grants	PFC revenues (pay-as-you-go)	Subordinated Indebtedness	Improvement and Development Fund	Other Authority funds	Net to be funded with Airport Revenue Bonds	
							Available PFC Revenues	Other Revenues
Total	Total	Total	Total	Total	Total	Total	Total	Total
1997 Project (b)	\$3,450,000	\$14,212,000	\$7,244,000	\$79,776,000	\$1,789,000	\$7,071,000	\$	\$148,571,000
Approved future projects								
Terminal (c)								
Fourth outside terminal	\$	\$	\$9,416,000	\$	\$26,000,000	\$	\$82,500,000	\$20,837,000
AGT to fourth inside terminal	46,400,000	16,000,000						30,400,000
Completion of landside terminal	51,500,000							51,500,000
Improvements to existing facilities	54,600,000							54,600,000
South terminal complex infrastructure	201,670,000	18,200,000	240,000		27,000,000		156,000,000	230,000
South terminal complex initial phase	323,000,000				3,000,000		90,000,000	230,000,000
	\$815,923,000	\$34,200,000	\$9,656,000	\$	\$56,000,000	\$	\$328,500,000	\$387,567,000
Airfield (d)								
North crossfield taxiway	\$76,420,000	\$	\$19,105,000	\$	\$	\$	\$	\$
Mid crossfield taxiway bridges	45,330,000		22,760,000					19,770,000
Air traffic control tower	27,140,000							27,140,000
Miscellaneous airfield projects	5,240,000					3,780,000		1,460,000
	\$154,130,000	\$	\$41,865,000	\$	\$	\$3,780,000	\$	\$48,370,000
Total approved future projects	\$970,053,000	\$34,200,000	\$51,521,000	\$	\$56,000,000	\$3,780,000	\$328,500,000	\$435,937,000
Other future projects								
Terminal (c)								
Improvements to existing facilities	\$88,464,000	\$	\$5,990,000	\$	\$510,000	\$32,154,000	\$	\$49,810,000
Allowance for future projects	34,120,000		34,120,000					
	\$122,584,000	\$	\$40,110,000	\$	\$510,000	\$32,154,000	\$	\$49,810,000
Airfield (d)								
Fourth runway	\$120,200,000	\$88,470,000	\$	\$	\$2,480,000	\$	\$	\$13,380,000
Reconstruction of existing runway	10,230,000	7,673,000						1,278,000
Reconstruction of cargo aircraft apron	10,710,000	1,848,000	9,062,000					
Miscellaneous airfield projects	8,660,000	3,781,000	3,855,000		294,000			
Allowance for future projects	34,120,000	6,500,000	27,620,000					
	\$183,920,000	\$99,924,000	\$40,637,000	\$	\$2,774,000	\$	\$	\$14,658,000
Roadways and parking (e)								
Cargo Road extension and interchange	\$58,310,000	\$	\$55,587,000	\$	\$	\$1,700,000	\$	\$
Miscellaneous roadway projects	23,260,000		2,112,000					17,614,000
South terminal parking lot	11,910,000							11,910,000
	\$93,480,000	\$	\$57,699,000	\$	\$	\$1,700,000	\$	\$29,524,000
Other (e)								
Rail access projects	\$107,982,000	\$105,070,000	\$	\$	\$	\$	\$	\$
Land acquisition	17,860,000	10,000,000				7,860,000		
Other projects	3,220,000					1,550,000		1,670,000
	\$129,062,000	\$105,070,000	\$	\$	\$	\$9,410,000	\$	\$1,670,000
Total other future projects	\$529,046,000	\$204,984,000	\$136,446,000	\$	\$3,284,000	\$43,264,000	\$	\$95,662,000
Total capital improvement plan	\$1,761,212,000	\$268,559,000	\$197,211,000	\$79,776,000	\$61,073,000	\$54,115,000	\$328,500,000	\$680,170,000
								\$1,008,670,000

(a) Estimates include allowances for architectural and engineering design fees, construction administration costs, cost escalation at 3% per year, and contingencies, but exclude capitalized interest and other financing costs.

(b) See Exhibit A-2.

(c) Terminal Area cost center

(d) Airfield Area cost center

(e) Other Areas cost center

Sources: Greater Orlando Aviation Authority, the Greiner-PB Team, and ZHA Incorporated

**ESTIMATED 1997 PROJECT COSTS**  
Greater Orlando Aviation Authority

	Sources of funds							Net to be funded with 1997 Bonds
	Project costs (a)	Federal grants	State grants	PFC revenues (pay-as-you-go)	Subordinated indebtedness	Improvement and Development Fund	Other Authority funds	
<b>Parking (b)</b>								
Parking garage additions	\$71,997,000	--	\$--	--	\$51,919,000	\$--	\$--	\$20,078,000
Garage elevator lobby enclosures	10,264,000	--	--	--	6,842,000	--	--	3,422,000
Public parking lots	11,200,000	--	--	--	11,200,000	--	--	--
Employee parking lot	16,839,000	--	8,000,000	--	1,725,000	--	800,000	6,314,000
Other parking projects	5,125,000	--	--	--	5,125,000	--	--	--
	<b>\$115,425,000</b>	<b>\$--</b>	<b>\$8,000,000</b>	<b>\$--</b>	<b>\$76,811,000</b>	<b>\$--</b>	<b>\$800,000</b>	<b>\$29,814,000</b>
<b>Terminal (b)</b>								
Ground transportation lobby and additional curbsides	\$45,773,000	--	\$--	--	--	\$--	\$--	\$45,773,000
Baggage systems and terminal equipment	38,215,000	--	--	--	--	--	--	38,215,000
Expansion of northeast terminal quadrant	13,670,000	--	--	--	--	--	3,000,000	10,670,000
Other landside and airside improvements	20,651,000	--	1,050,000	--	1,500,000	405,000	720,000	16,976,000
Communications center	9,788,000	--	500,000	2,080,000	--	1,134,000	2,551,000	3,523,000
	<b>\$128,097,000</b>	<b>\$--</b>	<b>\$1,550,000</b>	<b>\$2,080,000</b>	<b>\$1,500,000</b>	<b>\$1,539,000</b>	<b>\$6,271,000</b>	<b>\$115,157,000</b>
<b>Airfield (c)</b>								
Clearing and earthworks	\$6,750,000	\$3,450,000	\$--	--	--	\$--	\$--	\$3,300,000
Other airfield projects	550,000	--	--	--	--	250,000	--	300,000
	<b>\$7,300,000</b>	<b>\$3,450,000</b>	<b>\$--</b>	<b>\$--</b>	<b>\$--</b>	<b>\$250,000</b>	<b>\$--</b>	<b>\$3,600,000</b>
<b>Roadways (d)</b>								
	11,291,000	--	4,662,000	5,164,000	1,465,000	--	--	--
<b>Total 1997 Project</b>	<b>\$262,113,000</b>	<b>\$3,450,000</b>	<b>\$14,212,000</b>	<b>\$7,244,000</b>	<b>\$79,776,000</b>	<b>\$1,789,000</b>	<b>\$7,071,000</b>	<b>\$148,571,000</b>

(a) Estimates include allowances for architectural and engineering design fees, construction administration costs, cost escalation at 3% per year, and contingencies, but exclude capitalized interest and other financing costs.

(b) Terminal Area cost center.

(c) Airfield Area cost center.

(d) Other Areas cost center.

Sources: Greater Orlando Aviation Authority and ZHA Incorporated.

Exhibit B

**ESTIMATED 1997 PROJECT FINANCING**  
Greater Orlando Aviation Authority

	Series 1997	Gulf Breeze loan	Total
Sources of funds			
1997 Bond par amount	\$173,365,000	\$85,905,000	\$259,270,000
Original issue discount	(4,570,000)	--	(4,570,000)
Accrued interest	500,000	247,000	747,000
Interest earnings			
Construction Fund	\$8,449,000	\$3,675,000	\$12,124,000
Capitalized interest account	670,000	408,000	1,078,000
	\$9,119,000	\$4,083,000	\$13,202,000
Federal grants	3,450,000	--	3,450,000
State grants	7,825,000	6,387,000	14,212,000
PFC revenues (pay-as-you-go)	2,080,000	5,164,000	7,244,000
Improvement and Development Fund	1,789,000	--	1,789,000
Other Authority funds	7,071,000	--	7,071,000
Total sources of funds	\$200,629,000	\$101,786,000	\$302,415,000
Uses of funds			
1997 Project costs (a)	\$170,786,000	\$91,327,000	\$262,113,000
Capitalized interest account (b)	17,248,000	9,127,000	26,375,000
Debt Service Reserve Account	10,006,000	--	10,006,000
Accrued interest	500,000	247,000	747,000
Issuance costs (c)	2,089,000	1,085,000	3,174,000
Total uses of funds	\$200,629,000	\$101,786,000	\$302,415,000

(a) See Exhibit A-2.  
 (b) Interest payments capitalized for various periods (through September 30, 1998, for certain project elements).  
 (c) Includes insurance, underwriters' discount, and other issuance costs.

Source: Goldman, Sachs & Co., November 12, 1997.

Exhibit C

**HISTORICAL AND FORECAST DEBT SERVICE REQUIREMENTS**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical						Forecast						
	1993	1994	1995	1996	Estimated 1997	Estimated 1998	1999	2000	2001	2002	2003	2004	2005
<b>Prior Lien Bonds (a)</b>													
Series 1972	\$224,833	\$427,433	\$830,550	\$436,093	\$547,000	\$355,000	\$	\$	\$	\$	\$	\$	\$
Series 1974	591,243	587,623	554,533	579,353	572,000	566,000	563,000	234,000					
	\$1,416,076	\$1,415,056	\$1,415,083	\$1,415,446	\$1,419,000	\$921,000	\$563,000	\$234,000	\$	\$	\$	\$	\$
<b>Airport Facilities Revenue Bonds (a)</b>													
Series 1967 (b)	\$5,652,501	\$4,015,210	\$4,024,030	\$4,023,991	\$4,015,000	\$2,956,000	\$2,959,000	\$2,961,000	\$4,256,000	\$4,254,000	\$3,615,000	\$1,590,000	\$1,590,000
Series 1968 (b)	37,543,550	36,032,529	36,031,669	36,031,000	36,029,000	36,028,000	35,211,000	35,214,000	35,215,000	36,212,000	36,309,000	36,311,000	36,311,000
Series 1962A	8,904,260	11,309,260	11,309,260	11,309,260	11,310,000	11,310,000	11,310,000	11,310,000	11,310,000	11,310,000	11,310,000	20,250,000	22,756,000
Series 1992B	2,021,915	2,021,915	2,021,915	2,021,915	2,022,000	2,022,000	2,022,000	2,022,000	2,022,000	2,022,000	5,753,000	5,753,000	5,753,000
Series 1992C	6,480,625	14,091,508	14,094,233	14,103,972	14,100,000	14,102,000	15,150,000	15,157,000	15,165,000	11,430,000	11,438,000	2,407,000	2,407,000
Series 1992D	4,659,143	4,659,143	4,659,143	4,659,142	4,660,000	4,659,000	6,800,000	6,800,000	11,481,000	11,487,000	11,469,000	11,468,000	11,468,000
Series 1992E	6,486,921	1,406,521	2,896,521	6,482,180	6,480,000	6,479,000	4,124,000	4,124,000					
Series 1993A	1,700,030	5,943,895	5,943,895	5,041,705	5,042,000	7,822,000	7,822,000	7,824,000	6,524,000	6,526,000	6,069,000	8,095,000	8,069,000
	\$75,448,945	\$79,481,175	\$80,184,665	\$83,673,175	\$83,656,000	\$82,599,000	\$85,405,000	\$85,415,000	\$85,953,000	\$85,956,000	\$85,964,000	\$85,975,000	\$85,968,000
<b>Total outstanding</b>	\$76,865,021	\$80,896,231	\$81,599,748	\$85,088,621	\$85,077,000	\$83,520,000	\$85,968,000	\$85,649,000	\$85,953,000	\$85,956,000	\$85,964,000	\$85,975,000	\$85,968,000
<b>Proposed (c)</b>													
Series 1997								10,006,000	10,006,000	10,006,000	10,006,000	10,006,000	10,006,000
<b>Planned (c)</b>													
Series 1999													
Available PFC Revenues							5,665,000	5,665,000	6,837,000	6,837,000	6,837,000	6,837,000	6,837,000
Other Revenues									\$19,873,000	\$19,873,000	\$19,873,000	\$19,873,000	\$19,873,000
							\$5,665,000	\$5,665,000	\$26,710,000	\$26,710,000	\$26,710,000	\$26,710,000	\$26,710,000
<b>Series 2000</b>													
Available PFC Revenues								16,518,000	16,518,000	16,518,000	20,209,000	20,209,000	20,209,000
Other Revenues											\$22,873,000	\$22,873,000	\$22,873,000
								\$16,518,000	\$16,518,000	\$16,518,000	\$43,082,000	\$43,082,000	\$43,082,000
<b>Total planned</b>													
	\$	\$	\$	\$	\$	\$	\$5,665,000	\$22,183,000	\$43,228,000	\$43,228,000	\$69,792,000	\$69,792,000	\$69,792,000
<b>Total debt service on Senior Lien Bonds</b>	\$76,865,021	\$80,896,231	\$81,599,748	\$85,088,621	\$85,077,000	\$83,520,000	\$91,633,000	\$117,638,000	\$139,187,000	\$139,190,000	\$165,762,000	\$165,773,000	\$165,766,000
<b>Cost center allocation--Senior Lien Bonds</b>													
Terminal Area	\$65,569,309	\$68,733,613	\$69,312,200	\$72,013,242	\$72,001,000	\$70,535,000	\$78,625,000	\$104,646,000	\$121,899,000	\$122,048,000	\$145,985,000	\$144,296,000	\$143,806,000
Airfield Area	11,295,712	12,162,618	12,287,548	13,075,379	13,076,000	12,985,000	13,008,000	13,190,000	17,288,000	17,142,000	19,777,000	21,483,000	21,960,000
	\$76,865,021	\$80,896,231	\$81,599,748	\$85,088,621	\$85,077,000	\$83,520,000	\$91,633,000	\$117,638,000	\$139,187,000	\$139,190,000	\$165,762,000	\$165,773,000	\$165,766,000

Exhibit C (page 2 of 2)  
**HISTORICAL AND FORECAST DEBT SERVICE REQUIREMENTS**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

	Historical					Forecast									
	1993	1994	1995	1996	Estimated 1997	Estimated 1998	1999	2000	2001	2002	2003	2004	2005		
<b>Subordinated Indebtedness (Terminal Area) (a)</b>															
Gulf Breeze loan (1997 Project) (c)	--	--	2,969,597	3,644,597	--	--	--	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000		
Subordinated 1989 hotel bonds (b)	1,781,758	2,969,597	2,969,597	3,644,597	3,672,000	4,293,000	4,316,000	4,341,000	4,367,000	4,389,000	4,411,000	4,439,000	4,459,000		
Gulf Breeze loans (hotel)	1,421,590	1,426,626	1,970,099	1,839,934	2,450,000	2,411,000	2,389,000	2,361,000	2,338,000	2,314,000	2,290,000	2,264,000	2,242,000		
Other Subordinated Indebtedness	--	--	--	--	--	--	185,000	185,000	185,000	185,000	185,000	185,000	--		
Employee parking lot buses	--	--	--	--	--	--	--	4,887,000	4,887,000	4,887,000	--	--	--		
Terminal refurbishment program	--	--	--	--	--	--	2,592,000	2,592,000	--	--	--	--	--		
Repayment of interest rate swap borrowing	\$3,203,348	\$4,396,223	\$4,939,696	\$5,484,531	\$6,122,000	\$6,704,000	\$9,482,000	\$19,103,000	\$16,514,000	\$16,512,000	\$11,623,000	\$11,440,000	\$11,438,000		
<b>Subordinated Indebtedness (Airfield Area) (a)</b>															
Gulf Breeze loan (1997 Project) (c)	--	--	632,000	632,000	679,000	679,000	690,000	690,000	690,000	690,000	690,000	690,000	690,000		
Subordinated 1989 cargo facility bonds	632,000	632,000	632,000	632,000	679,000	679,000	690,000	690,000	690,000	690,000	690,000	690,000	690,000		
FDOT loan amortization	1,355,000	1,355,000	1,355,000	1,355,000	1,355,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000		
Other Subordinated Indebtedness	--	--	--	--	--	--	--	--	--	--	--	--	--		
Interim financing	1,489,744	1,649,721	1,482,691	1,082,058	936,000	1,500,000	1,600,000	1,700,000	1,800,000	1,900,000	2,000,000	2,100,000	2,200,000		
Financial management system	--	--	--	--	--	--	693,000	693,000	693,000	693,000	693,000	--	--		
Repayment of interest rate swap borrowing	--	--	--	--	--	--	1,008,000	1,008,000	--	--	--	--	--		
<b>Total Subordinated Indebtedness</b>	\$3,476,744	\$3,636,721	\$3,469,691	\$3,069,058	\$2,870,000	\$3,179,000	\$4,951,000	\$5,294,000	\$4,346,000	\$4,446,000	\$4,546,000	\$3,993,000	\$4,093,000		
<b>Cost Center allocation--Subordinated Indebtedness</b>															
Terminal Area	\$6,680,092	\$6,032,944	\$8,409,387	\$8,563,569	\$9,092,000	\$9,883,000	\$14,433,000	\$24,357,000	\$20,860,000	\$20,958,000	\$16,169,000	\$15,393,000	\$15,491,000		
Airfield Area	\$3,203,348	\$4,396,223	\$4,939,696	\$5,484,531	\$6,122,000	\$6,704,000	\$9,482,000	\$19,103,000	\$16,514,000	\$16,512,000	\$11,623,000	\$11,440,000	\$11,438,000		
<b>Total Senior Lien Bonds and Subordinated Indebtedness</b>	\$6,880,092	\$8,032,944	\$8,409,387	\$8,563,569	\$9,092,000	\$9,883,000	\$14,433,000	\$24,357,000	\$20,860,000	\$20,958,000	\$16,169,000	\$15,393,000	\$15,491,000		
<b>Cost Center allocation--all debt service</b>															
Terminal Area	\$83,545,113	\$88,929,175	\$90,009,135	\$93,642,210	\$94,168,000	\$93,403,000	\$106,066,000	\$142,195,000	\$160,047,000	\$160,148,000	\$181,831,000	\$181,166,000	\$181,287,000		
Airfield Area	\$68,772,657	\$73,129,836	\$74,251,896	\$77,497,773	\$78,123,000	\$77,239,000	\$88,107,000	\$123,751,000	\$138,413,000	\$138,660,000	\$157,608,000	\$165,730,000	\$165,244,000		
<b>Total</b>	\$152,317,770	\$162,059,011	\$164,261,031	\$171,139,983	\$172,291,000	\$170,642,000	\$194,173,000	\$265,946,000	\$320,060,000	\$320,808,000	\$339,439,000	\$346,896,000	\$346,531,000		

(a) Source: Greater Orlando Aviation Authority records  
 (b) Before interest rate swap payments to the Authority. See Exhibit E. Debt service beginning in FY 1999 is for refunding bonds  
 (c) Excludes capitalized interest. Source: Goldman, Sachs & Co., November 12, 1997.

**HISTORICAL AND FORECAST OPERATION AND MAINTENANCE EXPENSES**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical (a)					Estimated 1998 (a)	Estimated 1999 (a)	Forecast									
	1993	1994	1995	1996	1997 (a)			2000	2001	2002	2003	2004	2005				
<b>Direct expenses</b>																	
Terminal Area	\$21,424,739	\$21,955,997	\$22,889,423	\$23,664,432	\$24,817,210	\$29,135,000	\$31,277,000	\$35,302,000	\$42,667,000	\$54,670,000	\$45,441,000	\$58,176,000	\$61,823,000				
Hotel (b)	13,045,540	13,240,996	14,022,240	14,975,004	15,439,945	17,122,000	18,722,000	19,273,000	19,838,000	20,551,000	20,417,000	21,236,000	21,944,000				
Airfield Area	1,289,551	1,363,811	1,454,497	1,527,483	1,784,280	1,670,000	1,720,000	1,772,000	2,294,000	2,784,000	2,294,000	2,847,000	2,932,000				
Other Areas	1,910,628	1,709,261	1,612,253	2,004,762	2,302,000	2,438,000	2,911,000	2,586,000	2,664,000	2,825,000	2,743,000	2,910,000	2,991,000				
<b>Total direct expenses</b>	<b>\$37,670,458</b>	<b>\$38,273,065</b>	<b>\$39,988,413</b>	<b>\$42,171,681</b>	<b>\$44,323,435</b>	<b>\$50,365,000</b>	<b>\$54,230,000</b>	<b>\$59,933,000</b>	<b>\$67,140,000</b>	<b>\$80,810,000</b>	<b>\$70,895,000</b>	<b>\$85,169,000</b>	<b>\$89,896,000</b>				
<b>Indirect expenses</b>																	
Administration	\$12,632,310	\$14,600,809	\$14,124,637	\$14,680,599	\$15,530,350	\$16,741,000	\$17,249,000	\$17,768,000	\$18,300,000	\$19,411,000	\$18,848,000	\$19,997,000	\$20,597,000				
Operations	6,129,496	6,404,426	6,199,282	7,036,654	7,662,340	8,367,000	8,950,000	9,577,000	10,208,000	11,568,000	10,857,000	12,329,000	13,112,000				
Facilities	4,420,684	4,878,900	5,287,263	5,132,038	5,136,260	5,994,000	6,174,000	6,359,000	6,550,000	6,949,000	6,747,000	7,157,000	7,372,000				
Aircraft rescue and fire fighting	3,678,476	4,068,074	4,185,507	4,359,052	4,306,440	4,182,000	4,287,000	4,416,000	4,546,000	4,664,000	4,664,000	4,833,000	5,036,000				
Airport police and security	4,814,983	5,191,085	5,471,248	5,578,020	5,839,690	6,022,000	6,846,000	7,407,000	8,742,000	10,934,000	9,268,000	11,592,000	12,276,000				
Properties	1,015,479	1,308,213	1,475,445	1,516,672	1,888,270	1,877,000	1,727,000	1,779,000	1,832,000	1,844,000	1,887,000	2,002,000	2,062,000				
Other (c)	8,849,134	6,895,448	6,685,123	6,923,111	7,625,290	11,177,000	11,906,000	12,588,000	13,146,000	14,610,000	13,987,000	15,257,000	15,932,000				
Reimbursements (d)	(3,711,666)	(3,826,519)	(4,012,663)	(4,365,532)	(4,616,120)	(5,463,000)	(5,626,000)	(6,222,000)	(6,409,000)	(6,789,000)	(6,601,000)	(7,003,000)	(7,213,000)				
<b>Total indirect expenses</b>	<b>\$38,028,896</b>	<b>\$39,540,437</b>	<b>\$39,415,922</b>	<b>\$40,860,614</b>	<b>\$43,373,480</b>	<b>\$49,077,000</b>	<b>\$51,513,000</b>	<b>\$53,672,000</b>	<b>\$56,917,000</b>	<b>\$65,251,000</b>	<b>\$59,677,000</b>	<b>\$68,164,000</b>	<b>\$71,175,000</b>				
<b>Total Operation and Maintenance Expenses</b>	<b>\$75,699,354</b>	<b>\$77,813,502</b>	<b>\$79,404,335</b>	<b>\$83,032,295</b>	<b>\$87,696,915</b>	<b>\$99,442,000</b>	<b>\$105,743,000</b>	<b>\$112,605,000</b>	<b>\$124,057,000</b>	<b>\$146,061,000</b>	<b>\$130,572,000</b>	<b>\$153,333,000</b>	<b>\$160,871,000</b>				
<b>Percent annual change</b>		2.8%	2.0%	4.6%	5.6%	13.4%	6.3%	6.5%	10.2%	5.3%	11.9%	5.0%	4.9%				
<b>Forecast allocation to cost centers</b>																	
Terminal Area						\$79,299,000	\$84,976,000	\$91,237,000	\$101,856,000	\$120,035,000	\$107,317,000	\$126,486,000	\$133,182,000				
Airfield Area						9,722,000	10,025,000	10,320,000	10,832,000	13,848,000	11,623,000	14,283,000	14,730,000				
Other Areas						10,421,000	10,742,000	11,048,000	11,369,000	12,177,000	11,732,000	12,564,000	12,959,000				
<b>Total forecast</b>						<b>\$99,442,000</b>	<b>\$105,743,000</b>	<b>\$112,605,000</b>	<b>\$124,057,000</b>	<b>\$146,061,000</b>	<b>\$130,572,000</b>	<b>\$153,333,000</b>	<b>\$160,871,000</b>				

(a) Source: Greater Orlando Aviation Authority records  
 (b) Part of Terminal Area cost center  
 (c) Automobile parking, insurance, and other expenses  
 (d) Employee parking and passenger security screening reimbursements

Exhibit E  
**HISTORICAL AND FORECAST REVENUES**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical (e)					Estimated					Forecast				
	1993	1994	1995	1996	Estimated 1997 (e)	Estimated 1998 (e)	1999	2000	2001	2002	2003	2004	2005		
<b>Signatory Airline revenues</b>	\$39,382,372	\$38,182,987	\$37,240,675	\$35,397,402	\$26,201,378	\$23,384,000	\$21,043,000	\$19,968,000	\$32,521,000	\$30,869,000	\$46,998,000	\$40,315,000	\$36,026,000		
Terminal building rentals (b)	4,668,339	4,516,614	4,537,698	4,877,084	5,234,050	4,876,000	5,330,000	5,330,000	6,443,000	8,443,000	11,882,000	11,882,000	11,882,000		
Tenant facility payments	602,867	110,443	68,370	83,696	41,240	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000		
Other payments (c)	\$44,654,578	\$42,810,044	\$41,846,741	\$40,338,182	\$31,478,668	\$28,328,000	\$26,441,000	\$25,356,000	\$41,032,000	\$39,360,000	\$58,946,000	\$52,285,000	\$47,976,000		
Landing fees (d)	15,510,617	12,024,040	\$7,949,884	\$9,466,794	\$12,965,400	\$15,678,000	\$21,465,000	\$17,133,000	\$25,615,000	\$25,761,000	\$34,347,000	\$31,966,000	\$33,229,000		
Apron use fees	3,102,928	3,102,928	3,102,849	3,110,510	3,081,986	3,103,000	3,103,000	3,103,000	3,727,000	4,383,000	4,383,000	4,383,000	4,383,000		
Prepaid Airline Fees and Charges Fund (e)	\$18,613,545	\$15,126,968	\$11,052,733	\$12,577,304	\$16,047,386	\$18,781,000	\$24,588,000	\$20,236,000	\$29,342,000	\$29,508,000	\$38,730,000	\$36,349,000	\$37,612,000		
Total Signatory Airline revenues	15,823,000	16,843,000	19,269,462	19,522,572	20,289,000	18,000,000	14,027,000	15,863,000	12,841,000	13,377,000	13,310,000	16,258,000	15,937,000		
Total Signatory Airline revenues	\$78,091,123	\$74,780,012	\$72,168,836	\$72,438,056	\$67,813,054	\$65,109,000	\$65,056,000	\$61,456,000	\$83,215,000	\$82,265,000	\$110,988,000	\$104,872,000	\$101,525,000		
Percent annual change		-5.5%	-3.6%	0.4%	-6.4%	-4.0%	-0.1%	-5.5%	35.4%	-1.1%	34.9%	-5.5%	-3.2%		
Signatory Airline explained passengers	8,712,961	8,537,432	8,424,548	9,479,663	11,438,252	12,100,000	12,800,000	13,400,000	14,100,000	14,700,000	15,400,000	16,100,000	16,700,000		
Signatory Airline payments (excluding prepaid fees and charges) per explained passenger	\$7.26	\$6.79	\$6.28	\$5.58	\$4.16	\$3.89	\$3.99	\$3.40	\$4.99	\$4.69	\$6.34	\$5.50	\$5.13		
<b>Terminal concession revenues</b>	\$13,763,773	\$15,079,780	\$16,160,334	\$19,460,593	\$21,182,073	\$22,374,000	\$23,915,000	\$31,276,000	\$32,730,000	\$34,182,000	\$40,501,000	\$42,262,000	\$44,024,000		
Automobile parking	29,941,030	31,656,514	34,668,210	36,043,191	39,687,887	41,337,000	49,741,000	54,760,000	67,105,000	61,820,000	86,280,000	70,915,000	75,794,000		
Rental cars	2,824,422	3,262,351	3,624,585	4,645,203	6,264,133	6,320,000	6,865,000	7,252,000	7,597,000	7,941,000	8,308,000	8,675,000	9,042,000		
Ground transportation	7,479,400	8,132,190	8,847,088	9,656,123	10,288,573	11,272,000	12,224,000	13,259,000	14,774,000	16,077,000	18,160,000	18,775,000	19,421,000		
Food and beverage	4,276,984	5,312,787	5,761,125	6,648,404	6,452,278	7,711,000	9,084,000	10,373,000	11,165,000	11,985,000	14,010,000	15,067,000	16,178,000		
Retail merchandise	2,152,930	1,975,983	1,556,150	1,676,885	3,047,618	5,329,000	5,329,000	5,329,000	6,329,000	5,170,000	4,373,000	4,822,000	5,294,000		
Duty free merchandise	2,445,517	2,024,289	2,671,930	2,729,273	3,284,960	4,198,000	4,487,000	4,615,000	4,756,000	4,900,000	5,051,000	5,203,000	5,355,000		
Other concessions and services	12,707,038	16,088,719	18,326,818	20,566,263	24,532,774	25,172,000	26,569,000	27,367,000	28,188,000	29,033,000	29,905,000	30,802,000	31,725,000		
Hotel	\$75,690,704	\$83,532,493	\$91,616,240	\$101,425,955	\$114,570,394	\$123,713,000	\$138,214,000	\$154,223,000	\$161,644,000	\$171,118,000	\$176,568,000	\$186,521,000	\$196,634,000		
Percent annual change		10.4%	9.7%	10.7%	13.0%	8.0%	11.7%	11.6%	4.8%	5.9%	3.2%	5.6%	5.5%		
<b>Other Terminal Area revenues</b>	\$8,071,435	\$7,674,297	\$8,040,537	\$7,262,371	\$5,581,128	\$5,762,000	\$6,130,000	\$6,547,000	\$6,960,000	\$7,376,000	\$7,834,000	\$8,328,000	\$8,922,000		
Facility use fees	850,061	683,112	720,973	714,086	632,410	598,000	598,000	599,000	659,000	669,000	758,000	758,000	758,000		
Space rentals	580,043	306,823	965,619	1,040,421	1,165,417	1,100,000	1,100,000	644,000	9,327,000	9,327,000	9,327,000	9,327,000	9,327,000		
Interest earnings (f)	—	—	816,990	844,289	790,000	1,532,000	5,681,000	5,654,000	5,661,000	5,627,000	4,959,000	4,871,000	4,864,000		
Interest rate swap receipts (g)	297,422	384,337	377,735	206,531	219,393	149,000	193,000	158,000	163,000	168,000	173,000	178,000	183,000		
Other	\$9,798,961	\$9,047,569	\$10,920,954	\$10,067,708	\$6,388,346	\$9,142,000	\$13,683,000	\$19,388,000	\$22,770,000	\$23,157,000	\$23,051,000	\$23,460,000	\$23,954,000		
Total concession and other Terminal Area revenues	\$85,489,665	\$92,580,081	\$102,537,194	\$111,493,663	\$122,958,740	\$132,865,000	\$151,877,000	\$173,621,000	\$184,414,000	\$194,275,000	\$199,619,000	\$209,981,000	\$220,788,000		
Percent annual change		8.3%	10.8%	8.7%	10.3%	8.0%	14.3%	14.3%	6.2%	5.3%	2.6%	5.2%	5.1%		
Explained passengers	10,639,191	10,838,063	11,098,996	12,269,851	13,411,129	14,200,000	15,000,000	15,800,000	16,550,000	17,300,000	18,100,000	18,900,000	19,700,000		
Total concession and other Terminal Area revenues per explained passenger	\$8.04	\$8.54	\$9.24	\$9.09	\$9.17	\$9.36	\$10.13	\$10.99	\$11.14	\$11.23	\$11.03	\$11.11	\$11.21		



**CALCULATION OF AIRLINE TERMINAL BUILDING RENTALS**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Estimated 1998 (e)	Forecast							
		1999	2000	2001	2002	2003	2004	2005	
<b>Terminal Area Operation and Maintenance Expenses</b>									
Direct (b)	\$46,257,000	\$49,999,000	\$54,575,000	\$62,505,000	\$65,658,000	\$75,221,000	\$79,412,000	\$93,767,000	
Allocated indirect (c)	33,042,000	34,977,000	36,662,000	39,351,000	41,459,000	44,814,000	47,074,000	49,415,000	
	\$79,299,000	\$84,976,000	\$91,237,000	\$101,856,000	\$107,317,000	\$120,035,000	\$126,486,000	\$133,182,000	
<b>Terminal Area debt service (d)</b>									
Prior Lien Bonds	\$756,000	\$462,000	\$192,000	\$	\$	\$	\$	\$	
Airport Facilities Revenue Bonds	69,779,000	72,498,000	72,507,000	73,096,000	73,018,000	71,323,000	70,839,000	70,839,000	
Outstanding Series 1978 through 1993A Bonds	--	--	9,766,000	9,766,000	9,766,000	9,766,000	9,766,000	9,766,000	
Proposed Series 1997 Bonds	--	5,685,000	22,183,000	39,186,000	39,186,000	63,201,000	63,201,000	63,201,000	
Planned Series 1999 and 2000 Bonds	\$70,535,000	\$78,625,000	\$104,848,000	\$121,899,000	\$122,048,000	\$145,985,000	\$144,290,000	\$143,806,000	
<b>Terminal Area Subordinated Indebtedness (e)</b>									
Gulf Breeze loan (1997 Project)	4,293,000	4,316,000	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000	\$4,737,000	
Subordinated 1992 hotel bonds	(744,000)	2,389,000	2,381,000	2,338,000	2,314,000	2,280,000	2,264,000	2,242,000	
Less Authority contribution from hotel surplus (f)	2,411,000	2,777,000	7,664,000	5,072,000	5,072,000	185,000	4,439,000	4,459,000	
Gulf Breeze loans (hotel)	--	627,200	841,600	1,452,000	791,200	2,047,200	878,400	910,400	
Other Subordinated Indebtedness	1,144,000	279,000	77,000	80,000	80,000	100,000	103,000	106,000	
Operating reserve account	280,000	5,416,000	11,390,000	6,616,000	9,068,000	4,284,000	4,520,000	4,746,000	
Hotel operating reserve	31,000	1,063,000	1,095,000	1,128,000	1,161,000	1,485,000	1,540,000	1,588,000	
Renewal and replacement fund deposit	1,007,000	\$2,871,200	\$27,763,800	\$25,046,000	\$27,845,200	\$19,593,200	\$18,516,400	\$18,822,400	
Capital Expenditures Fund	--	\$186,472,000	\$223,649,000	\$248,801,000	\$257,010,000	\$285,613,000	\$289,292,000	\$295,810,000	
Hotel furniture, fixtures, and equipment requirement									
<b>Total Terminal Area requirements</b>	\$13,838,000	\$163,672,000	\$199,558,000	\$223,649,000	\$223,649,000	\$257,010,000	\$285,613,000	\$295,810,000	
<b>Less</b>									
Signatory Airline Terminal Area revenues other than terminal building rentals (f)	\$4,944,000	\$5,398,000	\$5,398,000	\$8,511,000	\$8,511,000	\$11,950,000	\$11,950,000	\$11,950,000	
Concession and other Terminal Area revenues (g)	132,855,000	151,877,000	173,821,000	184,414,000	194,275,000	198,619,000	209,981,000	220,788,000	
Authority contribution for northeast quadrant of landside building (f)	2,489,000	2,489,000	2,489,000	--	--	--	--	--	
Available PFC Revenues (h)	--	5,985,000	22,183,000	23,355,000	23,355,000	27,046,000	27,046,000	27,046,000	
<b>Equals</b> Amount required from Signatory Airline terminal building rentals	\$23,384,000	\$21,043,000	\$19,958,000	\$32,521,000	\$30,869,000	\$46,998,000	\$40,315,000	\$36,026,000	
<b>Divided by</b> Airline enclosed rented space (square feet)	773,857	773,900	782,600	1,056,800	1,078,300	1,198,900	1,239,100	1,239,100	
<b>Equals:</b> Overall average rental rate per square foot (i)	\$31.81	\$27.19	\$25.50	\$30.77	\$28.63	\$39.20	\$32.54	\$29.07	

(a) Source: Greater Orlando Aviation Authority records.  
 (b) Direct Terminal Area and hotel expenses. See Exhibit D.  
 (c) Indirect expenses allocable to Terminal Area. See Exhibit D.  
 (d) Debt service allocable to Terminal Area and hotel. See Exhibit C.  
 (e) See Exhibit C.  
 (f) See Exhibit E.  
 (g) Revenues allocable to Terminal Area and hotel. See Exhibit E.  
 (h) PFC revenues to be used for payment of Bond debt service allocable to Terminal Area (excluding coverage). See Exhibit F-1.  
 (i) Rental rate for FY 1998 is as in the Authority's adopted FY 1998 budget.

**CALCULATION OF AIRLINE LANDING FEES**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Estimated 1998 (a)	Forecast						
		1999	2000	2001	2002	2003	2004	2005
<b>Airfield Area Operation and Maintenance Expenses</b>								
Direct (b)	\$1,670,000	\$1,720,000	\$1,772,000	\$1,971,000	\$2,294,000	\$2,764,000	\$2,847,000	\$2,932,000
Allocated indirect (c)	8,052,000	8,305,000	8,548,000	8,861,000	9,229,000	11,085,000	11,436,000	11,798,000
	\$9,722,000	\$10,025,000	\$10,320,000	\$10,832,000	\$11,523,000	\$13,849,000	\$14,283,000	\$14,730,000
Airfield Area debt service (d)	\$165,000	\$101,000	\$42,000	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Lien Bonds								
Airport Facilities Revenue Bonds	12,820,000	12,907,000	12,908,000	13,006,000	12,860,000	12,946,000	14,652,000	15,129,000
Outstanding Series 1978 through 1993A Bonds	-	-	240,000	240,000	240,000	240,000	240,000	240,000
Proposed Series 1997 Bonds	-	-	-	4,042,000	4,042,000	6,591,000	6,591,000	6,591,000
Planned Series 1999 and 2000 Bonds	20,880,000	22,908,000	29,460,000	38,032,000	36,033,000	42,676,000	42,676,000	42,677,000
Debt service coverage (e)	\$33,865,000	\$35,916,000	\$42,650,000	\$53,320,000	\$53,175,000	\$62,453,000	\$64,161,000	\$64,637,000
Airfield Area Subordinated Indebtedness (f)								
Gulf Breeze loan (1997 Project)	-	-	\$203,000	\$203,000	\$203,000	\$203,000	\$203,000	\$203,000
Subordinated 1989 cargo facility bonds	679,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000
FDOT loan amortization	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Subordinated Indebtedness	1,500,000	3,301,000	3,401,000	2,493,000	2,593,000	2,893,000	2,100,000	2,200,000
Operating reserve account	291,000	436,000	287,000	441,000	278,000	612,000	323,000	334,000
Renewal and replacement fund deposit	3,834,000	5,245,000	4,384,000	4,658,000	4,932,000	5,206,000	5,486,000	5,754,000
Capital Expenditures Fund	337,000	349,000	358,000	370,000	381,000	392,000	404,000	416,000
	\$7,641,000	\$10,981,000	\$10,284,000	\$9,815,000	\$10,037,000	\$10,756,000	\$10,160,000	\$10,557,000
<b>Total Airfield Area requirements</b>	\$51,228,000	\$56,922,000	\$63,254,000	\$73,967,000	\$74,735,000	\$87,058,000	\$88,604,000	\$89,924,000
Less: Signatory Airline apron use fees	\$3,103,000	\$3,103,000	\$3,103,000	\$3,727,000	\$3,727,000	\$4,383,000	\$4,383,000	\$4,383,000
Non-signatory airline landing fees	8,332,000	8,985,000	8,302,000	9,942,000	9,985,000	12,278,000	12,618,000	12,815,000
Other Airfield Area revenues	7,530,000	9,179,000	14,627,000	17,590,000	17,702,000	17,820,000	18,032,000	18,162,000
Other Areas surplus (deficit) (g)	(2,699,000)	(2,560,000)	(2,610,000)	(2,871,000)	(2,764,000)	(2,833,000)	(3,031,000)	(3,130,000)
Authority contribution for perishables center	1,074,000	1,077,000	1,080,000	1,084,000	1,087,000	1,090,000	1,617,000	1,767,000
Authority contribution for northeast quadrant of landside building (h)	210,000	210,000	210,000	-	-	-	-	-
Available PFC Revenues (i)	-	1,416,000	5,546,000	5,839,000	5,839,000	6,761,000	6,761,000	6,761,000
	\$17,550,000	\$21,410,000	\$30,258,000	\$35,511,000	\$35,576,000	\$39,400,000	\$40,340,000	\$40,758,000
Equals: Gross amount required from Signatory Airline landing fees	\$33,678,000	\$35,512,000	\$32,996,000	\$38,456,000	\$38,158,000	\$47,657,000	\$48,224,000	\$49,166,000
Less: Prepaid airline fees and charges (j)	18,000,000	14,027,000	15,863,000	12,841,000	13,377,000	13,310,000	16,258,000	15,937,000
	\$15,678,000	\$21,485,000	\$17,133,000	\$25,615,000	\$24,781,000	\$34,347,000	\$31,966,000	\$33,229,000
Signatory Airline landed weight (1000-pound units) (k)	15,600,000	16,700,000	17,500,000	18,100,000	18,600,000	19,400,000	20,100,000	20,700,000
Gross landing fee rate (per 1000-pound unit) (k)	\$2.15	\$2.13	\$1.89	\$2.12	\$2.08	\$2.46	\$2.40	\$2.38
Net landing fee rate (per 1000-pound unit) (k)	\$1.00	\$1.29	\$0.98	\$1.42	\$1.37	\$1.77	\$1.59	\$1.61

(a) Source: Greater Orlando Aviation Authority  
 (b) Direct Airfield Area expenses. See Exhibit D  
 (c) Indirect expenses allocable to Airfield Area. See Exhibit D  
 (d) Debt service allocable to Airfield Area. See Exhibit C  
 (e) 25% of debt service on all Senior Lien Bonds. Beginning in FY 2001, includes 25% of debt service on the Gulf Breeze loan for the 1997 Project  
 (f) See Exhibit C  
 (g) Other Areas revenues (Exhibit E), less direct and allocated indirect Other Areas expenses (Exhibit D)  
 (h) See Exhibit E  
 (i) PFC revenues to be used for payment of Bond debt service allocable to Airfield Area (including coverage for all Bonds to be paid from PFC revenues). See Exhibit F-1  
 (j) See Exhibit F  
 (k) Landed weight and landing fee rates for FY 1998 are as in the Authority's adopted FY 1998 budget

**Exhibit F**  
**FORECAST APPLICATION OF REVENUES**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and these differences may be material.

	Forecast							
	Estimated 1998	1999	2000	2001	2002	2003	2004	2005
<b>Revenues (e)</b>								
Prepaid airline fees and charges	\$16,000,000	\$14,027,000	\$15,863,000	\$12,841,000	\$13,377,000	\$13,310,000	\$16,256,000	\$15,937,000
Other Signatory Airline revenues	47,108,000	51,028,000	43,592,000	70,374,000	68,686,000	97,878,000	88,614,000	85,588,000
Other revenues	156,439,000	178,223,000	204,968,000	220,844,000	230,350,000	239,964,000	250,164,000	261,594,000
Available PFC Revenues	--	7,061,000	27,728,000	28,194,000	28,194,000	31,807,000	33,807,000	33,807,000
<b>Total Revenues</b>	<b>\$221,548,000</b>	<b>\$250,360,000</b>	<b>\$294,170,000</b>	<b>\$333,053,000</b>	<b>\$342,348,000</b>	<b>\$383,759,000</b>	<b>\$388,843,000</b>	<b>\$386,926,000</b>
<b>Application of Revenues per Trust Agreements</b>								
Debt service on Prior Lien Bonds (b)	\$921,000	\$553,000	\$234,000	\$--	\$--	\$--	\$--	\$--
Operation and Maintenance Expenses (c)	99,442,000	105,743,000	112,605,000	124,057,000	130,572,000	148,051,000	153,333,000	160,871,000
Operating reserve account (d) (e)	1,435,000	784,000	1,052,000	1,815,000	989,000	2,559,000	1,094,000	1,138,000
Hotel operating reserve account (f)	280,000	278,000	77,000	78,000	80,000	100,000	103,000	108,000
Renewal and replacement fund (d) (g)	9,250,000	16,835,000	11,000,000	10,500,000	14,000,000	9,500,000	10,000,000	10,500,000
	\$111,328,000	\$124,004,000	\$124,968,000	\$136,450,000	\$145,641,000	\$156,220,000	\$164,534,000	\$172,615,000
<b>Available Revenues</b>	<b>\$110,220,000</b>	<b>\$126,356,000</b>	<b>\$169,202,000</b>	<b>\$196,603,000</b>	<b>\$196,748,000</b>	<b>\$225,539,000</b>	<b>\$224,309,000</b>	<b>\$224,311,000</b>
<b>Application of Available Revenues per Bond Resolution</b>								
Debt service on Airport Facilities Revenue Bonds (b)	\$42,599,000	\$45,402,000	\$45,415,000	\$45,953,000	\$45,958,000	\$45,964,000	\$45,972,000	\$45,968,000
Outstanding Series 1987 through 1993A Bonds	--	--	10,008,000	10,008,000	10,008,000	10,008,000	10,008,000	10,008,000
Proposed Series 1997 Bonds	--	5,665,000	22,183,000	43,228,000	43,228,000	68,792,000	68,792,000	68,792,000
Planned Series 1999 and 2000 Bonds	(14,468,000)	(16,068,000)	(7,772,000)	--	--	--	--	--
Less: Interest Income on Bond Resolution funds (h)	\$68,133,000	\$75,002,000	\$108,832,000	\$139,187,000	\$139,190,000	\$165,762,000	\$165,773,000	\$165,766,000
<b>Capital Expenditures Fund</b>								
Annual deposit (g)	\$368,000	\$379,000	\$390,000	\$402,000	\$414,000	\$426,000	\$438,000	\$452,000
Hotel furniture, fixtures, and equipment requirement (i)	1,007,000	1,063,000	1,095,000	1,128,000	1,161,000	1,495,000	1,540,000	1,586,000
	\$1,375,000	\$1,442,000	\$1,485,000	\$1,530,000	\$1,575,000	\$1,921,000	\$1,978,000	\$2,038,000
<b>[F=C-D-E]</b>	<b>\$40,712,000</b>	<b>\$48,812,000</b>	<b>\$57,845,000</b>	<b>\$55,666,000</b>	<b>\$55,863,000</b>	<b>\$57,856,000</b>	<b>\$56,557,000</b>	<b>\$56,507,000</b>
<b>Subordinated Indebtedness (b)</b>								
Gulf Breeze loan (1987 Project)	--	--	\$4,940,000	\$4,940,000	\$4,940,000	\$4,940,000	\$4,940,000	\$4,940,000
Subordinated 1989 cargo facility bonds	678,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000
Subordinated 1992 hotel bonds	4,293,000	4,318,000	4,341,000	4,367,000	4,389,000	4,411,000	4,439,000	4,459,000
Less: 1992 hotel bond debt service reserve earnings	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)
Gulf Breeze loans (hotel)	2,411,000	2,389,000	2,361,000	2,338,000	2,314,000	2,290,000	2,264,000	2,242,000
FDOT loan amortization	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Subordinated Indebtedness	1,500,000	6,078,000	11,065,000	7,565,000	7,665,000	2,878,000	2,100,000	2,200,000
	\$8,827,000	\$14,177,000	\$24,101,000	\$20,804,000	\$20,702,000	\$15,913,000	\$15,137,000	\$15,235,000
<b>Discretionary Fund</b>								
Annual deposit	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Hotel surplus (i)	1,030,000	592,000	556,000	669,000	821,000	686,000	784,000	900,000
PFC Account	--	1,416,000	5,546,000	5,839,000	5,839,000	6,781,000	6,781,000	6,761,000
	\$3,030,000	\$4,008,000	\$8,102,000	\$8,528,000	\$8,660,000	\$8,427,000	\$8,545,000	\$8,661,000
<b>Balance deposited to</b>	<b>\$28,055,000</b>	<b>\$31,727,000</b>	<b>\$25,662,000</b>	<b>\$26,754,000</b>	<b>\$26,621,000</b>	<b>\$32,516,000</b>	<b>\$31,875,000</b>	<b>\$31,511,000</b>
<b>Improvement and Development Fund (50%)</b>								
Prepaid Airline Fees and Charges Fund (50%)	\$14,028,000	\$15,864,000	\$12,841,000	\$13,377,000	\$13,311,000	\$16,256,000	\$15,936,000	\$15,808,000
	14,027,000	15,863,000	12,841,000	13,377,000	13,310,000	16,256,000	15,937,000	15,808,000

(a) See Exhibit E.  
 (b) See Exhibit C.  
 (c) See Exhibit D.  
 (d) See Exhibits E-1 and E-2.  
 (e) Operation and Maintenance Reserve Account after the retirement of the Prior Lien Bonds.  
 (f) See Exhibit E-1.  
 (g) Interest Income on Bond Resolution funds is to be credited to the Debt Service Account for the payment of Bond debt service until the retirement of the Prior Lien Bonds.  
 (h) Under the hotel agreement, the contribution to the Discretionary Fund is two-thirds of any positive net revenues from hotel operation.

**Exhibit F-1**  
**HISTORICAL AND FORECAST APPLICATION OF PFC REVENUES**  
 Greater Orlando Aviation Authority  
 For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical (a)										Forecast				
	1993	1994	1995	1996	1997	Estimated 1998	1999	2000	2001	2002	2003	2004	2005		
<b>Calculation of PFC Revenues</b>															
Enplaned passengers (b)	10,539,191	10,836,083	11,098,996	12,269,851	13,411,129	14,200,000	15,000,000	15,600,000	16,550,000	17,300,000	18,100,000	18,900,000	19,700,000		
Percent PFC-eligible	80.2%	82.3%	82.3%	86.0%	83.9%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%		
PFC-eligible enplaned passengers	4,227,843	8,992,469	9,132,557	10,795,616	11,254,520	12,070,000	12,750,000	13,430,000	14,066,000	14,705,000	15,385,000	16,065,000	16,745,000		
PFC collection per passenger (c)	\$2.86	\$2.89	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92		
PFC collections	\$12,176,189	\$25,121,235	\$26,667,067	\$31,523,206	\$32,883,198	\$35,244,000	\$37,230,000	\$39,218,000	\$41,079,000	\$42,839,000	\$44,924,000	\$46,910,000	\$48,895,000		
Interest earnings	90,096	671,437	1,254,833	3,195,923	2,921,346	3,220,000	2,801,000	2,418,000	1,877,000	1,326,000	935,000	344,000	839,000		
Balance in PFC Account (d)	-	-	-	-	-	-	-	1,416,000	5,546,000	5,839,000	5,839,000	6,761,000	6,761,000		
<b>Total PFC revenues</b>	<b>\$12,266,285</b>	<b>\$25,792,672</b>	<b>\$27,921,900</b>	<b>\$34,678,929</b>	<b>\$35,794,746</b>	<b>\$38,464,000</b>	<b>\$40,031,000</b>	<b>\$43,048,000</b>	<b>\$48,302,000</b>	<b>\$50,104,000</b>	<b>\$51,698,000</b>	<b>\$54,015,000</b>	<b>\$56,295,000</b>		
<b>Application of PFC Revenues</b>															
Pay-as-you-go expenditures	\$162,664	\$13,008,290	\$6,623,837	\$16,084,462	\$24,084,063	\$36,355,000	\$6,223,000	\$-	\$-	\$-	\$-	\$-	\$-		
1993-1999 projects (e)	-	-	-	-	2,311,000	21,631,000	16,897,000	24,884,000	18,046,000	14,422,000	30,874,000	30,870,000	-		
1997-2004 capital improvement plan	-	-	-	-	-	-	7,019,000	8,982,000	12,462,000	9,140,000	-	-	-		
Applications to debt	-	-	-	-	-	-	-	-	-	-	-	-	-		
Future applications	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Total PFC pay-as-you-go expenditures</b>	<b>\$162,664</b>	<b>\$13,008,290</b>	<b>\$6,623,837</b>	<b>\$16,084,462</b>	<b>\$26,395,063</b>	<b>\$37,986,000</b>	<b>\$30,199,000</b>	<b>\$33,476,000</b>	<b>\$30,510,000</b>	<b>\$23,562,000</b>	<b>\$30,874,000</b>	<b>\$30,870,000</b>	<b>\$-</b>		
<b>Bond debt service and coverage</b>															
(Available PFC Revenues)	\$-	\$-	\$-	\$-	\$-	\$-	\$5,865,000	\$5,865,000	\$6,837,000	\$6,837,000	\$6,837,000	\$6,837,000	\$6,837,000		
Planned Series 1999	-	-	-	-	-	-	16,518,000	16,518,000	16,518,000	16,518,000	20,209,000	20,209,000	20,209,000		
Planned Series 2000	-	-	-	-	-	-	1,416,000	5,546,000	5,839,000	5,839,000	6,761,000	6,761,000	6,761,000		
Debt service coverage at 25%	\$-	\$-	\$-	\$-	\$-	\$-	\$7,081,000	\$27,729,000	\$29,194,000	\$29,194,000	\$33,607,000	\$33,607,000	\$33,607,000		
<b>Total Available PFC Revenues (f)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$7,081,000</b>	<b>\$27,729,000</b>	<b>\$29,194,000</b>	<b>\$29,194,000</b>	<b>\$33,607,000</b>	<b>\$33,607,000</b>	<b>\$33,607,000</b>		
<b>Cost center allocation</b>															
Terminal Area	\$-	\$-	\$-	\$-	\$-	\$-	\$5,865,000	\$22,183,000	\$23,355,000	\$23,355,000	\$27,046,000	\$27,046,000	\$27,046,000		
Airfield Area	\$-	\$-	\$-	\$-	\$-	\$-	1,416,000	5,546,000	5,839,000	5,839,000	6,761,000	6,761,000	6,761,000		
<b>Total application of PFC revenues</b>	<b>\$162,664</b>	<b>\$13,008,290</b>	<b>\$6,623,837</b>	<b>\$16,084,462</b>	<b>\$26,395,063</b>	<b>\$37,986,000</b>	<b>\$37,280,000</b>	<b>\$41,205,000</b>	<b>\$46,704,000</b>	<b>\$47,956,000</b>	<b>\$51,698,000</b>	<b>\$54,977,000</b>	<b>\$58,807,000</b>		
<b>Year-end PFC Revenue Fund balance</b>	<b>\$12,103,621</b>	<b>\$24,688,003</b>	<b>\$46,186,066</b>	<b>\$64,760,367</b>	<b>\$74,170,050</b>	<b>\$54,648,000</b>	<b>\$57,389,000</b>	<b>\$39,242,000</b>	<b>\$27,840,000</b>	<b>\$25,168,000</b>	<b>\$12,205,000</b>	<b>\$1,543,000</b>	<b>\$24,031,000</b>		

(a) Source: Greater Orlando Aviation Authority records  
 (b) See Tables 12 and 25  
 (c) Net of airline collection fee of \$0.12 per PFC through June 1994 and \$0.08 thereafter  
 (d) See Exhibit F  
 (e) Projects in applications to date that are not included in the 1997-2004 capital improvement plan  
 (f) Under proposed amendments to the Bond Resolution, Revenues are defined to include Available PFC Revenues

Exhibit G

**FORECAST DEBT SERVICE COVERAGE**  
Greater Orlando Aviation Authority  
For Fiscal Years Ending September 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Forecast							
	Estimated 1998	1999	2000	2001	2002	2003	2004	2005
Revenues (a)	\$221,548,000	\$250,360,000	\$294,170,000	\$333,053,000	\$342,389,000	\$383,759,000	\$388,843,000	\$396,926,000
Less: Operation and Maintenance Expenses (b)	99,442,000	105,743,000	112,605,000	124,057,000	130,572,000	146,061,000	153,333,000	160,871,000
Net Revenues	(A) \$122,106,000	\$144,617,000	\$181,565,000	\$208,996,000	\$211,817,000	\$237,698,000	\$235,510,000	\$236,055,000
Fund deposits (c)								
Operating reserve account (including hotel reserve) (d)	\$1,715,000	\$1,063,000	\$1,129,000	\$1,893,000	\$1,069,000	\$2,659,000	\$1,201,000	\$1,244,000
Renewal and replacement fund (e)	9,250,000	16,635,000	11,000,000	10,500,000	14,000,000	9,500,000	10,000,000	10,500,000
Capital Expenditures Fund (including hotel requirement)	1,375,000	1,442,000	1,485,000	1,530,000	1,575,000	1,921,000	1,979,000	2,038,000
Net Revenues available for debt service	(B) \$12,340,000	\$19,140,000	\$13,614,000	\$13,923,000	\$16,644,000	\$14,080,000	\$13,180,000	\$13,782,000
[C=A-B]	\$109,766,000	\$125,477,000	\$167,951,000	\$195,073,000	\$195,173,000	\$223,618,000	\$222,330,000	\$222,273,000
Debt service on Senior Lien Bonds (f)	\$921,000	\$563,000	\$234,000	\$	\$	\$	\$	\$
Prior Lien Bonds								
Airport Facilities Revenue Bonds								
Outstanding Series 1987 through 1993A Bonds	82,599,000	85,405,000	85,415,000	85,953,000	85,956,000	85,964,000	85,975,000	85,968,000
Proposed Series 1997 Bonds	--	--	10,006,000	10,006,000	10,006,000	10,006,000	10,006,000	10,006,000
Planned Series 1999 and 2000 Bonds	--	5,665,000	22,183,000	43,228,000	43,228,000	69,792,000	69,792,000	69,792,000
Less: Interest income on Bond Resolution funds (g)	\$83,520,000	\$91,633,000	\$117,838,000	\$139,187,000	\$139,190,000	\$165,762,000	\$165,773,000	\$165,766,000
(14,466,000)	(16,068,000)	(7,772,000)	--	--	--	--	--	--
Equals: Net debt service on Senior Lien Bonds	(D) \$69,054,000	\$75,565,000	\$110,066,000	\$139,187,000	\$139,190,000	\$165,762,000	\$165,773,000	\$165,766,000
Subordinated Indebtedness (f)	\$9,883,000	\$14,433,000	\$24,357,000	\$20,860,000	\$20,956,000	\$16,169,000	\$15,393,000	\$15,491,000
Less: Interest income on 1992 hotel bond reserve fund	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)	(256,000)
Equals: Net debt service on Subordinated Indebtedness	(E) \$9,627,000	\$14,177,000	\$24,101,000	\$20,604,000	\$20,702,000	\$15,913,000	\$15,137,000	\$15,235,000
Total debt service on Senior Lien Bonds and Subordinated Indebtedness	(F=D+E) \$78,681,000	\$89,742,000	\$134,167,000	\$159,791,000	\$159,892,000	\$181,675,000	\$180,910,000	\$181,001,000
Coverage ratio for Senior Lien Bonds	(C/D) 1.59	1.66	1.53	1.40	1.40	1.35	1.34	1.34
Coverage ratio for all indebtedness	(C/F) 1.40	1.40	1.25	1.22	1.22	1.23	1.23	1.23

(a) See Exhibit E  
(b) See Exhibit D  
(c) See Exhibit F  
(d) Operation and Maintenance Reserve Account after the retirement of the Prior Lien Bonds  
(e) Renewal and Replacement Fund after the retirement of the Prior Lien Bonds  
(f) See Exhibit C  
(g) Interest income on Bond Resolution funds is to be credited to the Debt Service Account for the payment of Bond debt service until the retirement of the Prior Lien Bonds. Thereafter, such interest income is to be deposited to the Revenue Fund

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**APPENDIX B  
SUMMARY OF CERTAIN PROVISIONS  
OF THE BOND RESOLUTION**

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**APPENDIX "B"**

**SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

The following is a summary of certain provisions of the Bond Resolution. The Summary is subject in all respects to the detailed provisions of the Bond Resolution, copies of which are available from the Office of the Chief Financial Officer, One Airport Boulevard, Orlando, Florida 32827-4399.

**Certain Definitions**

The following are definitions in summary form of certain terms contained in the Bond Resolution (the "Resolution" or "Bond Resolution") and used herein and certain other terms defined for purposes of this summary:

**Accreted Value.** The accreted value of the Capital Appreciation Bonds, on the date of calculation, including the original principal amount or discounted principal value (original offering price) thereof, plus interest or principal accreted thereon to the date of calculation, as determined by reference to the accreted value tables contained or referred to in each such Bond.

**Accrued Aggregate Debt Service.** As of any date of calculation, an amount equal to the sum of (i) interest on the Bonds of all Series, other than Capital Appreciation Bonds, accrued and unpaid and to accrue to the end of the then-current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

**Additional Bonds.** Additional parity Bonds issued under the Bond Resolution and Bonds issued in lieu of or in substitution for Outstanding Bonds pursuant to the Bond Resolution.

**Additional Project.** The acquisition and construction of any additional aviation facilities for the Airport System or any additions, extensions, improvements and betterments to and reconstructions of the Airport System to be financed in whole or in part from the proceeds of any Additional Bonds.

**Aggregate Debt Service.** As of any date of computation and with respect to any period, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

**Airport Consultant.** The airport consultant at the time retained by the Authority to perform the acts and carry out the duties provided for the Airport Consultant under the Bond

Resolution. The Airport Consultant is required to be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports.

**Airport System.** The Orlando International Airport, as said Airport may be added to, extended, improved or constructed and equipped, and any other aviation facility acquired or constructed by the Authority; provided that, the Airport System shall not include Herndon Airport (now known as Orlando Executive Airport) or any additions, extensions or improvements thereto. Upon the Retirement Date of Prior Lien Bonds, the Airport System shall include Special Purpose Facilities no part of the revenue and income from which is pledged to the payment of Authority obligations, but shall not include any aviation facility thereafter acquired or constructed by the Authority with funds other than proceeds of Bonds or revenues generated by the Airport System.

**Annual Budget.** The annual budget of the Authority, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in the Bond Resolution.

**Authority.** The Greater Orlando Aviation Authority, an agency of the City, and any successor board or commission, acting on behalf of itself and the City.

**Authorized Officer of the Authority.** The Chairman, the Vice-Chairman, the Treasurer or the Secretary of the Authority, or any other officer or employee of the Authority authorized by resolution of the Authority to perform specific acts or duties related to the subject matter of the authorization.

**Available PFC Revenues.** Means PFC Revenues received by the Authority in an amount for each relevant period not to exceed 1.25 times the Debt Service accruing during such period with respect to that portion on the Bonds issued to finance PFC Projects, as allocated by a Certificate of an Authorized Officer of the Authority.

**Available Revenues.** Prior to the Retirement Date of Prior Lien Bonds, (i) all moneys at any time on deposit in the discretionary fund established under the Trust Agreements, except for such moneys which are required to be deposited into the reserve account or redemption account in the airport system sinking fund or operation and maintenance fund established under the Trust Agreements, or are required to pay principal or interest on Prior

Lien Bonds, (ii) all moneys at any time on deposit in the surplus fund established under the Trust Agreements which are not required to be deposited in the redemption account in the airport system sinking fund established under the Trust Agreements or to pay principal or interest on Prior Lien Bonds, and (iii) Available PFC Revenues for the applicable period. On and after the Retirement Date of Prior Lien Bonds, all Revenues. The foregoing notwithstanding, the term "Available Revenues" shall not include PFC Revenues in excess of Available PFC Revenues for the applicable period.

**Bond Obligation.** As of the date of computation, the sum of: (i) the principal amount of all Bonds then Outstanding other than Capital Appreciation Bonds, and (ii) the Accreted Value of all Capital Appreciation Bonds then Outstanding.

**Bond or Bonds.** Any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution.

**1998 Bond Insurer.** Means with respect to the 1998 Bonds, Financial Guaranty Insurance Company.

**Bond Insurance Policy.** Means with respect to the 1998 Bonds, the municipal bond insurance policy issued by the 1998 Bond Insurer insuring the payment when due of the principal of and interest on the 1998 Bonds.

**Bondholder or holder of Bonds.** Any person who shall be the bearer of any coupon Bond or Bonds or the registered owner of any Bond or Bonds without coupons.

**Capital Appreciation Bonds.** Bonds that bear interest at a compounded rate which is payable only at maturity or upon prior redemption thereof or Bonds issued at a discount from par value that bear no stated interest and appreciate in value over time.

**City.** The City of Orlando, Florida, a municipal corporation in the County of Orange, State of Florida.

**Consulting Engineers.** The engineer or engineering firm or corporation at the time retained by the Authority pursuant to the Bond Resolution to perform the acts and carry out the duties provided for such Consulting Engineers under the Bond Resolution. Such Consulting Engineers are required to have a wide and favorable reputation for skill and experience in the construction and operation of airport facilities.

**Cost of Construction.** The Authority's costs properly attributable to the construction or acquisition of an Additional Project.

**Debt Service.** For any period, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series (other than Capital Appreciation Bonds), except to the extent that such interest is to be paid from deposits (including investment income thereon) in the Debt Service Account established under the Bond Resolution made from Bond proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series of Bonds (or if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of such Series, whichever is later). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

**Debt Service Reserve Requirement.** As of any date of calculation, an amount equal to the Maximum Aggregate Debt Service.

**Discretionary Fund Maximum Balance.** The sum of (a) an amount equal to \$3,000,000, and (b) any amount or amounts required to repay, in accordance with the terms of any agreements securing the same, indebtedness issued by the Authority to finance improvements to the Airport System, plus (c) all amounts required to pay in a timely manner all payments the Authority is required to make to any third party under any interest rate swap agreement or other derivative financial product agreement between the Authority and a third party, and (d) any amounts required to be deposited to the credit the PFC Account in the Discretionary Fund pursuant to the Resolution; provided that, said amount set forth in (a) above shall be increased or decreased in direct proportion to the changes in the Producer Price Index, formerly designated as the Wholesale Price Index, issued by the United States Department of Labor, Bureau of Labor Statistics, using 1986 as the base year; and provided further that, said amounts set forth in (a), (b), (c) and (d) above may be adjusted by the Authority at any time if not prohibited under the terms of the Lease and Use Agreements.

**FAA.** The Federal Aviation Administration, or any successor agency of the Federal Government performing the same or similar function.

**FAA Regulations.** The regulations of the FAA contained in Title 14, part 158, Code of Federal Regulations, as amended from time to time, pertaining to the imposition, collection and use of PFCs.

**Fiduciary.** The Trustee, Special Trustee and any Paying Agent, or any or all of them as may be appropriate.

**Fiscal Year.** The then-current annual accounting period of the Authority for its general accounting purposes.

**Fitch.** Fitch Investors Service, L.P., a limited partnership organized and existing under the laws of the State of New York, its successors and assigns and, if such entity shall no longer perform the function of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Authority by notice to the Trustee.

**Investment Securities.** Any of the following securities, if and to the extent the same are at the time legal for investment of moneys and funds held under the Resolution:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations on any federal agency to the extent such obligations are unconditionally guaranteed by the United States of America;

(ii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Association;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by public agencies or

municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vi) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including any Depositary or Paying Agent), provided that such certificates of deposit must be purchased directly from such bank, trust company or national banking association and must be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities as are described in clauses (i) through (iii), inclusive, above which have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and are lodged with any Federal Reserve Bank, as custodian, by the bank, trust company or national banking association issuing such certificate of deposit. Additionally, the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured must furnish the Authority with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit;

(v) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association secured by any one or more of the securities described in clauses (i), (ii) or (iii) above;

(vi) pre-refunded obligations of any state or any agency, instrumentality or local government unit of any such state meeting the following conditions:

(A) the obligations are not to be redeemed prior to maturity or the fiduciary for such obligations has been given irrevocable instructions concerning their calling and redemption;

(B) the obligations are secured by cash or United States Obligations that may be applied only to interest, principal and redemption premium payments of such obligations;

(C) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) have been verified by an independent certified public accountant as being sufficient to pay the principal of, redemption premium, if any, and interest on such obligations on the maturity dates or redemption dates specified in the irrevocable instructions referred to in clause (A) above;

(D) the United States Obligations and cash serving as security for the obligations are held by an escrow agent or trustee;

(E) the United States Obligations and cash are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(F) the obligations are rated in the highest rating category by Moody's and S&P;

(vii) direct general obligations of any state of the United States of America or any political subdivision, agency or municipality thereof whose unsecured, uninsured or unguaranteed general obligation debt is rated, at the time of purchase, in the highest rating category of Moody's and S&P, or any obligation fully and unconditionally guaranteed by any state, political subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, in the highest rating category by Moody's and S&P;

(viii) tax-exempt revenue bond obligations of any state of the United States of America or any political subdivision, agency, municipality or governmental unit thereof rated, at the time of purchase, in the highest rating category by Moody's and S&P; and

(ix) any certificates, receipts or similar instruments ("Certificates") which were issued by or pursuant to a trust or similar arrangement and which evidence ownership or the right to receive payments of principal or interest on any securities (a) issued by a state of the United States of America or any political subdivision, agency, municipality or governmental unit thereof and (b) meeting the requirements set forth in clauses (iii), (vi), (vii) or (viii) above ("Municipal Securities"), which Municipal

Securities are held pursuant to such trust or similar agreement for the benefit of the holders of such Certificates; provided, however, that the holders of such Certificates are entitled to rely on an opinion of counsel rendered by a nationally recognized tax counsel that interest received on the Certificates by such holders is excluded from gross income for federal income tax purposes under the Code and is not treated as an item of tax preference for purposes of the alternative minimum tax and is not subject to any similar tax under the Code, unless all tax-exempt bonds are subject to such tax.

**Lease Use and Agreements.** The Airline-Airport Lease and Use Agreements between the Authority and various airlines, as amended or as the same may be amended and in effect from time to time.

**Maturity Amount.** The amount payable at maturity of a Capital Appreciation Bond consisting of the original principal amount thereof or discounted principal value (original offering price) and interest or principal accreted thereon to the maturity date thereof, as determined by reference to the accreted value tables contained or referred to in such Bond.

**Maximum Aggregate Debt Service.** As of any date of calculation, an amount equal to the greatest amount of Aggregate Debt Service for the current or any future Fiscal Year.

**Moody's.** Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall no longer perform the function of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Authority, by notice to the Trustee.

**Net Revenues.** Revenues less Operation and Maintenance Expenses.

**Operation and Maintenance Expenses.** The Authority's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport System which shall include, without limiting the generality of the foregoing, administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, and any other expenses required to be paid by the Authority under the provisions of the Bond Resolution, the Trust Agreements or by

law or consistent with standard practices for airports similar to the properties and business of the Airport System and applicable in the circumstances, the expenses, liabilities and compensation of the fiduciaries required to be paid under the Bond Resolution, the fees and expenses of the trustee and other fiduciaries under the Trust Agreements, and all to the extent properly attributable to the Airport System. Operation and Maintenance Expenses shall not include any capital cost or any allowance for depreciation or any operation or maintenance costs for Special Purpose Facilities; provided, however, that after the Retirement Date of Prior Lien Bonds, Operation and Maintenance Expenses shall include operation and maintenance costs incurred by the Authority with respect to any Special Purpose Facilities no part of the revenue and income from which is pledged to the payment of Authority obligations.

**Outstanding or outstanding.** When used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Bond Resolution except (a) any Bond cancelled at or before said date, (b) any Bond (or portion of Bonds) for the payment or redemption of which moneys equal to the principal amount (or, with respect to Capital Appreciation Bonds, Maturity Amount) or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with one or more of the fiduciaries in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Bond Resolution, and (d) any Bond deemed to have been paid as provided in the Bond Resolution.

**Paying Agent.** Any bank or trust company designated by the Authority as paying agent for the Bonds of any Series, and its successor or successors appointed in the manner provided in the Bond Resolution.

**PFC Account.** The PFC Account established in the Discretionary Fund by Section 402.

**PFCs or Passenger Facility Charges.** The passenger facility charges authorized to be charged by the Authority pursuant to the Aviation Safety and Capacity Expansion Act of 1990, as amended (now codified in Section 40117 of the United States Code),

and Section 158.5 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

**PFC Projects.** Additional Projects for which the Authority is authorized to impose and use PFC's, as confirmed by a Counsel's Opinion.

**PFC Revenues.** Amounts derived by the Authority from the imposition of PFCs, exclusive of the amounts retained by the air carriers collecting the PFCs pursuant to Section 158.53 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

**Principal Installment.** As of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, means (i) the principal amount of Bonds of such Series (other than the Capital Appreciation Bonds) and the Maturity Amount of the Capital Appreciation Bonds of such Series, in each case, due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Bond Resolution) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount, or Accreted Value with respect to Capital Appreciation Bonds, equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds other than Capital Appreciation Bonds and the Maturity Amount of Capital Appreciation Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

**Prior Lien Bonds.** (i) Airport Revenue Bonds of 1972, dated March 1, 1972, and (ii) Airport Revenue Bonds of 1974, dated March 1, 1974, of the City of Orlando, Florida.

**Prior Lien Debt Service.** For any period and as of any date of calculation, an amount equal to the aggregate amounts of all interest, principal and sinking fund payments, if any, payable during such period with respect to the Prior Lien Bonds.

**Rating Agency.** Fitch, Moody's and S&P, to the extent then maintaining a rating on Bonds outstanding at the request of the Authority.

**Redemption Price.** With respect to any Bond, the principal amount or, with respect to Capital Appreciation Bonds,

the Accreted Value to the redemption date of such Bond, plus (in either case) the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

**Retirement Date of Prior Lien Bonds.** The date on which all of the Prior Lien Bonds and all other evidences of indebtedness secured under the Trust Agreements shall be paid or deemed to be paid in accordance with the Trust Agreements.

**Revenues.** (i) All income and revenues from all sources collected or received by the Authority in the operation of the Airport System, including without limitation except as expressly provided in the Resolution, all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the Authority in its capacity as the Operator of the Airport System in connection with the operation, improvement and enlargement of the Airport System, of any part thereof; (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the Airport System's benefit which are: (a) not restricted in application to a special purpose, and (b) otherwise lawfully available for the payment of charges with respect to the Prior Lien Bonds and the Bonds; (iii) income received on any investment of moneys held pursuant to the Resolution and paid into the Revenue Fund established under the Resolution; (iv) income received on any investment of moneys held pursuant to the Trust Agreements and paid into the revenue fund established under the Trust Agreements; (v) amounts deposited in the revenue fund established under the Trust Agreements or into the Revenue Fund from the Prepaid Airline Fees and Charges Fund established under the Resolution; and (vi) after the Retirement Date of the Prior Lien Bonds, Available PFC Revenues for the applicable period. The term "Revenues" shall not include any revenue or income from any Special Purpose Facilities, except ground rentals therefor, or revenue or income from Orlando Executive Airport (formerly known as Herndon Airport) or any additions, extensions or improvements thereto; provided, however, that after the Retirement Date of Prior Lien Bonds, "Revenues" shall include the revenue or income from Special Purpose Facilities which are not pledged to the payment of obligations of the Authority issued to finance such Facilities; and provided further, that prior to the Retirement Date of Prior Lien Bonds, Revenues shall include all revenues and income included in the definition of "revenues" under the Trust Agreements, whether or not such revenues and income have been specifically included or excluded from "Revenues." The term "Revenues" shall not include PFC Revenues except after the Retirement Date of Prior Lien Bonds, and then only to the extent they constitute Available PFC Revenues for the applicable period.

**Series.** All Bonds, including Additional Bonds, authenticated and delivered on the original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to the Bond Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

**Sinking Fund Installment.** An amount so designated which is established pursuant to the Bond Resolution.

**Special Purpose Facilities.** Any capital improvements or facilities acquired or constructed by the Authority from funds other than Revenues or obligations payable from Revenues and located or to be located on any property included under the definition of Airport System.

**Special Trustee.** The Special Trustee appointed pursuant to the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

**Standard & Poor's or S&P.** Standard & Poor's, a Division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

**Subordinated Indebtedness.** Any evidence of indebtedness of the Authority payable out of and which may be secured by a pledge of amounts available in the Discretionary Fund established under the Bond Resolution.

**Trust Agreements.** (i) the Trust Agreement, dated March 1, 1972, relating to the Airport Revenue Bonds of 1972 of the City of Orlando, Florida, and (ii) the Trust Agreement, dated March 1, 1974, relating to the Airport Revenue Bonds of 1974 of the City of Orlando, Florida, both by and between the City of Orlando, Florida and Sun Bank, National Association (formerly known as Sun First National Bank of Orlando) as trustee, as such Trust Agreements have been or shall be amended.

### **Pledge Under Resolution**

Payment of the principal and redemption price of, and interest on, the Bonds is secured, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms of the Resolution, by (i) the proceeds of the sale of the Bonds, (ii) prior to the Retirement Date of Prior Lien Bonds, all Available Revenues upon transfer to the Revenue Fund held under the Resolution, (iii) on and after the Retirement Date of Prior Lien Bonds, all Revenues, and (iv) all funds established by the Resolution, including the investments thereof. The pledge is expressly subject and subordinate in all respects to the pledge and lien created by the Trust Agreements.

### **Additional Bonds**

One or more Series of Additional Bonds may be issued for the purpose of paying the cost of construction of any Additional Project, subject to the following conditions and tests, among others:

1. Receipt by the Trustee of a certificate of an Authorized Officer of the Authority demonstrating that Net Revenues for any consecutive 12-month period out of the preceding 18 months equaled at least 1.25 times the sum of Aggregate Debt Service and Prior Lien Debt Service; and

2. Receipt by the Trustee of a report of the Consulting Engineers setting forth (i) the estimated substantial completion and placed in service date for the Additional Project for which such Series of Additional Bonds is being issued and for any other uncompleted Project, and (ii) an estimate of the Cost of Construction of such Additional Project and of any other uncompleted Project;

3. Receipt by the Trustee of a report of the Airport Consultant demonstrating that the estimated Net Revenues for each of the five Fiscal Years following the Fiscal Year in which the Additional Project is estimated to be substantially completed and placed into service, less the sum of the amounts estimated to be deposited from Revenues or Available Revenues in each such Fiscal Year into the renewal and replacement fund and operating reserve account established under the Trust Agreements and into the Operation and Maintenance Reserve Account, the Capital Expenditures Fund and the Renewal and Replacement Fund established under the Resolution, shall be at least equal to 1.25 times the sum of Aggregate Debt Service (including the Aggregate Debt Service estimated by the Authority with respect to future Series of Bonds estimated to be required to complete such Additional Project and

any other uncompleted Project) plus Prior Lien Debt Service for each such Fiscal Year.

### **Refunding Bonds**

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund (a) all Outstanding Bonds of one or more Series or all or any portion of one or more maturities within a Series, or (b) any Subordinated Indebtedness, or (c) all Prior Lien Bonds (or, if permitted by the Trust Agreements, Prior Lien Bonds of one series or any portion thereof) as follows:

1. Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds, or one or more maturities or any portion of a maturity, within a Series shall be authenticated and delivered by the Trustee only upon receipt by it from the Authority of:

(a) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, shall be held by the Trustee or one or more of the Paying Agents or (ii) Investment Securities and moneys, sufficient to satisfy the defeasance requirements of the Bond Resolution, shall be held in trust. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION -- Defeasance" for a summary of the defeasance requirements of the Bond Resolution; and

(b) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority to the effect that either (i) issuance of the refunding Bonds will not cause an increase in Aggregate Debt Service in the then-current or any future Fiscal Year, or (ii) the tests set forth in the Bond Resolution for the issuance of Additional Bonds in connection with issuance of the refunding Bonds have been met, treating the refunding Bonds as Additional Bonds for all purposes of such certificate and tests. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION -- Additional Bonds" for a summary of certain conditions and tests applicable to Additional Bonds.

2. Refunding Bonds may be issued to refund Subordinated Indebtedness upon satisfaction of the following conditions, among others:

(a) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority, in general stating that

the conditions and tests applicable to the issuance of Additional Bonds have been satisfied; and

(b) Receipt by the Trustee of a certificate of an Authorized Officer of the Authority (or of the trustee under the instrument authorizing such Subordinated Indebtedness, if there be such a trustee) stating, among other things, that provision has been duly made for the redemption or payment at maturity of such Subordinated Indebtedness.

3. Refunding Bonds may be issued to refund all Prior Lien Bonds (or, if permitted by the Trust Agreements, Prior Lien Bonds of one series or any portion thereof) upon receipt by the Trustee of, among other things, a certified copy of a resolution of the Authority providing for the redemption or payment of the Prior Lien Bonds being refunded and a counsel's opinion to the effect that all actions required by the Trust Agreements to provide for the redemption or payment of Prior Lien Bonds being refunded have been taken.

#### **Subordinated Indebtedness**

The Authority may, from time to time, issue indebtedness payable out of amounts in its Discretionary Fund provided that any pledge granted in connection therewith shall be subordinate in all respects to the pledge created by the Bond Resolution.

#### **Rate Covenant**

The Authority covenants in the Resolution that it will, at all times while any Bonds are Outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport System as shall be required in order that in each Fiscal Year the Net Revenues, less the amounts, if any, required to be deposited from Revenues or Available Revenues into the renewal and replacement fund and operating reserve account established under the Trust Agreements and into the Capital Expenditures Fund, the Operation and Maintenance Reserve Account and the Renewal and Replacement Fund established under the Resolution, shall equal at least 1.25 times the sum of the Aggregate Debt Service and Prior Lien Debt Service for such Fiscal Year, and, in any event, as shall be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues or Available Revenues under the Resolution and Trust Agreements.

## **Application of Revenues**

The Resolution establishes the following funds and accounts for the application of Revenues:

### **FundHeld By**

Airport Facilities Revenue Fund	Special Trustee
Airport Facilities Bond Fund (consisting of a Debt Service Account and a Debt Service Reserve Account)	Trustee
Airport Facilities Operation and Maintenance Fund (which includes an Operation and Maintenance Reserve Account)	Authority
Airport Facilities Capital Expenditures Fund	Authority
Airport Facilities Renewal and Replacement Fund	Authority
Airport Facilities Discretionary Fund (which includes the PFC Account)	Authority
Airport Facilities Improvement and Development Fund	Authority
Airport Facilities Prepaid Airline Fees and Charges Fund	Authority

### **Prior to Retirement Date of Prior Lien Bonds**

The Resolution provides that, prior to the Retirement Date of Prior Lien Bonds, all Revenues shall be deposited into the revenue fund established under the Trust Agreements. The Trust Agreements provide that moneys held in said revenue fund shall, on the first day of each month, be deposited into the following funds and accounts established under the Trust Agreements in the following order of priority:

1. To the sinking fund established under the Trust Agreements: (i) for credit to the interest account therein, an amount equal to one-sixth (1/6) of the amount of interest which will mature on the Prior Lien Bonds on the next semi-annual interest payment date; (ii) for credit to the principal account therein, an amount equal to one-twelfth (1/12) of the amount of principal becoming due on the Prior Lien Bonds on the next principal maturity date; (iii) for credit to the reserve account therein, an amount equal to one-sixtieth (1/60) of the largest amount of principal, interest and required amounts in the redemption account thereon which will mature or become due on the Prior Lien Bonds in any succeeding year, provided, however, that no further deposits are required whenever and as long as the amount on deposit in said reserve account equals the largest amount of principal, interest and required amounts in the redemption account thereon to become due in any succeeding year; and (iv) for credit to the redemption account therein, an amount equal to one-twelfth (1/12) of the annual required amount, if any, for term Prior Lien Bonds.

Amounts in the interest account are to be applied to the payment of interest on the Prior Lien Bonds. Amounts in the principal account are to be applied to the payment of principal on

the Prior Lien Bonds. Amounts in the reserve account are to be applied to the payment of principal of and interest on the Prior Lien Bonds whenever the moneys in the interest account, the principal account and the redemption account are insufficient therefor. All withdrawals from the reserve account shall be restored from the first revenues or moneys pledged under the Trust Agreements available after making all required deposits into the interest account, principal account and redemption account thereunder. Amounts in the redemption account are to be applied to the retirement of term Prior Lien Bonds.

2. To the operation and maintenance fund established under the Trust Agreements, an amount equal to one-twelfth (1/12) of the amount set forth in the current Annual Budget for operating expenses as defined in the Trust Agreements. Amounts in the operation and maintenance fund are to be applied to the payment of the operating expenses as defined in the Trust Agreements of the Airport System including fees of the trustee and paying agent for the Prior Lien Bonds. Amounts remaining in said fund at the end of each Fiscal Year may be transferred to the revenue fund established under the Trust Agreements.

3. To the operating reserve account held in the revenue fund established under the Trust Agreements, an amount which, together with moneys on deposit therein, will equal one-sixth (1/6) of the operating expenses as defined in the Trust Agreements set forth in the current Annual Budget. Amounts in the operating reserve account are to be applied to the payment of operating expenses as defined in the Trust Agreements when the moneys in the operation and maintenance fund are insufficient therefor. Any withdrawals from the operating reserve account shall be restored from the first revenues available after making the deposits described in subparagraphs (1) and (2) above. At the end of each Fiscal Year, any moneys in excess of the maximum requirement shall be transferred to the revenue fund established under the Trust Agreements.

4. To the renewal and replacement fund established under the Trust Agreements, an amount equal to one-twelfth (1/12) (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount provided therefor in the then-current Annual Budget for said renewal and replacement fund, provided that no further deposits into said fund shall be required whenever and as long as the uncommitted monies in said fund are equal to or greater than \$1,000,000 or such larger amount (currently \$9,250,000) certified by the Airport Consultant as necessary for the purposes of said fund. Amounts in the renewal and replacement fund are to be applied to the payment of the cost of rebuilding, reconstructing, altering, replacing and renewing

facilities of the Airport System, construction and acquisition of improvements and capital assets of the Airport System, items which are not annually incurred but which may be incurred in reasonable intervals not exceeding five years (including, but not limited to, painting, insurance, extraordinary repair, unusual damage and similar purposes), and moveable equipment including, but not limited to, fire fighting equipment, trucks, tractors and automotive equipment.

5. To the discretionary fund established under the Trust Agreements, an amount equal to (i) one-twelfth (1/12) of an amount equal to seven and one-half per centum (7-1/2%) of budgeted gross revenues, or (ii) \$10,000, whichever is greater. Amounts in the discretionary fund are to be applied first, to the extent Revenues are insufficient therefor, for the making of required deposits into the reserve account held within the sinking fund established under the Trust Agreements and the operation and maintenance fund established under the Trust Agreements; and next, in the discretion of the Authority as the City's successor, for any lawful purpose.

6. After making all the deposits provided in subparagraphs (1) to (5) inclusive, above, including all deficiencies for prior required payments, all moneys remaining in said revenue fund shall be deposited into the surplus fund established under the Trust Agreements. Amounts in the surplus fund may be used, in the discretion of the Authority as the City's successor, for any airport purpose or for the purchase or redemption of Prior Lien Bonds.

The Trust Agreements also provide that, notwithstanding any other provision, amounts on deposit in the aforementioned operating reserve account held within the revenue fund, the renewal and replacement fund, the discretionary fund and the surplus fund shall be applied to the payment of principal of and interest on Prior Lien Bonds and for required deposits, if any, into the redemption account held within the sinking fund whenever the moneys in the interest account, principal account, redemption account and reserve account, each held within the sinking fund established under the Trust Agreements, are insufficient for such purposes.

Prior to the Retirement Date of Prior Lien Bonds, the Authority has covenanted in the Resolution to withdraw on the second day of each month from the discretionary fund and the surplus fund established under the Trust Agreements all Available Revenues and to deposit all Available Revenues into the Airport Facilities Revenue Fund established under the Resolution. Available PFC Revenues shall be deposited by the Authority into the Revenue Fund as soon as practicable in each month. Amounts in the

Revenue Fund shall be applied monthly to the following funds and accounts established under the Resolution, in the following order of priority, as follows:

7. To the Airport Facilities Bond Fund, for credit to the Debt Service Account therein, if and to the extent required so that the balance in such Account (exclusive of certain amounts deposited therein from Bond proceeds) shall equal the Accrued Aggregate Debt Service.

8. To the Airport Facilities Bond Fund for credit to the Debt Service Reserve Account therein, an amount, if and to the extent necessary, so that the balance in said Debt Service Reserve Account shall equal the Debt Service Reserve Requirement.

9. To the Airport Facilities Capital Expenditures Fund, an amount equal to one-twelfth (1/12) (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount provided therefor in the then-current Annual Budget, provided that, if any such monthly allocation shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency.

10. To the Airport Facilities Discretionary Fund, the amount of \$166,666.66 plus all amounts required to be deposited into such Fund in such month by the terms of any agreements securing indebtedness issued by the Authority to finance improvements to the Airport System, plus all amounts required to pay in a timely manner all payments the Authority is required to make to any third party under any interest rate swap agreement or other derivative financial product agreement between the Authority and a third party, plus, for deposit in the PFC Account, an amount equal to the difference between (a) the amount of Available PFC Revenues deposited in the Revenue Fund, plus amounts withdrawn from the PFC Account to cure deficiencies in the Debt Service Account and the Debt Service Reserve Account for the payment of debt service on the Bonds (to the extent not previously replenished), and (b) the Accrued Aggregate Debt Service with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by an Authorized Officer of the Authority, or such lesser amount which will not cause the amount on deposit in said Airport Facilities Discretionary Fund to exceed the Discretionary Fund Maximum Balance; provided that, if any such monthly allocation to said Airport Facilities Discretionary Fund shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency to the extent that the amount on deposit in such Airport Facilities Discretionary Fund shall not exceed the Discretionary Fund Maximum Balance. The amount of the monthly deposit to the Airport Facilities

Discretionary Fund may be adjusted by the Authority at any time if not prohibited under the terms of the Lease and Use Agreements. (The Lease and Use Agreements permit such adjustment from time to time by agreement between the Authority and a Majority-In-Interest of such airlines.)

11. At the end of each Fiscal Year, after all deposits required to be made into each of the aforesaid funds and accounts established under the Resolution have been made, the Special Trustee shall transfer from the remaining moneys on deposit in the Airport Facilities Revenue Fund a sum equal to the estimated amount of moneys which are not required to make up deficiencies in any of the aforesaid funds and accounts, as follows: (i) an amount equal to fifty percent (50%) of such remaining moneys shall be deposited in the Airport Facilities Improvement and Development Fund, and (ii) an amount equal to fifty percent (50%) of such remaining moneys shall be deposited in the Airport Facilities Prepaid Airline Fees and Charges Fund. When it has been determined by audit what actual amounts were on deposit in the Airport Facilities Revenue Fund at the end of a Fiscal Year which were not required to make up deficiencies as aforesaid, an adjustment shall be made, as follows:

(a) If such amounts were overestimated, there shall be deposited into such Revenue Fund from each of the Airport Facilities Improvement and Development Fund and the Airport Facilities Prepaid Airline Fees and Charges Fund, respectively, fifty percent (50%) of the overestimated amount.

(b) If such amounts were underestimated, there shall be deposited from the Airport Facilities Revenue Fund into each of the Airport Facilities Improvement and Development Fund and the Airport Facilities Prepaid Airline Fees and Charges Fund, respectively, fifty percent (50%) of the underestimated amount.

At such time as the total amount held in the Debt Service Account and the Debt Service Reserve Account shall be sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal of, applicable sinking fund Redemption Price and interest thereon), no further deposits shall be required to be made into such accounts and the Bonds shall no longer be deemed Outstanding.

#### **After Retirement Date of Prior Lien Bonds**

On and after the Retirement Date of Prior Lien Bonds, the Authority shall promptly deposit all Revenues (including Available PFC Revenues) into the Airport Facilities Revenue Fund established under the Resolution. Amounts in the Airport Facilities Revenue

Fund after the Retirement Date of Prior Lien Bonds shall be applied monthly to the following funds and accounts established under the Resolution, in the following order of priority, as follows:

1. To the Airport Facilities Operation and Maintenance Fund, an amount equal to one-twelfth (1/12) (or such greater fraction if the period is less than 12 months as may be appropriate) of the amount provided for Operation and Maintenance Expenses in the then-current Annual Budget.

2. To the Airport Facilities Bond Fund, for credit to the Debt Service Account therein, if and to the extent required so that the balance in such Account shall equal Accrued Aggregate Debt Service; provided that, for purposes of computing the amount in the Debt Service Account, there shall be excluded the amount, if any, set aside therein from the proceeds of each Series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such Series (or any Refunding Bonds issued to refund such Bonds), other than with respect to Capital Appreciation Bonds, to the last day of the then-current calendar month.

3. To the Airport Facilities Bond Fund, for credit to the Debt Service Reserve Account therein, if and to the extent necessary so that the balance in such Account equals the Debt Service Reserve Requirement.

4. To the Airport Facilities Operation and Maintenance Fund for credit to the Operation and Maintenance Reserve Account therein, an amount equal to one-twelfth (1/12) (or such greater fraction if the period is less than 12 months as may be appropriate) of the difference between the sum on deposit in said Account at the beginning of the then-current Fiscal Year and one-sixth (1/6) of the Operation and Maintenance Expenses set forth in the then-current Annual Budget.

5. To the Airport Facilities Capital Expenditures Fund, a sum equal to one-twelfth (1/12) of the amount provided therefor in the then-current Annual Budget; provided that, if any such monthly allocation shall be less than the required amount, the amount of the next monthly payment shall be increased by the amount of such deficiency.

6. To the Airport Facilities Renewal and Replacement Fund, a sum equal to one-twelfth (1/12) of the amount provided therefor in the then-current Annual Budget; provided that no deposit shall be required whenever and as long as uncommitted moneys in said Fund are equal to or greater than \$1,000,000 or such larger amount (currently \$9,250,000) as the Airport Consultant shall certify as necessary for the purposes of said Fund; and

provided further that, if any such monthly allocation shall be less than the required amount, the amount of the next monthly payment shall be increased by the amount of such deficiency.

7. To the Airport Facilities Discretionary Fund, the amount of \$166,666.66 plus all amounts required to be deposited into such Fund in such month by the terms of any agreements relating to indebtedness issued by the Authority to finance improvements to the Airport System, plus all amounts required to pay in a timely manner all payments the Authority is required to make to any third party under any interest rate swap agreement or other derivative financial product agreement between the Authority and a third party, plus, for deposit in the PFC Account, an amount equal to the difference between (a) the amount of Available PFC Revenues deposited in the Revenue Fund, plus amounts withdrawn from the PFC Account to cure deficiencies in the amounts in the Debt Service Account and the Debt Service Reserve Account necessary to pay debt service on the Bonds or to cure deficiencies in the Airport Facilities Operation and Maintenance Fund including the Operation and Maintenance Reserve Account necessary to Operation and Maintenance Expenses (to the extent not previously replenished), and (b) the Accrued Aggregate Debt Service with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by an Authorized Officer of the Authority, or such lesser amount which will not cause the amount on deposit in such Fund to exceed the Discretionary Fund Maximum Balance; provided that, if any such monthly allocation to said Fund shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency to the extent that the amount on deposit in such Fund shall not exceed the Discretionary Fund Maximum Balance. The amount of the monthly deposit to the Airport Facilities Discretionary Fund may be adjusted by Authority at any time if not prohibited under the terms of the Lease and Use Agreements. (The Airline-Airport Lease and Use Agreements permit such adjustment from time to time by agreement between the Authority and a Majority-In-Interest of such airlines.)

8. At the end of each Fiscal Year, after all deposits required to be made into each of the aforesaid funds and accounts have been made, the Special Trustee shall transfer from the remaining moneys on deposit in the Airport Facilities Revenue Fund a sum equal to the estimated amount of moneys which are not required to make up deficiencies in any of the aforesaid funds and accounts as follows: (i) an amount equal to fifty percent (50%) of such remaining moneys shall be deposited into the Airport Facilities Improvement and Development Fund and (ii) an amount equal to fifty percent (50%) of such remaining moneys shall be deposited into the Prepaid Airline Fees and Charges Fund. When it

has been determined by audit what actual amounts were on deposit in the Airport Facilities Revenue Fund at the end of a Fiscal Year which were not required to make up deficiencies as aforesaid, an adjustment shall be made, as follows:

(a) If such amounts were overestimated, there shall be deposited into the Airport Facilities Revenue Fund from each of the Airport Facilities Improvement and Development Fund and the Airport Facilities Prepaid Airline Fees and Charges Fund, respectively, fifty percent (50%) of the overestimated amount.

(b) If such amounts were underestimated, there shall be deposited from the Airport Facilities Revenue Fund into each of the Airport Facilities Improvement and Development Fund and the Airport Facilities Prepaid Airline Fees and Charges Fund, respectively, fifty percent (50%) of the underestimated amount.

At such time as the total amount held in the Debt Service Account and the Debt Service Reserve Account shall be sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal of, applicable sinking fund Redemption Price and interest thereon), no further deposits shall be required to be made into such Accounts and the Bonds shall no longer be deemed Outstanding.

**Application of Airport Facilities Bond Fund - Debt Service Account.**

1. The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date and each Principal Installment due date for any of the Bonds, the amount required for the interest and Principal Installments payable on such dates; and (ii) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

2. Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the Authority, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established,

or (ii) the optional redemption at the applicable sinking fund Redemption Prices, of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Fund which were deposited therein from the proceeds of Additional Bonds) may, and if so directed by the Authority, shall be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All such purchases of Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Fund. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

3. The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Fund and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

**Application of Airport Facilities Bond Fund - Debt Service Reserve Account.**

If, on the final business day of any month the amount in the Debt Service Account shall be less than the amount required to be in such Account, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to cure the deficiency. Whenever the moneys on deposit in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, the Trustee, at the direction of an Authorized Officer of the Authority, shall allocate and apply the amount of such excess in the same manner as Available Revenues or Revenues, as the case may be. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price

and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds Outstanding.

**Application of Airport Facilities Operation and Maintenance Fund and Operation and Maintenance Reserve Account.**

Amounts in the Airport Facilities Operation and Maintenance Fund shall be paid out from time to time by the Authority for reasonable and necessary Operation and Maintenance Expenses. Amounts in the Airport Facilities Operation and Maintenance Fund which the Authority at any time determines to be in excess of the requirements of such Fund shall be paid over by the Authority to the Special Trustee for deposit into the Revenue Fund. Moneys to the credit of the Operation and Maintenance Reserve Account shall be paid out from time to time by the Authority for reasonable and necessary Operation and Maintenance Expenses to the extent that sufficient funds are not available within the Operation and Maintenance Fund for such purposes. If at any time amounts on deposit in the Maintenance Reserve Account are in excess of 1/6 of the Operation and Maintenance Expenses with respect to the Airport System as set forth in the then current Annual Budget, the Authority shall pay such excess to the Special Trustee for deposit into the Revenue Fund.

**Application of Airport Facilities Capital Expenditures Fund.**

Moneys in the Capital Expenditures Fund may be applied to purchase items of equipment and other capital items for use in connection with the Airport System. Any payments made by the Authority from the Capital Expenditures Fund shall be made in such manner as is not prohibited under the terms of the Lease and Use Agreements.

If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Airport Facilities Discretionary Fund, the Airport Facilities Improvement and Development Fund and the Airport Facilities Renewal and Replacement Fund shall be insufficient to pay the interest and Principal Installments when due on the Bonds, the Authority, upon requisition of the Trustee, shall transfer from the Airport Facilities Capital Expenditures Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

After the Retirement Date of Prior Lien Bonds, to the extent not required to meet a deficiency as described in the preceding paragraph, if at any time the moneys in the Airport Facilities Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account), the Airport Facilities Discretionary Fund, the Airport Facilities Improvement and Development Fund and the Airport Facilities Renewal and Replacement Fund shall be insufficient to pay Operation and Maintenance Expenses when due, the Authority shall transfer from the Airport Facilities Capital Expenditures Fund to the Airport Facilities Operation and Maintenance Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

**Application of Airport Facilities Renewal and Replacement Fund.**

Moneys in the Airport Facilities Renewal and Replacement Fund may be applied to pay costs of unanticipated or emergency replacements and repairs to the Airport System.

If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Airport Facilities Discretionary Fund and the Airport Facilities Improvement and Development Fund shall be insufficient to pay the interest and Principal Installments when due on the Bonds, the Trustee shall transfer from the Airport Facilities Renewal and Replacement Fund to the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

After the Retirement Date of Prior Lien Bonds, to the extent not required to meet a deficiency as described in the preceding paragraph, if at any time the moneys in the Airport Facilities Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account), the Airport Facilities Discretionary Fund and the Airport Facilities Improvement and Development Fund shall be insufficient to pay Operation and Maintenance Expenses when due, the Trustee shall transfer from the Airport Facilities Renewal and Replacement Fund to the Authority for deposit in the Airport Facilities Operation and Maintenance Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

**Application of Airport Facilities Discretionary Fund and PFC Account.**

1. If at any time the moneys in the Debt Service Account and the Debt Service Reserve Account shall be insufficient to pay the interest and Principal Installments when due on the Bonds, the Authority, upon requisition of the Trustee, shall transfer from the Airport Facilities Discretionary Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

2. After the Retirement Date of Prior Lien Bonds, to the extent not required to meet a deficiency as described in paragraph 1, if at any time the moneys in the Airport Facilities Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account) shall be insufficient to pay Operation and Maintenance Expenses when due, the Authority shall transfer from the Airport Facilities Discretionary Fund to the Airport Facilities Operation and Maintenance Fund the amount necessary (or all moneys in said Fund if less than the amount necessary) to make up such deficiency.

3. Amounts in the Airport Facilities Discretionary Fund not required to meet a deficiency as described in paragraphs 1 and 2 may, at the discretion of the Authority and, with respect to amounts in the PFC Account, subject to the requirements described in paragraph 5 below, be applied to any one or more of the following purposes:

(a) the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any such Bonds;

(b) payments of principal or redemption price of and interest on any Subordinated Indebtedness;

(c) payments into any separate account or accounts established in the Construction Fund for application in a manner consistent with the purposes of such account;

(d) improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport System or the provision of one or more reserves therefor; and

(e) any other corporate purpose of the Authority in connection with the Airport System;

provided that, subject to the provisions described in paragraphs 1 and 2, amounts deposited in the Airport Facilities Discretionary Fund and required by the Resolution to be applied to the purchase or redemption of Bonds shall be applied to such purpose in such manner as the Authority shall determine.

4. Subject to the provisions described in this section and the terms of any pledge securing Subordinated Indebtedness, amounts in the Airport Facilities Discretionary Fund shall be applied to the purposes specified in paragraph 3.

5. Amounts in the PFC Account in the Airport Facilities Discretionary Fund not required to meet a deficiency as described in paragraphs 1 and 2 may be withdrawn by the Authority at any time and shall be applied by the Authority, in its discretion, in accordance with the applicable approvals and authorizations of the FAA and applicable FAA Regulations.

**Application of Airport Facilities Improvement and Development Fund.**

Moneys in the Airport Facilities Improvement and Development Fund may be applied to costs of the Airport Improvement and Development Plan for the then current Fiscal Year or to the purchase or redemption of Bonds, including any expenses in connection with such purchase or redemption.

If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account and the Airport Facilities Discretionary Fund shall be insufficient to pay the interest and Principal Installments when due on the Bonds, the Authority, upon requisition of the Trustee, shall transfer from the Airport Facilities Improvement and Development Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

After the Retirement Date of Prior Lien Bonds, to the extent not required to meet a deficiency as described in the preceding paragraph, if at any time the moneys in the Airport Facilities Operation and Maintenance Fund (including the Operation and Maintenance Reserve Account) and the Airport Facilities Discretionary Fund shall be insufficient to pay Operation and Maintenance Expenses when due, the Authority shall transfer from the Airport Facilities Improvement and Development Fund to the Airport Facilities Operation and Maintenance Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

**Application of Airport Facilities Prepaid Airline Fees and Charges Fund.**

Prior to the Retirement Date of Prior Lien Bonds any remaining amounts on deposit in the Prepaid Airline Fees and Charges Fund at the end of each Fiscal Year shall be transferred by the Authority to the Trustee under the Trust Agreements for deposit into the revenue fund established under the Trust Agreements for application in accordance with the provisions of the Trust Agreements, such deposit to be made in equal amounts in each of the first three months of the next succeeding Fiscal Year.

On or after the Retirement Date of Prior Lien Bonds, any remaining amounts on deposit in the Prepaid Airline Fees and Charges Fund at the end of each Fiscal Year shall be transferred by the Authority to the Special Trustee for deposit into the Revenue Fund, such deposit to be made in equal amounts in each of the first three months of the next succeeding Fiscal Year.

**Investment of Certain Funds**

The Resolution provides that certain funds and accounts held thereunder may, and in the case of the Debt Service Account and the Debt Service Reserve Account shall, be invested to the fullest extent practicable in Investment Securities. The Resolution provides that such investments shall mature no later than such time as shall be necessary to provide moneys when needed for payments from such funds and accounts, and in the case of the following funds and accounts not later than the period set forth below:

Debt Service Reserve Account	15 years
Operation and Maintenance Fund, including the Operation and Maintenance Reserve Account	1 year
Capital Expenditures Fund	5 years
Renewal and Replacement Fund	5 years
Improvement and Development Fund	5 years
Discretionary Fund	5 years

Prior to the Retirement Date of Prior Lien Bonds, net interest earned on any moneys or investments in such funds or accounts shall remain in or be paid into the Debt Service Account. After the Retirement Date of Prior Lien Bonds, net interest earned on any moneys or investments in any such funds and accounts shall be paid into the Airport Facilities Revenue Fund.

All funds and accounts under the Bond Resolution shall be valued semiannually at the lower of cost or principal amount thereof, except investments in the Debt Service Reserve Account

shall be valued semiannually at the lower of cost or market price.

### **Construction Fund**

The Resolution establishes an Airport Facilities Construction Fund to be held by the Special Trustee, and provides that the Special Trustee shall establish within such fund a separate account for each Additional Project which is to be paid from the Construction Fund.

There shall be paid into the Airport Facilities Construction Fund the amounts required by the Resolution. The Authority may also pay into the Airport Facilities Construction Fund any moneys received for or in connection with the Airport System from any other source, unless required to be otherwise applied as provided by the Resolution or the Trust Agreements.

To the extent that other moneys are not available therefor in any other fund, amounts in the Airport Facilities Construction Fund shall be applied to the payment of Principal Installments and interest on the Bonds when due, unless such use would cause interest on Bonds (other than Bonds issued with the intent that interest thereon be included in gross income for federal income tax purposes) not to be excluded from gross income for federal income tax purposes.

Amounts in each separate account established for any Additional Project shall be applied to the purpose or purposes specified in the supplemental resolution authorizing the Bonds issued with respect to such Additional Project. Amounts will be withdrawn from the Construction Fund pursuant to requisitions signed by an Authorized Officer of the Authority filed with the Special Trustee. Each such requisition must evidence that the stated amounts have been incurred by the Authority, that each item is a proper charge against the Construction Fund and that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to anyone named in the requisition which has not been released, or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Amounts in the Airport Facilities Construction Fund may be invested in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the cost of construction or such other purpose to which such moneys are applicable. Interest earned on moneys or investments in

a separate account in the Airport Facilities Construction Fund shall be held in such account for the purposes thereof.

Upon completion of any Additional Project as evidenced by certificate of the Consulting Engineers, any amount remaining in the separate account established therefor not required to complete payment of the cost of construction shall be deposited in the Debt Service Reserve Account to the extent necessary to meet the Debt Service Reserve Requirement and the balance shall be <sup>3</sup>(i) transferred to the Debt Service Account and applied to the purchase or redemption of Bonds, or (ii) used to pay costs of improvements to the Airport System, as the Authority shall direct.

#### **Certain Covenants Relating to Trust Agreements**

1. The Authority covenants that it shall not issue any bonds or other evidences of indebtedness under the Trust Agreements, or extend the maturity of any Prior Lien Bonds, except that Prior Lien Bonds may be authenticated and delivered, other than on original issuance, in lieu of or in substitution for other Prior Lien Bonds in connection with servicing the Prior Lien Bonds.

2. The Authority covenants that it shall do and perform, or cause to be done and performed, all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Trust Agreements, so long as the same shall be in force, and shall not amend the Trust Agreements in any manner which adversely affects or diminishes the rights of the Bondholders under the Resolution.

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3. Promptly after the Retirement Date of Prior Lien Bonds, the Authority shall transfer or cause to be transferred to the funds and accounts established under the Resolution all moneys and securities in the funds and accounts established under the Trust Agreements which are not required for the payment of Prior Lien Bonds or for the payment of any fees and expenses of the trustee, any paying agent or other fiduciary under the Trust Agreements. Such transfers of excess funds and securities shall be made as follows:

<u>Funds and Accounts Established under the Trust Agreements</u>	to	<u>Funds and Accounts Established under the Resolution</u>
Revenue Fund	to	Revenue Fund
Interest Account	to	Revenue Fund
Principal Account	to	Revenue Fund
Reserve Account	to	Revenue Fund
Redemption Account	to	Revenue Fund
Operation and Maintenance Fund	to	Operation and Maintenance Fund
Operating Reserve Account	to	Operation and Maintenance Reserve Account
Renewal and Replacement Fund	to	Renewal and Replacement Fund
Discretionary Fund	to	Revenue Fund
Airport System Surplus Fund	to	Revenue Fund

**Certain Other Covenants**

**Passenger Facility Charges (PFCs)**

The Authority has covenanted and agreed to file such applications, submit such reports and take any and all such other actions that may be necessary or desirable to preserve its rights to impose and collect PFCs from which Available PFC Revenues are

derived, to enforce with reasonable diligence its rights to receive PFC Revenues from which Available PFC Revenues are derived and to use the proceeds of such Available PFC Revenues and amounts required to be deposited in the PFC Account in the manner provided in the Resolution. Without limiting the generality of the foregoing, the Authority has covenanted and agreed as follows:

(a) To apply PFC Revenues only to finance allowable costs of approved projects in accordance with the FAA Regulations and applicable FAA authorizations and approvals (including Accrued Aggregate Debt Service with respect to that portion of the bonds issued to finance PFC Projects);

(b) To comply with the applicable requirements of Section 9304(e) and 9307 of the Airport Noise and Capacity Act of 1990 (Pub. L. 101-508, Title IX, Subtitled D);

(c) To notify the air carriers and foreign air carriers required to collect PFCs with respect to the Airport System of the FAA's approval of the imposition of such PFC's in accordance with the requirements of the FAA Regulations and to take all actions reasonably necessary to insure the proper collection and remittance of the PFC Revenues from which Available PFC Revenues are derived by the air carriers; and

(d) To comply with all reporting, recordkeeping, and auditing requirements contained in the FAA Regulations.

#### **Indebtedness and Liens**

The Authority covenants not to issue any bonds or other evidences of indebtedness, other than the Bonds, or Prior Lien Bonds issued only in lieu of or in substitution for other Prior Lien Bonds in connection with servicing the Prior Lien Bonds, payable out of or secured by a pledge of the Revenues, Available Revenues or of the moneys, securities or funds held or set aside by the Authority or by the fiduciaries under the Resolution, and shall not create or cause to be created any lien or charge on the Revenues, Available Revenues, or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing (i) evidences of indebtedness payable out of moneys in the Airport Facilities Construction Fund as part of the Cost of Construction of any Additional Project, or payable out of, or secured by the pledge of, Revenues derived after the Retirement Date of Prior Lien Bonds and after the date of the pledge of Revenues provided in the Resolution shall be discharged and satisfied, or (ii) Subordinated Indebtedness.

## **Insurance**

So long as any Bonds are outstanding, in addition to any requirements for insurance under the terms of the Trust Agreements, the Authority shall at all times carry insurance with a responsible insurance company or companies, covering such properties of the Airport System as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business, all in accordance with the annual written recommendations of the Airport Consultant.

Prior to the Retirement Date of Prior Lien Bonds, any proceeds of insurance for the Airport System shall be applied in accordance with the provisions of the Trust Agreements. After the Retirement Date of Prior Lien Bonds, any proceeds of insurance for the Airport System, except proceeds pertaining to a period of construction which shall be paid into the Airport Facilities Construction Fund, shall, to the extent necessary and desirable, be applied to the repair and replacement of any damaged or destroyed properties of the Airport System. If any of said proceeds received after the Retirement Date of Prior Lien Bonds are not used to repair or replace property, such proceeds shall be paid into the Debt Service Account.

## **Accounts and Reports**

The Authority covenants to keep proper and separate books of record and account relating to the Revenues, each fund and account established under the Resolution and each fund and account established under the Trust Agreements. Such books shall at all times be subject to the inspection of the Trustee and the holders of not less than five percent (5%) of the Bond Obligation then Outstanding.

The Authority covenants to file annually with the Trustee an annual report, prepared by an independent and recognized certified public accountant not in the regular employ of the Authority, which includes a statement of receipts and disbursements with respect to each fund and account established under the Resolution and each fund and account established under the Trust Agreements, a statement of the details of all Bonds and Prior Lien Bonds issued, paid, purchased or redeemed, a statement of the amounts on deposit at the end of the prior Fiscal Year in each fund and account established under the Resolution and each fund and account established under the Trust Agreements showing the details of investment thereof, a statement of the amounts of proceeds received from the sales of property constituting part of the Airport System, and a list of all insurance policies with respect to the Airport

System, and a statement as to the existence of any default under the provisions of the Resolution.

The Authority also agrees to prepare and file with the Trustee prior to the beginning of each Fiscal Year an Annual Budget setting forth for the ensuing Fiscal Year in reasonable detail, among other things, estimated Revenues and Operation and Maintenance Expenses, estimated deposits into each of the funds and accounts established under the Resolution and each fund and account established under the Trust Agreements and estimated expenditures for replacement of capital assets or extraordinary repairs. The Authority may at any time adopt an amended annual budget for the remainder of the then-current Fiscal Year.

The reports, statements and other documents required to be furnished to the Trustee shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the Authority. The Authority may charge a reasonable fee to each Bondholder requesting said items.

#### **Sale, Lease or Encumbrance of Property**

The Authority covenants not to sell or otherwise dispose of or encumber any part of the Airport System, except property which is no longer necessary, useful or profitable in the operation thereof, and except as described in the following paragraph.

If permitted by the terms of the Trust Agreements, the Authority may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport System if the same does not impede or restrict the operation of the Airport System by the Authority.

Prior to the Retirement Date of Prior Lien Bonds, any proceeds from the sale or other disposition of property, and any payments received with respect to a lease, contract, license, easement or other right, shall be applied in accordance with the Trust Agreements. After the Retirement Date of Prior Lien Bonds, such proceeds not used to replace such property and such payments not otherwise required to be applied in accordance with the Resolution shall be applied in the same manner and to the same purposes as Revenues.

## **Condemnation**

The Authority covenants that if the Airport System or any part thereof is taken by the exercise of eminent domain, any proceeds received in connection therewith shall (i) prior to the Retirement Date of Prior Lien Bonds, be applied in accordance with the terms of the Trust Agreements, and (ii) after the Retirement Date of Prior Lien Bonds, to the extent necessary and desirable, be applied to the replacement of the Airport System or such part thereof. Any such proceeds received after the Retirement Date of Prior Lien Bonds not applied to such replacement are required to be paid into the Debt Service Account.

## **Competing Facilities**

Nothing contained in the Bond Resolution shall prohibit the Authority from acquiring or constructing an airport or aviation facility and financing it from moneys other than Bond proceeds or Revenues generated by the Airport System. The Authority covenants, however, not to acquire or construct any such airport or aviation facility unless a certificate of the Airport Consultant is filed with the Trustee to the effect that such airport or aviation facility will not adversely affect Revenues or Available Revenues to be derived by the Authority, or the rights, security and remedies of Bondholders under the Resolution.

## **Special Purpose Facilities**

Both the Trust Agreements and the Bond Resolution permit the Authority to issue Special Purpose Facilities revenue bonds provided that such bonds are secured solely by the rentals and other charges derived by the Authority pursuant to the leasing or other agreement with respect to such facility and provided that certain other requirements are satisfied.

## **Events of Default and Remedies**

Events of Default specified in the Resolution include failure to pay principal or redemption price of any Bond when due; failure to pay any interest installments or the unsatisfied balance of any sinking fund installment when due; failure to perform the rate covenant, provided that such failure shall not constitute an Event of Default unless the Authority shall fail in the succeeding Fiscal Year to comply with the rate covenant or to restore any deficiencies which occurred in any funds in the preceding Fiscal Year; failure for sixty (60) days after written notice thereof by the Trustee or owners of at least twenty-five percent (25%) of the Bond Obligation Outstanding in the observance or performance of any other covenants, agreements or conditions provided in the Bond

Resolution or the Bonds; the filing of a petition, by the Authority or the City, seeking a composition of indebtedness under the federal bankruptcy laws, or other applicable federal or Florida statute; the appointment of a receiver for the Airport or any part thereof or other revenues therefrom with the consent of the Authority or the City; the appointment of such receiver without the consent of the Authority or the City, which appointment is not vacated, discharged, stayed or appealed within ninety (90) days; the rendering of a judgment for the payment of money against the Authority or the City, as the result of the construction, improvement, ownership, control or operation of the Airport System, which is not discharged within twenty-four (24) months or an appeal taken therefrom vacating or staying such judgment; and an event of default specified in the Trust Agreements and the Trustee thereunder or the holders of Prior Lien Bonds shall have taken remedial action.

Upon occurrence of an Event of Default, which shall not have been remedied, the Authority shall, if demanded by the Trustee, (i) account as trustee of an express trust, for all Revenues, moneys, securities and funds pledged under the Resolution, and (ii) pay over to the Trustee all moneys, securities and funds held in any fund or account under the Resolution and, as received, subject to application pursuant to the Trust Agreements, all Revenues, which the Trustee shall apply after payment of reasonable charges and expenses of the Trustee and reasonable fees and disbursements of its counsel, to the payment of interest and principal and redemption price then due on the Bonds.

If an Event of Default shall have occurred and not be remedied, the Trustee may, or on request of the holders of not less than twenty-five percent (25%) of the Bond Obligation then Outstanding shall, (i) declare the principal of (or with respect to Capital Appreciation Bonds, the Accreted Value of) all Bonds then outstanding, and interest accrued thereon, to be immediately due and payable, (ii) proceed to protect and enforce its rights and the rights of the Bondholders under the Bond Resolution by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Resolution or in aid of the execution of any power granted in the Resolution, or for an accounting against the Authority, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

The holders of not less than a majority of the Bond Obligation then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercise any trust or power conferred upon the Trustee

(subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction).

The Trustee may, and upon the request of a majority of the Bond Obligation then Outstanding and upon being furnished with reasonable security and indemnity shall, institute and prosecute a proper action to prevent any impairment of the security under the Resolution or to preserve or protect the interests of the Trustee and of the Bondholders.

In case an Event of Default shall occur (which shall not have been cured), the Trustee is required to exercise such of the rights and powers vested in it by the Bond Resolution and to use the same degree of care and skill in their exercise, as a prudent man would use under the circumstances in the conduct of his own affairs. No Bondholder shall have any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Bondholder shall have previously given the Trustee written notice of the Event of Default, and the holders of at least twenty-five percent (25%) of the Bond Obligation then Outstanding shall have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such action, suit or proceeding, and unless such Bondholders shall have offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and the Trustee shall have refused to comply with such request within thirty (30) days, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever by his or their action to affect, disturb, or prejudice the pledge created by the Bond Resolution, or to enforce any right under the Bond Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Bond Resolution shall be instituted, had and maintained in the manner provided in the Bond Resolution and for the equal benefit of all Bondholders. Nothing in the Resolution or the Bonds affects or impairs the Authority's obligation to pay from the sources specified in the Bond Resolution the Bonds and interest thereon when due or the right of any Bondholder to enforce such payment.

SO LONG AS THE 1998 BOND INSURER IS NOT IN DEFAULT OF ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY, AND SO LONG AS CERTAIN OTHER CONDITIONS DESCRIBED IN THE 1998 SUPPLEMENTAL RESOLUTION HAVE BEEN MET, THE 1998 BOND INSURER SHALL BE DEEMED TO BE THE HOLDER OF ALL OF THE THEN OUTSTANDING 1998 BONDS FOR

PURPOSES OF EXERCISING ALL RIGHTS OF THE BONDHOLDERS, OR MAKING ANY ELECTIONS BY THE BONDHOLDERS, WITH RESPECT TO THE EXERCISE OF REMEDIES UPON THE OCCURRENCE OF AN EVENT OF DEFAULT SPECIFIED IN THE BOND RESOLUTION, AND THE ACTUAL HOLDERS OF SUCH 1998 BONDS WILL NOT BE PERMITTED TO EXERCISE SUCH RIGHTS OR MAKE SUCH ELECTIONS.

#### **Removal of Trustee and Designation of Successor Trustee**

The Trustee may be removed at any time by a written instrument filed with the Trustee and signed by the holders of a majority of the Bond Obligation then Outstanding. Upon the resignation or removal of the Trustee, a successor Trustee may be appointed by the Holders of a majority of the Bond Obligation then Outstanding.

FOR SUCH PURPOSES, SO LONG AS IT IS NOT IN DEFAULT OF ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY, AND SO LONG AS CERTAIN OTHER CONDITIONS DESCRIBED IN THE 1998 SUPPLEMENTAL RESOLUTION HAVE BEEN MET, THE 1998 BOND INSURER SHALL BE DEEMED TO BE THE HOLDER OF ALL THEN OUTSTANDING 1998 BONDS AND THE ACTUAL HOLDERS OF SUCH 1998 BONDS WILL NOT BE PERMITTED TO EXERCISE SUCH RIGHTS.

#### **Supplemental Resolutions**

##### **Without Bondholder Consent**

The Authority may, without the consent of the Trustee or the Bondholders, adopt supplemental resolutions (i) to close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained therein, on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (ii) to add to the Bond Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (iii) to add to the limitations and restrictions in the Bond Resolution as theretofore in effect; (iv) to authorize Additional Bonds and, in connection therewith, specify and determine the details thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Additional Bonds; (v) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or Available Revenues, or of any other moneys, securities or funds; and (vi) to modify any of the provisions of the Bond Resolution in any respect whatever, provided

that such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding. Also, the Authority may, without the consent of the Trustee or the Bondholders, amend or terminate the Lease and Use Agreements.

The Authority may, with the consent of the Trustee, but without the consent of the Bondholders, adopt supplemental resolutions (i) to cure any ambiguity, supply an omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; (ii) to actions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or (iii) to make any other changes or modifications to or to otherwise amend the Resolution in any manner that does not materially adversely affect the interest or the rights of any of the Holders of Bonds issued pursuant to the Resolution and then Outstanding; provided, however, that any amendment pursuant to (iii) above must be consented to by the insurer of the \$176,320,000 Airport Facilities Revenue Bonds, Series 1992A and the \$31,600,000 Airport Facilities Refunding Revenue Bonds, Series 1992B, such consent not to be unreasonably withheld or delayed.

#### **With Bondholder Consent**

Supplemental Resolutions modifying or amending the Bond Resolution and the rights and obligations of the Authority and the holders of the Bonds and coupons thereunder, in any particular, may be adopted with the written consent (i) of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the Bond Obligation Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by modification or amendment, of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the Bond Obligation of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the Bond Obligation of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remaining Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds required to consent to such amendment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any

Outstanding Bond or of any installment of interest thereon, or in the case of Capital Appreciation Bonds, the Maturity Amount or Accreted Value, as applicable, or a reduction in the principal amount or the Redemption Price, or in the case of Capital Appreciation Bonds, the Maturity Amount or Accreted Value, as applicable, thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of the foregoing, a Series shall be deemed to be affected by a modification or amendment of the Bond Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may, in its discretion, determine whether or not Bonds of any particular Series or maturity would be affected by any modification or amendment of the Bond Resolution and any such determination shall be binding and conclusive on the Authority and all Bondholders. SO LONG AS THE 1998 BOND INSURER IS NOT IN DEFAULT OF ITS PAYMENT OBLIGATIONS UNDER ITS BOND INSURANCE POLICY, AND SO LONG AS CERTAIN OTHER CONDITIONS DESCRIBED IN THE 1998 SUPPLEMENTAL RESOLUTION HAVE BEEN MET, THE 1998 BOND INSURER SHALL BE DEEMED TO BE THE HOLDER OF ALL THEN OUTSTANDING 1998 BONDS FOR PURPOSES OF GRANTING CONSENTS TO AMENDMENTS TO THE BOND RESOLUTION, EXCEPT FOR PURPOSES OF CONSENTING TO AMENDMENTS WITH RESPECT TO CHANGES IN THE MATURITY, PRINCIPAL AMOUNT, INTEREST RATE OR PAYMENT DATE WITH RESPECT TO THE 1998 BONDS.

#### **Defeasance**

All Outstanding Bonds of any Series, or all or any portion of one or more maturities within a Series and all coupons pertaining to such Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the Bond Resolution if the following conditions are met: (i) in the case of Bonds to be redeemed, the Authority shall have given to the Trustee irrevocable instructions to give the notice of redemption therefor; (ii) there shall have been deposited with the Trustee in trust either moneys in an amount which shall be sufficient, or Investment Securities (which shall consist of the securities described in item (i) in the definition of "Investment Securities" under "Certain Definitions") the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the maturity date or redemption date thereof; and (iii) in the event such Bonds are not subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee

irrevocable instructions to give, as soon as practicable, a notice to the holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Bonds.

**Redemption Notice**

With respect to Series of Bonds originally issued after June 1, 1993, if all of the Bonds of such Series to be redeemed are in fully registered form, notice of redemption shall be given by the deposit in the U.S. Mail of a copy of the redemption notice, postage prepaid, at least thirty and not more than sixty days before the redemption date to all registered owners of the Bonds or portions of the Bonds to be redeemed at their last addresses as they appear on the registration books maintained in accordance with the Bond Resolution. Failure to mail any such notice to a registered owner of a Bond, or any defect therein, shall not effect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no such failure or defect occurred. Any notice mailed as described conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

**APPENDIX C**  
**SUMMARY OF PROPOSED AMENDMENTS TO**  
**AIRPORT FACILITIES REVENUE BOND RESOLUTION**  
**REQUIRING BONDHOLDER CONSENT**

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## APPENDIX "C"

### SUMMARY OF AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION

#### SUMMARY OF PROPOSED AMENDMENTS TO AIRPORT FACILITIES REVENUE BOND RESOLUTION REQUIRING BONDHOLDER CONSENT

The following is a summary of certain proposed amendments to the Authority's Airport Facilities Revenue Bond Resolution (collectively referred to as the "Proposed Amendments") provided in the Supplemental Airport Facilities Revenue Bond Resolution adopted by the Authority on November 5, 1997, as amended by the Supplemental Airport Facilities Revenue Bond Resolution adopted by the Authority on November 19, 1997 (collectively, the 1997 Supplemental Resolution) that will take effect upon meeting the requirements of Sections 1102 and 1103 of the Airport Facilities Revenue Bond Resolution, including, obtaining the written consent of the Holders of sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of Bond Obligations outstanding under the Airport Facilities Revenue Bond Resolution. This summary is subject in all respects to the detailed provisions of the Airport Facilities Revenue Bond Resolution and the 1997 Supplemental Resolution, copies of which are available from the Chief Financial Officer of the Authority at One Airport Boulevard, Orlando, Florida 32827-4399. Each Holder of 1998 Bonds, by acceptance of its 1998 Bonds, shall be deemed to have expressly irrevocably consented in writing to the Proposed Amendments.

#### **Definitions**

The Proposed Amendments will amend the Airport Facilities Revenue Bond Resolution to add the following definitions:

**"Composite Reserve Requirement"** means an amount of money or available amount under one or more Reserve Products, or a combination thereof, equal to the lesser of (i) the Maximum Aggregate Debt Service calculated with respect to all Series of Bonds Outstanding hereunder that are secured by the Composite Reserve Subaccount, (ii) 125% of the average annual Aggregate Debt Service calculated with respect to all Series of Bonds Outstanding hereunder that are secured by the Composite Reserve Subaccount, or (iii) 10% of the aggregate stated principal amount of all Series of Bonds Outstanding hereunder that are secured by the Composite Reserve Subaccount; provided, however, that in determining the aggregate stated original principal amount of all Bonds Outstanding hereunder for purposes of (iii), the issue price of a Series (net of pre-issuance accrued interest) shall be substituted for the

original principal stated amount of that Series if the Series was sold at either an original issue discount or premium exceeding two percent (2%) of the stated redemption price at maturity of such Series.

**"Composite Reserve Subaccount"** means the subaccount in the Debt Service Reserve Account established pursuant to Section 402 of the Bond Resolution.

**"Designated Maturity Bonds"** means Bonds of a Series designated as such by Supplemental Resolution adopted in connection with the issuance thereof, for which either (i) no serial maturities or Sinking Fund Installments prior to the maturity thereof have been established, or (ii) the aggregate of such serial maturities and Sinking Fund Installments that have been established is less than the amount necessary to amortize such Bonds on a substantially level debt service basis.

**"Qualified Derivative Agreement"** means an agreement such as an interest rate swap, collar, cap, or other functionally similar agreement the purpose of which is to manage the effective interest cost on the Authority's outstanding debt, between the Authority and a counterparty whose long-term unsecured debt is at all times rated at least "A" or the equivalent by S&P and "A2" or the equivalent by Moody's, creating Qualified Derivative Payments and designated by the Authority as a Qualified Derivative Agreement for purposes of the Airport Facilities Revenue Bond Resolution. In the event the credit rating of the counterparty to a Qualified Derivative Agreement is reduced below such rating categories, such agreement shall no longer constitute a Qualified Derivative Agreement for purposes of the Airport Facilities Revenue Bond Resolution.

**"Qualified Derivative Payment"** means a payment to the Authority by a counterparty pursuant to a Qualified Derivative Agreement, the amount of which is equal to interest on a notional amount, based upon a fixed rate or a variable rate index or formula.

**"Reserve Product"** means bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Composite Reserve Subaccount or any other subaccount in the Reserve Account and meeting the terms and conditions of the Airport Facilities Revenue Bond Resolution.

**"Reserve Product Provider"** means a bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of and interest on bond issues by public entities, at the time such Reserve Product is obtained, results in such issues (as of the date such Reserve Product is delivered) being rated in one of the two highest full rating categories by each of the Rating Agencies; provided, however, that nothing herein shall require the Authority to obtain a rating on any Bonds issued under the Airport Facilities Revenue Bond Resolution.

**"Supplemental Revenues"** means any source of funds not constituting Available Revenues or Revenues under the Airport Facilities Revenue Bond Resolution irrevocably pledged to the payment of debt service on one or more series of Bonds outstanding thereunder by Supplemental Resolution and with respect to which there has been delivered to the Trustee (a) an opinion of Bond Counsel to the effect that the pledging of such source of Supplemental Revenues shall not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds outstanding that are not Taxable Bonds, (b) the written consent of any bond insurer or other credit enhancer having in effect a bond insurance policy insuring, or other credit enhancement securing, payment of any Bonds outstanding, and (c) confirmation from the Rating Agencies that the pledging of such source of Supplemental Revenues will not result in the reduction or withdrawal of the credit ratings assigned to the Bonds, or, if unrated and non-credit enhanced, then consent of the owners of not less than a majority of such unrated, non-credit enhanced Bond Obligation.

**"Tax Exempt Variable Rate Index"** means the average of the PSA Municipal Swap Index for the twelve (12) months preceding the date of calculation, or, in connection with the issuance of Bonds, the twelve (12) calendar months preceding the date of pricing of the Bonds to be issued, or, if such index is no longer published, the Tax Exempt Variable Rate Index shall be determined in accordance with such formula or index or in such manner as the Authority shall in good faith determine will provide substantially the same rate and, if the Authority has Bonds outstanding rated by the Rating Agencies, then with respect to which the Authority receives confirmation from such Rating Agencies that the calculation of the Tax Exempt Variable Rate Index in such manner will not result in a reduction or withdrawal of the then applicable rating on the Bonds.

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

**"Taxable Variable Rate Index"** means the average yield on 30-day United States Treasury Bills for the twelve (12) calendar months preceding the date of calculation, or, in connection with the issuance of Bonds, the twelve (12) calendar months preceding the date of pricing of the Bonds to be issued, plus fifty (50) basis points.

**"Variable Rate Bonds"** means Bonds issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

Amendments to the following terms are provided by the Proposed Amendments.

**"Accrued Aggregate Debt Service"** -- This definition shall be amended to provide an assumption that for purposes of such definition, the interest rate on Variable Rate Bonds for the remainder of the then current calendar month will be assumed to be the interest rate in effect on the date of calculation.

**"Airport System"** -- This definition will be amended to permit for the addition of the Orlando Executive Airport (formerly known as Herndon Airport), any additions, extensions or improvements thereto, to the Airport System, after the Retirement Date of the Prior Lien Bonds, subject to certain requirements, including: (i) adoption by the Authority of a Supplemental Resolution expressly adding the Orlando Executive Airport to the Airport System; and (ii) delivery to the Trustee of (A) a Counsel's Opinion to the effect that adding Orlando Executive Airport to the Airport System will not violate or cause a breach or default under the Lease and Use Agreements; (B) confirmation from each Rating Agency then maintaining a rating on any Bonds outstanding under the Airport Facilities Revenue Bond Resolution that adding Orlando Executive Airport to the Airport System will not result in a reduction or withdrawal of the credit ratings then assigned to the Bonds; and (C) the written consent of any bond insurers or other credit enhancer having in effect a bond insurance policy insuring, or other credit enhancement securing, payment of any Bonds outstanding under the Airport Facilities Revenue Bond Resolution.

**"Debt Service"** -- This definition will be amended to provide assumptions for calculating Debt Service relating to

Variable Rate Bonds, the effect of mandatory or optional tenders, Qualified Derivative Payments, inverse floating rate bonds and Designated Maturity Bonds. Such amendment provides that, except as otherwise provided therein, for purposes of calculating Debt Service, Variable Rate Bonds other than Taxable Bonds shall be assumed to bear interest at 125% of the Tax-Exempt Variable Rate Index as of the date of calculation and Variable Rate Taxable Bonds shall be assumed to bear interest at the Taxable Variable Rate Index as of the date of calculation. This amendment further provides that, with respect to a Series of Variable Rate Bonds subject to purchase by the Authority pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of calculating Debt Service. Pursuant to the Proposed Amendments, the interest rate for Variable Rate Bonds for purposes of determining the amount, if any, to be deposited into a subaccount in the Reserve Account for such Variable Rate Bonds shall be as required by the Supplemental Resolution authorizing the issuance of such Variable Rate Bonds; provided, however, that if no other assumption is provided, the assumptions provided above shall apply.

The Proposed Amendments will provide that other than for purposes of the defeasance provisions of the Airport Facilities Revenue Bond Resolution, if, with respect to any portion of Debt Service, the Authority enters into a Qualified Derivative Agreement providing for Qualified Derivative Payments to the Authority which are pledged to the payment of Debt Service based upon a fixed rate or a variable rate index or formula different from that used to calculate interest on the applicable principal portion of Debt Service, then the effective synthetic rate of interest to the Authority with respect to such principal portion of Debt Service taking into account (i) the actual interest rate borne by such principal portion of Debt Service, (ii) payments to be received by the Authority pursuant to such Qualified Derivative Agreement and (iii) payment obligations of the Authority to the counterparty under such Qualified Derivative Agreement, all based upon interest on the applicable notional amount as determined by reference to a fixed rate or variable rate index or formula, shall be used for purposes of the definition of "Debt Service" as the actual rate of interest with respect to such principal portion of Debt Service.

If two Series of Variable Rate Bonds, or one or more maturities within a Series, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Bonds taken as a whole, pursuant to the Proposed Amendments, such composite fixed rate shall be used in determining the Debt Service with respect to such Bonds.

The Proposed Amendments will also provide that with respect to Designated Maturity Bonds, the unamortized principal coming due on the final maturity date thereof shall be ignored and in lieu thereof there shall be added to the Debt Service for the Bond Year in which such final maturity occurs and to each Bond Service Year thereafter through the 30th anniversary of the issuance of such Bonds (the "Reamortization Period") the amount of substantially level principal and interest payments (assuming for such purposes such interest rate as a financial advisor selected by the Authority shall determine is a reasonable estimate of the rate that such Designated Maturity Bonds would bear based upon such Reamortization Period and the characteristics of such Designated Maturity Bonds) that if paid in each year during the Reamortization Period would be sufficient to pay in full the unamortized portion of such Designated Maturity Bonds by such anniversary.

**"Debt Service Reserve Requirement"** -- This definition will be amended to provide that the Debt Service Reserve Requirement with respect to the Composite Reserve Subaccount shall be the Composite Reserve Requirement, and that the Debt Service Reserve Requirement with respect to each Series of Bonds that is not secured by the Composite Reserve Subaccount, shall be the amount of money, if any, or available amount of Reserve Product, if any, or combination thereof, required by Supplemental Resolution adopted prior to the issuance of such Series of Bonds to be maintained in the subaccount with respect to such Series of Bonds pursuant to the Airport Facilities Revenue Bond Resolution, which will not cause any existing rating on Bonds outstanding to be lowered, suspended or withdrawn, and which amount shall be available for use only with respect to such Series of Bonds.

**"Investment Securities"** -- This definition will be amended by the Proposed Amendments to add the following securities (in addition to those securities already provided for under this definition) as permitted investments, if and to the extent the same are at the time legal for investment of moneys and funds held under the Bond Resolution: (i) pre-refunded obligations of any state or of any agency, instrumentality or local governmental unit of any such state meeting the conditions set forth in the Proposed Amendments; (ii) units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Florida law or any similar common trust fund which is established pursuant to applicable state law as a legal depository of public moneys; (iii) commercial paper rated in the highest category by S&P and Moody's; (iv) interest-bearing time deposits or savings accounts in certain banks and savings and loans organized under the laws of Florida, in national banks organized under the laws of the United States of America and doing business in Florida, in savings and

loan associations located in Florida and organized under federal law and under federal supervision, provided that any such deposits are secured by collateral as may be prescribed by law; (v) direct general obligations of any state of the United States of America or any political subdivision, agency or municipality thereof whose unsecured, uninsured or unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any such state, political subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated at the time of purchase, "A" or better by Moody's and "A" or better by S&P; (vi) tax-exempt revenue bond obligations of any state of the United States of America or any political subdivision, agency, municipality or governmental unit thereof rated at the time of purchase at least "Aa" by Moody's and at least "AA" by S&P; (vii) any certificates, receipts or similar instruments ("Certificates") which were issued by or pursuant to a trust or similar arrangement and which evidence ownership or the right to receive payments of principal or interest or any securities (a) issued by a state of the United States of America or any political subdivision, agency, municipality or governmental unit thereof and (b) meeting the requirements set forth in clauses of this definition with respect to various types of municipal securities ("Municipal Securities"), which Municipal Securities are held pursuant to such trust or similar agreement for the benefit of the holders of such Certificates; provided, however, that the holders of such Certificates are entitled to rely on an opinion of counsel rendered by a nationally recognized tax counsel that interest received on the Certificates by such holders is excluded from gross income for federal income tax purposes under the Code and is not treated as an item of tax preference for purposes of the alternative minimum tax and is not subject to any similar tax under the Code, unless all tax-exempt bonds are subject to such tax; and (viii) such other investments as the Authority is permitted to make with general funds of the Authority.

**"Revenues"** -- This definition will be amended to include revenue or income from Orlando Executive Airport (formerly known as Herndon Airport) to the extent that airport is included in the definition of "Airport System" as provided in the Proposed Amendments.

Amendments to General Provisions of the Airport Facilities Revenue Bond Resolution for the Issuance of Bonds.

Pursuant to the Proposed Amendments, the Airport Facilities Revenue Bond Resolution will be amended to permit Bonds to be issued with various interest rate determination mechanisms in addition to fixed interest rate or Capital Appreciation Bonds, including variable, adjustable, convertible, auction reset or other rates, original issue discounts and zero coupon bonds.

The Proposed Amendments will also require the Authority to specify the following in connection with the issuance of a Series of Bonds: (i) a designation as to whether such Series of Bonds shall be secured by the Composite Reserve Subaccount, a separate subaccount in the Reserve Account, or no debt service reserve, and, if secured by a separate subaccount in the Reserve Account, the Debt Service Reserve Requirement with respect thereto; and (ii) the terms, if any, upon which the holder of such Bond may elect, or may be required, to tender such Bonds for purchase by the Authority or its designated agent.

The Airport Facilities Revenue Bond Resolution currently requires all Bonds of a Series to be identical in all respects, except as to denominations, numbers and letters and except that they may be in either coupon or registered form. This requirement will be removed by the Proposed Amendments.

Amendments to Provisions of the Airport Facilities Revenue Bond Resolution Concerning Issuance of Additional Bonds.

The Proposed Amendments include several amendments to the provisions of the Airport Facilities Revenue Bond Resolution with respect to the issuance of Additional Bonds.

The period for the historical debt service coverage test will be amended to permit the use of any period of 12 consecutive months out of the preceding 30 calendar months rather than out of the preceding 18 calendar months as currently provided. The forecast period for the required Airport Consultant's report will be decreased from five (5) Fiscal Years to three (3) Fiscal Years following the Fiscal Year the Consulting Engineers estimate the Additional Project will be substantially completed and placed in service.

The Proposed Amendments will also provide for the required report of the Consulting Engineers to provide, in addition

to the estimated Cost of Construction of the Additional Project to be financed with the Additional Bonds with respect to which the report is being provided and any incomplete Additional Project, an estimate of the Cost of Construction of any other Additional Project (an "Anticipated Additional Project") as to which the Authority expresses, by a certificate of an Authorized Officer of the Authority, its intention and reasonable expectation to undertake prior to the end of the Fiscal Year following the Fiscal Year in which the Additional Project then being financed is estimated to be substantially completed and placed in service. Likewise, the Proposed Amendments will require the Airport Consultant's report required for the issuance of Additional Bonds to take into account the effect of any such Anticipated Additional Project.

Pursuant to the Proposed Amendments, the Airport Facilities Revenue Bond Resolution will be amended to permit one or more Series of Bonds to be additionally secured by a pledge of Supplemental Revenues. The provisions of the Airport Facilities Revenue Bond Resolution with respect to the issuance of Additional Bonds will also be amended pursuant to the Proposed Amendments to provide for the inclusion of Supplemental Revenues (not to exceed in any Fiscal Year an amount equal to 1.25 times Aggregate Debt Service in such Fiscal Year with respect to each Series of Bonds secured by such Supplemental Revenues) in both the historical and the projected debt service coverage tests.

The Proposed Amendments will also add to the Additional Bond provisions of the Airport Facilities Revenue Bond Resolution provisions which will allow the Authority, by a Supplemental Resolution, to issue Additional Bonds subject to optional or mandatory tender and to provide for the remarketing of tendered Bonds and draws on credit or liquidity facilities to provide for the purchase of tendered Bonds that are not remarketed.

The Proposed Amendments will add provisions to the Airport Facilities Revenue Bond Resolution which will authorize the Authority to enter into one or more Qualified Derivative Agreements (as defined in the Proposed Amendments) with respect to all or a portion of the Debt Service with respect to Bonds outstanding under the Bond Resolution. The Proposed Amendments will allow the synthetic interest rate provided by a Qualified Derivative Agreement to be used for purposes of calculating Debt Service (other than with respect to the defeasance provisions). If such Qualified Derivative Agreement is not entered into at the time of initial issuance of the Bonds to which it applies, the Authority must deliver a report of the Airport Consultant such as is required in connection with the issuance of Additional Bonds, but using the assumptions provided in the definition of "Debt Service," as

amended pursuant to the Proposed Amendments, with respect to the Qualified Derivative Agreement and the portion of Debt Service to which it relates.

Amendment to Provisions With Respect to Exchanges and Transfers.

The Proposed Amendments include an amendment which will permit the Authority by Supplemental Resolution authorizing a Series of Bonds to modify with respect to such Series the period prior to an interest payment date at the selection of Bonds for redemption during which the Authority and the Trustee will not be required to transfer Bonds and the provision that neither the Authority nor the Trustee shall be required to transfer or exchange Bonds called for redemption.

Amendments to Pledge Effected By Airport Facilities Revenue Bond Resolution.

The Proposed Amendments include amendments to the Airport Facilities Revenue Bond Resolution to permit the creation of separate subaccounts in the Reserve Account which will secure only designated Series of Bonds. The Proposed Amendments also include amendments permitting designated Series of Bonds to be additionally secured by a pledge of Supplemental Revenues. The provision of the Airport Facilities Revenue Bond Resolution providing the pledge to secure payment of the Bonds will be amended pursuant to the Proposed Amendments to provide that the separate subaccounts in the Reserve Account will secure only the Series of Bonds designated to be secured thereby and that any Supplemental Revenues deposited in the Debt Service Account shall only be available and used to pay principal of and interest on Bonds of the Series to which such Supplemental Revenues are pledged.

Amendment to Establishment of Funds.

The section of the Airport Facilities Revenue Bond Resolution establishing the Reserve Account will be amended pursuant to the Proposed Amendments to provide for the creation within the Reserve Account of the Composite Reserve Subaccount and such additional reserve subaccounts as may be established with respect to a particular Series of Bonds.

Amendments to Flow of Funds.

The Sections of the Airport Facilities Revenue Bond Resolution providing for the application of Revenues and Available Revenues (both before and after the Retirement Date of Prior Lien Bonds) will be amended in several respects pursuant to the Proposed Amendments.

In contemplation of the issuance of Variable Rate Bonds, there will be added a provision to the effect that deposits to the Bond Fund shall be increased to the extent required to pay principal, interest and redemption premiums, if any, next becoming due, and to makeup any deficiencies or losses that may otherwise arise in the Bond Fund and the subaccounts therein.

The provisions for the funding of the Reserve Account will be amended to provide, except as described below, for deposits to the applicable subaccounts in the Reserve Account amounts sufficient to cause the balance in each such subaccount to equal the Debt Service Reserve Requirement with respect thereto.

The Proposed Amendments include an amendment to provide that if there are not sufficient funds in the Revenue Fund available to make the amounts on deposit in each subaccount in the Debt Service Reserve Account equal to the Reserve Requirement for the applicable Series of Bonds, there shall be deposited in each such subaccount an amount equal to the lesser of the Reserve Requirement for such subaccount or the total amount available to be deposited into the Debt Service Reserve Account multiplied by a fraction, the numerator of which is the Bond Obligation of all Bonds of the applicable Series then Outstanding and the denominator of which is the total aggregate amount of the Bond Obligation of all Bonds of every Series then Outstanding secured by a subaccount in the Debt Service Reserve Account.

The Proposed Amendments will add provisions to the Airport Facilities Revenue Bond Resolution permitting the funding of a subaccount in the Reserve Account with a Reserve Product (as defined in the Proposed Amendments). These amendments will provide that the Authority shall not be required to fully-fund a subaccount in the Debt Service Reserve Account at the time of issuance of any Series of Bonds, if it provides on the date of issuance of any Series of Bonds in lieu of such funds, a Reserve Product issued by a Reserve Product Provider in an amount equal to the difference between the applicable Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account. Such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held under the Airport Facilities Revenue Bond Resolution for a payment with respect to the applicable Series of Bonds which cannot be cured by

funds in any other account held pursuant thereto and available for such purpose, and which shall name the Trustee or a Paying Agent as the beneficiary thereof. In no event shall the use of such Reserve Product be permitted if it would cause any existing rating on the Bonds or any Series thereof to be lowered, suspended or withdrawn. If a disbursement is made from a Reserve Product, the Authority shall be obligated to reinstate the maximum limits of such Reserve Product immediately following such disbursement or to replace such Reserve Product by depositing into the applicable subaccount in the Debt Service Reserve Account from the first Available Revenues, or Revenues, as the case may be, available for deposit in the Reserve Account after the deposits required to be made to the Debt Service Account and, after the Retirement Date of the Prior Lien Bonds, after deposits required to be made to the Operation and Maintenance Fund and to the Debt Service Account, funds in the maximum amount originally payable under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements made pursuant to such Reserve Product, or a combination of such alternatives, and for purposes of the flow of funds, amounts necessary to satisfy such reimbursement obligation and other obligations of the Authority to such a Reserve Product Provider shall be deemed required deposits into the applicable subaccount in the Reserve Account, but shall be used by the Authority to satisfy its obligations to the Reserve Product Provider.

Amendments pursuant to the Proposed Amendments will also provide that the Authority shall not be required to fund fully a subaccount in the Debt Service Reserve Account at the time of issuance of any Series of Bonds, if it elects by Supplemental Resolution adopted prior to the issuance of any Series of Bonds and subject to the limits described below, to fully fund the applicable subaccount over a period specified in such Supplemental Resolution not to exceed sixty (60) months during which it shall make substantially equal monthly installments in order that the amount on deposit in such subaccount in the Debt Service Reserve Account at the end of such period shall equal the Debt Service Reserve Requirement with respect thereto. The aggregate amounts which may be permitted to be deposited in installments at any time shall not exceed 75% of the Debt Service Reserve Requirement with respect to such subaccount in the Debt Service Reserve Account. If a subaccount in the Debt Service Reserve Account is to be initially funded in installments, the deposits required pursuant to the foregoing may be limited to the amount which will be sufficient to make the required monthly installments specified in the Supplemental Resolution, plus an amount necessary to make up any deficiencies caused by withdrawals or resulting from valuations of the funds on deposit therein.

Amendments Concerning Use of Funds in Debt Service Account.

The provisions of the Airport Facilities Revenue Bond Resolution with respect to the application of funds in the Debt Service Account will be amended to provide that, if principal, interest or premium payments on Bonds have been paid on behalf of the Authority by a bond insurer or the provider of any credit or liquidity facility or any other entity insuring, guarantying or otherwise providing for the payment of the Bonds, or any Series thereof, moneys on deposit in the Debt Service Account and allocable to such Bonds shall be paid to such bond insurer or provider of the liquidity facility or credit facility or other entity having theretofore made a corresponding payment on the Bonds.

Amendments With Respect to Reserve Account.

As previously described, the Proposed Amendments provide amendments to the Airport Facilities Revenue Bond Resolution to provide for the creation of separate reserve subaccounts in the Reserve Account which shall secure only the Series of Bonds designated to be secured thereby and to permit the funding of the applicable Reserve Requirements with a Reserve Product. Several amendments with respect to the Reserve Account will be made to implement this segregation and use of a Reserve Product.

The Proposed Amendments will also add a provision permitting the Authority, at any time in its discretion, to substitute a Reserve Product for the cash and Investment Securities in a subaccount of the Debt Service Reserve Account, and to then withdraw such cash and Investment Securities from such account and deposit them to the credit of the Revenue Fund, so long as (i) no event of default shall have occurred and be continuing under the Airport Facilities Revenue Bond Resolution, (ii) the substitution and withdrawal does not adversely affect any rating by a Rating Agency then in effect for the applicable Series of Outstanding Bonds and (iii) the Authority obtains an opinion of Bond Counsel that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the applicable Series of Bonds (if other than Taxable Bonds) for federal income tax purposes.

The Proposed Amendments further provide that cash on deposit in the applicable subaccount in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product. If and to the extent that more

than one Reserve Product is deposited in the applicable subaccount in the Debt Service Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rated basis, calculated by reference to the maximum amounts available thereunder.

Amendments Concerning Application of Supplemental Revenues.

As previously described, the Proposed Amendments would permit one or more Series of Bonds to be additionally secured by a pledge of Supplemental Revenues. Pursuant to the Proposed Amendments, all Supplemental Revenues, up to the Accrued Aggregate Debt Service with respect to the Series of Bonds secured by such Supplemental Revenues, shall be deposited to the Bond Fund for the credit of the Debt Service Account and, anything provided in the Airport Facilities Revenue Bond Resolution to the contrary notwithstanding, shall be used solely to pay debt service on the Series of Bonds secured by such Supplemental Revenues. The Proposed Amendments provide that Supplemental Revenues deposited in the Debt Service Account shall be used to pay debt service on the Series of Bonds secured thereby prior to the use of any Revenues or Available Revenues.

Amendments Relating to Selection of Bonds to be Redeemed.

The Proposed Amendments included conforming amendments to the provisions relating to selection of Bonds to be redeemed to accommodate the issuance of Bonds in such authorized denominations, other than \$5,000, as may be provided by Supplemental Resolution with respect to such Series of Bonds.

Amendments Concerning Notice of Redemption.

The Proposed Amendments will permit the Authority to provide redemption notice requirements different than those currently provided by the Airport Facilities Revenue Bond Resolution with respect to a Series of Bonds in the Supplemental Resolution authorizing such Series of Bonds.

Amendments to Rate Covenant.

The Proposed Amendments will amend the rate covenant to add Supplemental Revenues in an amount not to exceed 1.25 times the Aggregate Debt Service on each Series of Bonds secured by such Supplemental Revenues for the relevant Fiscal Year to Revenues or

Available Revenues for purposes of the rate covenant calculation.

Amendments Relating to the Remedies of Bondholders.

The Proposed Amendments include amendments to the provisions of the Airport Facilities Revenue Bond Resolution relating to events of default and remedies to delete acceleration of the principal of Bonds as a remedy available upon the occurrence of an Event of Default.

Amendments Relating to the Removal of the Trustee or Special Trustee and Appointment of a Successor.

The Proposed Amendments include amendments providing that, so long as the Authority is not then in default under the Airport Facilities Revenue Bond Resolution, the Trustee or Special Trustee may be removed at any time by the Authority by filing a certificate of an Authorized Officer of the Authority with the Trustee and the Special Trustee.

Amendments are also included in the Proposed Amendments permitting the Authority to appoint a successor Trustee or Special Trustee.

Amendment to Defeasance Provisions.

The Proposed Amendments will amend the defeasance provisions of the Airport Facilities Revenue Bond Resolution to add pre-refunded obligations of any state or of any agency, instrumentality or local government unit of any such state, all as more fully described in clause (vi) of the definition of "Investment Securities" as amended by the Proposed Amendments, to Investment Securities that may be used for purposes of defeasance.

**SUMMARY OF PROPOSED AMENDMENTS TO  
AIRPORT FACILITIES REVENUE BOND RESOLUTION  
REQUIRING 100% BONDHOLDER CONSENT**

The 1997 Supplemental Resolution also provides amendments to the Airport Facilities Revenue Bond Resolution that will take effect upon meeting the requirements of Section 1104 of the Airport Facilities Revenue Bond Resolution, including the consent of the Holders of 100% of the Bond Obligation outstanding thereunder, to reduce the percentage of Bond Obligation the consent of the owners of which are required for amendments to the Airport Facilities Revenue Bond Resolution from 66 $\frac{2}{3}$  to a majority. Each Holder of 1998 Bonds, by acceptance of its 1998 Bonds, shall be deemed to have expressly irrevocably consented in writing to such amendments.

**APPENDIX D**  
**SUMMARY OF CERTAIN PROVISIONS**  
**OF THE LEASE AND USE AGREEMENTS**

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## APPENDIX "D"

### SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS

The Lease and Use Agreements with the Signatory Airlines are substantially similar, differing primarily with respect to the dollar amount of certain specific rentals payable thereunder. In addition, the Lease and Use Agreements entered into by Signatory Airlines after December 15, 1995 lease space on a preferential rather than an exclusive basis, and provide for the loss of Majority-In-Interest voting privileges and participation in the rates and charges credit from the Prepaid Airlines Fees and Charges Fund if the Signatory Airline fails to satisfy the Service Commitment for a consecutive six month period. The Service Commitment obligates a Signatory Airline that executed a Lease and Use Agreement after December 15, 1995 to provide a minimum number of seats on flights departing from the Airport per gate per day equal to the greater of (i) the average of the number of seats per gate per day provided by the Signatory Airlines on flights departing from gates assigned to such Signatory Airlines, or (ii) five hundred seats per gate per day. American Trans Air, Inc., Southwest Airlines Co. and Air Tran Airways, Inc./Air Tran Airlines, Inc. are the only Signatory Airlines with Lease and Use Agreements executed after December 15, 1995.

The following is a summary of certain provisions of each Lease and Use Agreement. The summary is subject in all respects to the detailed provisions of the Lease and Use Agreements, copies of which are available from the Office of the Treasurer, One Airport Boulevard, Orlando, Florida 32827-4399.

#### **Definitions**

The capitalization of any word or phrase which is not defined herein or elsewhere in this Appendix D indicates such word or phrase is defined in the Lease and Use Agreements.

**"Airline"** means Signatory Airline or Signatory Airlines.

**"Airport"** means the Orlando International Airport owned by the City of Orlando and operated by the Greater Orlando Aviation Authority, the boundaries of which are shown on Exhibit A attached to the Lease and Use Agreements.

**"Airport System"** means (i) the Orlando International Airport owned by the City and operated by the Authority, including all existing improvements and facilities, as said

Orlando International Airport may be added to, extended, improved or constructed and equipped, and (ii) any other aviation facility or airport acquired or constructed by the Authority; provided that, the Airport System shall not include the Herndon Airport (now known as the Orlando Executive Airport) or any additions, extensions or improvements thereto. Upon the Retirement Date of Prior Lien Bonds, "Airport System" shall include Special Purpose Facilities the revenue and income from which are not pledged to the payment of Authority obligations, but "Airport System" shall not include any airport or aviation facility thereafter acquired or constructed by the Authority with funds other than proceeds of bonds issued under the Bond Resolution or Revenues generated by the Airport System.

**"Available PFC Revenues"** means PFC Revenues to be received by the Authority in a Fiscal Year not to exceed Airport Debt Service accruing during such Fiscal Year with respect to that portion of the Additional Revenue Bonds issued to finance PFC Projects, as allocated by a certificate of an authorized officer of the Authority.

**"Bonds"** means the Airport Revenue Bonds authorized and issued by the Authority pursuant to the Lease and Use Agreements and the Bond Resolution including Additional Revenue Bonds.

**"Contract Security"** means a contract bond, irrevocable letter of credit or other security acceptable to Authority.

**"Counsel's Opinion"** means an opinion signed by an attorney or firm of attorneys (who may be counsel or of counsel to the Authority) selected by the Authority and satisfactory to the Trustee under the Bond Resolution.

**"Fiscal Year"** means the then-current annual accounting period of the Authority for its general accounting purposes.

**"Majority-In-Interest of Airlines"** or **"Majority-In-Interest"** means at least fifty percent (50%) in number of the Signatory Airlines which as of the time when approval of a particular undertaking is requested, collectively paid more than one-half of the following:

- (a) Terminal fees and charges payable directly to the Authority by all Signatory Airlines during the most recent six month period; and

(b) Landing fees payable directly to the Authority by all Signatory Airlines during the most recent six month period during which none of the Signatory Airlines experienced schedule reductions at the Airport because of labor disputes.

**"PFC Account"** means the subaccount in the Airport Facilities Discretionary Fund established by the Bond Resolution.

**"PFCs"** means the passenger facility charges authorized to be charged by the Authority pursuant to the Aviation Safety and Capacity Expansion Act of 1990, as amended (now codified in Section 40117 of the United States Code), and Section 158.5 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

**"PFC Projects"** means Additional Projects for which the Authority is authorized to impose and use PFCs, as confirmed by a Counsel's Opinion.

**"PFC Revenues"** means amounts derived by the Authority from the imposition of PFCs, exclusive of the amounts retained by the air carriers collecting the PFCs pursuant to Section 158.53 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

**"Prior Lien Bonds"** means the City of Orlando's outstanding Airport Revenue Bonds of 1974, dated March 1, 1974.

**"Revenues"** means:

(i) all income and revenues from all sources, collected or received by the Authority in the operation of the Airport System, including without limitation except as expressly provided in the Bond Resolution, all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the Authority in its capacity as the operator of the Airport System in connection with the operation, improvement and enlargement of the Airport System, or any part thereof;

(ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the Airport System's benefit which are: (a) not restricted in application to a special purpose, and (b) otherwise lawfully available for the payment of charges

with respect to Prior Lien Bonds, Bonds and Additional Revenue Bonds;

(iii) income received on any investment of moneys held pursuant to the Bond Resolution and paid into the Airport Facilities Revenue Fund established under the Bond Resolution pursuant to the terms of the Bond Resolution;

(iv) income received on any investment of moneys held pursuant to the Trust Agreements and paid into the airport system revenue fund established under the Trust Agreements; and

(v) amounts deposited in the airport system revenue fund established under the Trust Agreements or into the Airport Facilities Revenue Fund established under the Bond Resolution from the Prepaid Airline Fees and Charges Fund established under the Bond Resolution pursuant to the terms of the Bond Resolution.

The term "Revenues" shall not include any moneys held by the Authority in any special fund or account not subject to the lien and pledge of the Trust Agreements or Bond Resolution or any revenue or income from any such moneys or from any Special Purpose Facilities, except ground rentals therefor, or revenue or income from Herndon Airport (now known as Orlando Executive Airport) or any additions, extensions or improvements thereto; provided, however, that after the Retirement Date of Prior Lien Bonds, "Revenues" shall include revenue or income from Special Purpose Facilities which are not pledged to the payment of obligations of the Authority issued to finance such Facilities; and provided further, that prior to the Retirement Date of Prior Lien Bonds, "Revenues" shall include all revenues and income included in the definition of "revenues" under the Trust Agreements, whether or not such revenues and income have been specifically included or excluded from "Revenues" in the Lease and Use Agreements. "Revenues" do not include any PFCs.

**"Subordinated Indebtedness"** means Subordinated Indebtedness as defined in the Bond Resolution.

**"Swap Agreement"** means an interest rate swap agreement or other derivative financial product agreement between the Authority and a third party.

**Term**

Each Lease and Use Agreement and the various fees and charges thereunder became effective prior to the date hereof. The Lease and Use Agreements of the Airlines terminate on October 1, 2008.

**Use of Airport Facilities**

The Airline shall have the right to the use, in common with others so authorized, of the Airport and appurtenances, together with all facilities, improvements, equipment and services which have been or may be provided for common use at or in connection with the Airport. Such use includes, among other things, (i) operation of a transportation system by aircraft for the carriage of persons, property and mail, (ii) landing, taking off, flying over, taxiing, pushing, towing, loading, unloading, repairing, maintaining, conditioning, servicing, parking, storing and testing of aircraft or other equipment, (iii) sale of tickets, documentation of shipments, handling of reservations, and the loading and unloading of persons, property and mail, (iv) training of personnel and testing of aircraft, and (v) customary fueling and servicing of aircraft.

The Airline leases from the Authority designated space in the Airport terminal building for its exclusive or preferential use and in the case of certain adjoining premises, joint use, and also leases from the Authority designated aircraft parking aprons and taxiing, servicing, loading and unloading facilities for its preferential but non-exclusive use, in common with others.

**Bonds and Additional Bonds**

In accordance with the Lease and Use Agreements and the Bond Resolution, the Authority may, without Majority-In-Interest approval, issue Bonds on a parity with the then outstanding Bonds to refund Prior Lien Bonds or any outstanding Bonds, or to issue Subordinated Indebtedness, provided that the debt service on such refunding bonds or Subordinated Indebtedness in any year is not greater than the debt service which would have been due in such year on the Bonds or Subordinated Indebtedness being refunded. The Authority may also issue Subordinated Indebtedness or Additional Revenue Bonds without the approval of a Majority-In-Interest under the circumstances described below under the caption "Additional Projects."

## **Additional Projects**

Under certain conditions, the Authority may finance the cost of acquisition and construction of additional aviation facilities for the Airport System or any additions, extensions, improvements and betterments thereto and reconstruction thereof through the issuance of Additional Revenue Bonds or Subordinated Indebtedness, or the use of any funds lawfully available. However, the Authority must obtain Majority-In-Interest approval of any Additional Project prior to financing the same with Additional Revenue Bonds or Subordinated Indebtedness, except for the following purposes: (i) to expand the terminal complex for the increased requirements of any Signatory Airline, provided such Signatory Airline agrees in writing to increased fees and charges sufficient to cover payment of debt service on such Additional Revenue Bonds or Subordinated Indebtedness; (ii) to expand the terminal complex to accommodate an airline, other than a present Signatory Airline, provided such airline enters into a Lease and Use Agreement in which it agrees to pay fees and charges sufficient to cover the payment of debt service on such Additional Revenue Bonds or Subordinated Indebtedness, and its allocated portion of the cost to construct the public areas of the terminal complex and of any terminal complex unassigned space assigned to it; (iii) to finance projects for public safety when directed by the FAA, National Transportation Safety Board or similar governmental authority having jurisdiction; (iv) to repair casualty damage to Airport System property, the cost of which exceeds proceeds of insurance, which property must be rebuilt or replaced in order to satisfy an Authority obligation with respect to such property or maintain a source of revenue; and (v) after contracts have been awarded, to finance the cost of change orders initiated by one or more Signatory Airlines or the Authority as to unassigned areas, for its or their sole benefit, provided that the party initiating such change orders agrees to pay fees and charges sufficient to cover such costs. In addition, the Authority has covenanted that (a) prior to the Retirement Date of Prior Lien Bonds, it shall not acquire or construct any additional airport or aviation facility, except as provided above, without Majority-In-Interest approval unless such airport or aviation facility is an addition, extension or improvement to Herndon Airport (now known as Orlando Executive Airport) and (b) after retirement of the Prior Lien Bonds, it shall not acquire or construct any additional airport or aviation facility, except as provided above, with the proceeds of bonds issued under the Bond Resolution or from Revenues generated by the Airport System without Majority-In-Interest approval.

### **Flow of Funds**

Prior to the Retirement Date of Prior Lien Bonds, the Authority shall apply all Revenues in accordance with the provisions of both the Trust Agreements and the Bond Resolution. After the Retirement Date of Prior Lien Bonds, the Authority shall apply all Revenues in accordance with the Bond Resolution.

### **Terminal Fees and Charges and Apron Fees**

The Airline is required to pay the Authority (i) a specified annual rental with respect to space leased exclusively, preferentially or jointly to the Airline, payable in advance in equal monthly installments, (ii) a monthly charge for the use in common with others of Non-Exclusively Assigned Premises, computed on a square foot basis and allocated among the Airlines in part on the basis of the number of scheduled air transportation companies having the right to use the area and in part on the basis of the number of passengers of the Airline enplaning in the preceding six month period, (iii) an annual charge for tenant improvements financed by the Authority payable in monthly installments, and (iv) an annual charge for preferential use of aircraft parking aprons, payable in monthly installments.

The fees and charges specified in clauses (i) and (ii) of the preceding paragraph will be adjusted at least annually as described in the Lease and Use Agreements.

### **Landing Fees**

The Airline is required to pay the Authority a monthly landing fee. Fees and charges for use of the premises, facilities, rights, licenses and privileges granted to the Airline, except for those fees and charges specifically provided for under "Terminal Fees and Charges and Apron Fees" above, shall be combined and represented by a landing fee which shall be calculated at least annually. The landing fee is expressed in cents per thousand pounds of the approved maximum gross landing weight of each type of aircraft of the Airline and is multiplied by the number of Revenue Landings at the Airport by each type of aircraft.

### **Fees and Charges**

Airline fees and charges are calculated so that for each Fiscal Year, Revenues less the sum of:

- (i) Operation and Maintenance Expenses; and

(ii) all amounts required to be paid or deposited by the terms of any financing documents relating to any Subordinated Indebtedness approved by a Majority-In-Interest of Airlines; and

(iii) all payments the Authority is required to make to any third party under any Swap Agreement entered into by the Authority with the approval of a Majority-In-Interest of Airlines; and

(iv) required deposits from Revenues into: (a) the renewal and replacement fund and the operating reserve account in the revenue fund established under the Trust Agreements, and (b) the Operation and Maintenance Reserve Account in the Operation and Maintenance Fund, the Capital Expenditures Fund and the Renewal and Replacement Fund established under the Bond Resolution; and

(v) all amounts required to be reimbursed to the PFC Account pursuant to the Bond Resolution due to withdrawals to cure deficiencies, to the extent not previously reimbursed,

shall at least equal Airport Debt Service, less Available PFC Revenues. "Airport Debt Service," for any Fiscal Year, means an amount equal to 1.25 times the amounts required by the Trust Agreements and Bond Resolution (exclusive of any funds made available as capitalized interest) to be paid in such Fiscal Year into the principal account and interest account in the sinking fund established under the Trust Agreements and the Debt Service Account in the Bond Fund established under the Bond Resolution.

Before the beginning of each Fiscal Year, the Authority shall adopt its Annual Budget substantially in accordance with information submitted to Airlines for purposes of recalculation of fees and charges, as the latter may have been readjusted through negotiations with the Airlines or through mediation.

The Lease and Use Agreement provides for mediation of budget disputes between the Airline and the Authority at the request of either party by a mediator or mediators chosen by the parties. The mediator shall attempt mediation for not to exceed 30 days from the date of appointment, and thereafter the Authority shall adopt its budget taking into consideration in good faith the recommendations and suggestions of the Airline and the mediator. However, the Authority has final and sole discretion in the adoption of its budget. If adjustment of fees and charges is not completed prior to the end of a Fiscal Year, existing fees and charges continue until adjustment is made; provided, however, that during any such

period when the Authority is required to expend 25% or more of funds which should be properly on deposit in the operation and maintenance reserve accounts under the Trust Agreements or the Bond Resolution, if the Authority elects, the amount expended shall become a surcharge applied to landing fees for the month in which such expenditures are made from such accounts. In the first month after adjustment of fees and charges is made, the Airline's adjusted landing fees shall be credited with any such surcharge but only to the extent that such credit will not create a deficiency in Revenues to be received by the Authority under the Bond Resolution.

Once the Annual Budget is adopted, the total budgeted amount of expenses may not be exceeded without the written approval of a Majority-In-Interest of the Airlines, unless such increase is due to circumstances beyond the control of the Authority or is the result of maintenance or repair of an emergency nature which would have the effect of closing the Airport for a period of 48 hours, or is the result of increases in the interest rate payable by the Authority on Bonds or Subordinated Indebtedness approved by a Majority-In-Interest of Airlines that bear a variable rate of interest, or is the result of increases in the payments the Authority is required to make to a third party under a Swap Agreement entered into by the Authority with the approval of a Majority-In-Interest of Airlines, or is the result of amounts required to be reimbursed to the PFC Account pursuant to the Bond Resolution due to withdrawals to cure deficiencies not previously reimbursed.

After adjustments to fees and charges have been made for a particular Fiscal Year, fees and charges shall be reduced by the amount deposited into the revenue fund established under the Trust Agreements or the Revenue Fund established under the Bond Resolution in such Fiscal Year from amounts accumulated in the Prepaid Airlines Fees and Charges Fund established under the Bond Resolution in the previous Fiscal Year.

#### **Maintenance and Operation; Concessions**

The Authority has covenanted to develop prudently, improve and at all times maintain and operate with adequate, efficient and qualified personnel, the Airport and to keep the Airport in good repair, to keep the Airport and its aerial approaches free from obstruction and interference and to develop, maintain and operate the Airport in all respects in a manner at least equal to the standards or rating established by the FAA and any other governmental agency having jurisdiction, except for conditions beyond the control of the Authority.

The Authority has agreed to award non-aeronautical concessions with a term in excess of one year in the terminal complex at the Airport either through competitive bidding or competitive proposals, in accordance with the Authority's Concession Policy. This Concession Policy also gives the Authority the right to award concessions to minority business enterprises on a negotiated basis. The Authority's Concession Policy may not be amended to change the manner of awarding concessions without the approval of a Majority-In-Interest of Airlines. The Airlines may not unreasonably withhold their approval.

### **Contract Security**

An Airline that has not provided regularly scheduled passenger flights to and from the Airport for the 18 months prior to the Airline's execution of a Lease and Use Agreement without committing an act or omission that would have been a monetary Event of Default under the Lease and Use Agreement shall provide the Authority with Contract Security. This Contract Security, in the amount of three months' fees and charges payable by the Airline under the Lease and Use Agreement, shall guaranty the performance of the Airline's obligations and its payment of all fees and charges under the Lease and Use Agreement. The Airline is obligated to maintain this Contract Security in effect until the expiration of 18 consecutive months (including any prior period during which the Airline provided regularly scheduled passenger flights to and from the Airport) during which the Airline commits no monetary Event of Default under the Lease and Use Agreement.

The Authority has the right to reimpose this Contract Security requirement on any Airline that commits a monetary Event of Default under its Lease and Use Agreement.

### **Insurance; Indemnity**

The Airline agrees fully to indemnify and save harmless the Authority from and against all claims, suits, actions, judgments, damages and losses, including costs, fees and expenses in connection therewith, for death or injury to third parties or for loss or damage to or destruction of property of third parties caused by or resulting from or incident to the negligence of the Airline. The Airline agrees to carry and keep in force comprehensive general liability insurance with limits of liability of not less than \$200,000,000 for public liability, property damage and bodily injury, and comprehensive automobile liability insurance covering on-airport automotive vehicles with combined single limits of not less than \$2,000,000. The Authority has the right, on at least 30 days' notice to the Airline, reasonably to amend these

monetary limits or coverages in accordance with insurance requirements in effect at other large hub airports.

#### **Assignment or Sublease**

The Airline may not at any time assign the Lease and Use Agreement or assign or sublet any portion of the space assigned to the Airline without the prior consent in writing of the Authority (which consent shall not be unreasonably withheld); provided, however, that without such consent the Airline may assign the Lease and Use Agreement to any corporation with which it may merge or consolidate or which may succeed to its business.

#### **Additional Covenants**

To the extent permitted by law, the Authority will not permit the use of Herndon Airport (now known as Orlando Executive Airport) or any other airport operated by it within 30 statute miles of the Airport for scheduled service or charter service by any airline providing scheduled service to the Airport, and the Airlines have agreed not to provide any such service to any airport within such distance of the Airport.

#### **Default and Termination**

Each of the following constitutes an Event of Default by the Airline: (i) if the Airline fails to make due and punctual payment of fees and charges payable under the Lease and Use Agreement, and such default continues for a period of 10 days after receipt of written notice thereof from the Authority; (ii) if the Airline fails to keep, perform or observe any material term, covenant or condition of the Lease and Use Agreement (other than those referred to in clause (i) above or (iv) below) for a period of 20 days after receipt of written notice thereof from the Authority; provided, however, that if by its nature such default cannot be cured within such 20-day period, then such default shall not constitute an Event of Default if the Airline commences to cure such default within said 20-day period and thereafter pursues its curing with due diligence; (iii) certain events of bankruptcy, insolvency or receivership occur with respect to the Airline; or (iv) if the Airline shall fail to provide, renew or replace the Contract Security on or before the date on which the same is required. On the occurrence of an Event of Default by the Airline, the Authority may re-enter and take possession of the Airline's premises and relet such premises or terminate the Lease and Use Agreement. Upon any reletting, the Airline is liable to pay to the Authority the cost of reletting and any loss of fees or charges for the period of such reletting.

Each of the following constitutes an Event of Default by the Authority: (i) if the Authority fails to keep, perform or observe any material term, covenant or condition of the Lease and Use Agreement for 30 days after receipt of written notice from the Airline; (ii) if the Authority closes the Airport to flying in general or to the flights of Airline for reasons other than weather, acts of God or reasons beyond its control, and fails to reopen the Airport to such use for more than 90 days; (iii) unless an Event of Default has occurred by the Airline, the Authority has deprived the Airline of its right to occupy and use its premises for more than 30 days. After an Event of Default by the Authority, the Airline may suspend or terminate the Lease and Use Agreement upon 30 days' written notice to the Authority, in which event all fees and charges payable by the Airline shall abate. Notwithstanding the foregoing, any such termination by the Airline requires 30 days' advance written notice to the Authority specifying the cause for termination and the date thereof. The Authority may cure the default, or in certain cases commence its cure, during the 30-day period after the date of such written notice.

The Airline may suspend or terminate the Lease and Use Agreement upon notice as set forth above if (i) the Airline is permanently deprived, for any reason beyond its control, of rights, certificates or authorizations necessary under applicable law to operate at the Airport or (ii) the Airport is closed on a permanent basis in general or to the Airline for any reason beyond the Airline's control. In the event of such suspension or termination, fees and charges payable by the Airline abate and the Airline may remove any trade fixtures, furniture or furnishings in accordance with the Lease and Use Agreement. Any periods of suspension must be added to the term of the Lease and Use Agreement.

#### **Conforming of Lease and Use Agreements**

In the event the Authority enters into a lease and use agreement with any other air transport operator at the Airport containing more favorable terms, then the same terms must be made concurrently and automatically available to the Airline.

**APPENDIX E**  
**FORM OF MUNICIPAL BOND INSURANCE POLICY**

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Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Municipal Bond New Issue Insurance Policy

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**Issuer:**

**Policy Number:**

**Control Number:** 0010001

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**Bonds:**

**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001

A GE Capital Company



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## Municipal Bond New Issue Insurance Policy

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", with a long horizontal flourish extending to the right.

**President**

**Effective Date:**

**Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**COUNTERSIGNATURE:**

A handwritten signature in black ink, appearing to be "Quincy Brown", with a long horizontal flourish extending to the right.

**Authorized Officer**

\_\_\_\_\_  
**Licensed Resident Agent**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Endorsement To Financial Guaranty Insurance Company Insurance Policy

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**Policy Number:**

**Control Number:** 0010001

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It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**COUNTERSIGNATURE:**

**Authorized Officer**  
**State Street Bank and Trust Company, N.A., as Fiscal Agent**

---

**Licensed Resident Agent**

**FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

---

**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

---

**Policy Number:**

**Control Number:** 0010001

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The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association (Florida Insurance Code, Sec. 631.50 *et seq.*).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**COUNTERSIGNATURE:**

**Authorized Officer**  
**State Street Bank and Trust Company, N.A., as Fiscal Agent**

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**Licensed Resident Agent**

**APPENDIX F**  
**AUDITED AND UNAUDITED FINANCIAL STATEMENTS**

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## Report of Independent Auditors

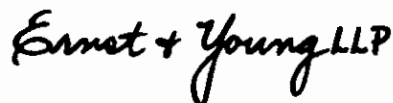
Members of the Authority  
Greater Orlando Aviation Authority

We have audited the accompanying general purpose financial statements of the Greater Orlando Aviation Authority (the Authority) as of and for the years ended September 30, 1997 and 1996. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Greater Orlando Aviation Authority, at September 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, we have issued a report dated January 14, 1998 on our consideration of the Greater Orlando Aviation Authority's compliance with laws and regulations and internal control over financial reporting.



January 14, 1998

GREATER ORLANDO AVIATION AUTHORITY  
 COMBINED BALANCE SHEETS - ALL ENTERPRISE FUNDS  
 (in thousands)

	September 30,	
ASSETS	<u>1997</u>	<u>1996</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 54,817	\$ 37,743
Accounts and grants receivable, less allowance of \$850 and \$1,324	14,788	15,241
Investments	30,729	44,514
Interest receivable	458	682
Prepaid expenses	720	629
Investments designated for deferred compensation benefits	<u>6,273</u>	<u>5,047</u>
Total current assets	<u>107,785</u>	<u>103,856</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	111,278	91,688
Accounts and grants receivable	11,530	9,225
Investments	226,182	253,486
Interest receivable	1,677	1,809
Prepaid expenses	<u>1,419</u>	<u>1,252</u>
Total restricted assets	<u>352,086</u>	<u>357,460</u>
<b>Property and Equipment</b>		
Property and Equipment	930,427	881,610
Less accumulated depreciation and amortization	<u>(266,744)</u>	<u>(231,282)</u>
	663,683	650,328
<b>Property Held for Lease, Less Accumulated Depreciation of \$147,880 and \$133,168</b>		
	389,516	401,678
<b>Construction in Progress</b>		
	<u>50,686</u>	<u>33,272</u>
	<u>1,103,885</u>	<u>1,085,278</u>
<b>Other Assets</b>		
Other assets	<u>68</u>	<u>68</u>
Total other assets	<u>68</u>	<u>68</u>
<b>Total Assets</b>	<u><b>\$1,563,824</b></u>	<u><b>\$1,546,662</b></u>

	September 30,	
	<u>1997</u>	<u>1996</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities (Payable from Current Assets)</b>		
Accounts and contracts payable	\$ 8,159	\$ 7,776
Accrued expenses	4,439	4,478
Deferred revenue	21,490	21,411
Deposits	2,742	2,646
Advance rent from tenants, current	1,535	2,330
Deferred compensation payable	6,273	5,047
Notes payable, current portion	10,000	18,402
Obligations under capital leases, current	<u>20</u>	<u>638</u>
Total current liabilities (Payable from current assets)	<u>54,658</u>	<u>62,728</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Revenue bonds, current	25,240	23,635
Accrued interest	32,360	33,186
Accrued expenses	314	399
Construction contracts payable	12,790	11,665
Deferred revenue	21,176	21,634
Deferred assessments, Passenger Facility Charges	<u>77,313</u>	<u>66,866</u>
Total current liabilities (Payable from restricted assets)	<u>169,193</u>	<u>157,385</u>
<b>Other Liabilities</b>		
Revenue bonds payable, long-term	892,367	915,825
Notes payable, long-term	27,756	29,470
Other liabilities	2,131	-
Advance rent from tenants, long-term	273	281
Obligations under capital leases, long-term	<u>-</u>	<u>20</u>
Total liabilities	<u>922,527</u>	<u>945,596</u>
Total liabilities	<u>1,146,378</u>	<u>1,165,709</u>
<b>Equity</b>		
Contributions in aid	328,793	302,534
Retained earnings	<u>88,653</u>	<u>78,419</u>
Total equity	<u>417,446</u>	<u>380,953</u>
<b>Total Liabilities and Equity</b>	<u><b>\$1,563,824</b></u>	<u><b>\$1,546,662</b></u>

See accompanying notes to financial statements.

GREATER ORLANDO AVIATION AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL ENTERPRISE FUNDS  
(in thousands)

	Years Ended September 30,	
	1997	1996
Operating Revenues		
Airfield area	\$ 29,174	\$ 25,109
Terminal area	128,171	129,434
Other building and site rentals	9,473	9,307
Hotel	23,205	20,955
Total operating revenues	<u>190,023</u>	<u>184,805</u>
Operating Expenses Before Depreciation and Amortization		
Operations and facilities	(49,553)	(46,192)
Safety and security	(8,514)	(8,451)
Administration	(17,102)	(16,709)
Other	(1,742)	(2,368)
Hotel	<u>(16,216)</u>	<u>(15,466)</u>
Total operating expenses before depreciation and amortization	<u>(93,127)</u>	<u>(89,186)</u>
Operating Income Before Depreciation and Amortization	96,896	95,619
Depreciation and Amortization		
On assets acquired with own funds	(37,219)	(35,689)
On assets acquired from contributions in aid of construction	<u>(14,964)</u>	<u>(15,349)</u>
Operating income	44,713	44,581
Non-Operating Revenues (Expenses)		
Interest income	18,500	17,895
Interest expense	(68,911)	(70,162)
Passenger facility charges	615	1,042
Federal and State grants	251	(604)
Gain on disposition of assets	7	43
Other	<u>95</u>	<u>209</u>
Net loss	(4,730)	(6,996)
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>14,964</u>	<u>15,349</u>
Increase in retained earnings	10,234	8,353
Retained Earnings, Beginning of Year	<u>78,419</u>	<u>70,066</u>
Retained Earnings, End of Year	<u>\$ 88,653</u>	<u>\$ 78,419</u>

See accompanying notes to financial statements.

GREATER ORLANDO AVIATION AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS  
(in thousands)

	Years Ended September 30,	
	<u>1997</u>	<u>1996</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and tenants	\$188,447	\$ 192,197
Cash paid to suppliers	(60,840)	(58,191)
Cash paid to employees for services	<u>(31,188)</u>	<u>(29,928)</u>
Net cash provided by operating activities	<u>96,419</u>	<u>104,078</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grants received	<u>961</u>	<u>647</u>
Net cash provided by noncapital financing activities	<u>961</u>	<u>647</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term debt	-	7,200
Principal payments - bonds and notes	(31,233)	(29,902)
Principal payments - capital leases	(638)	(668)
Interest paid	(68,296)	(69,059)
Proceeds from sale of assets	-	45
Purchase of fixed assets	(1,720)	(4,349)
Construction (including capitalized interest)	(66,820)	(37,470)
Capital contributed by federal, state and airlines	<u>47,790</u>	<u>59,962</u>
Net cash used for capital and related financing activities	<u>(120,917)</u>	<u>(74,241)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of held-to-maturity debt securities	(769,838)	(557,647)
Proceeds from held-to-maturity debt securities	810,927	531,983
Interest on held-to-maturity debt securities	<u>19,112</u>	<u>18,038</u>
Net cash provided by (used for) investing activities	<u>60,201</u>	<u>(7,626)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	36,664	22,858
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>129,431</u>	<u>106,573</u>
<b>Cash and Cash Equivalents, End of Year (1)</b>	<u>\$166,095</u>	<u>\$ 129,431</u>
(1) Cash and Cash Equivalents - Current Assets	\$ 54,817	\$ 37,743
Cash and Cash Equivalents - Restricted Assets	<u>111,278</u>	<u>91,688</u>
	<u>\$166,095</u>	<u>\$ 129,431</u>

(Continued)

See accompanying notes to financial statements.

GREATER ORLANDO AVIATION AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS  
ALL ENTERPRISE FUNDS

(Continued)  
(in thousands)

	Years Ended September 30,	
	<u>1997</u>	<u>1996</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	<u>\$ 44,713</u>	<u>\$ 44,581</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>		
Depreciation	52,183	51,038
(Increase) Decrease in assets		
Accounts receivable	(490)	2,227
Prepaid expenses	(91)	103
Increase (Decrease) in liabilities		
Accounts payable and contracts payable	1,229	210
Accrued expenses	(39)	754
Deferred revenues	(379)	4,305
Deposits	96	(757)
Advanced rent	(803)	1,617
Total adjustments	<u>51,706</u>	<u>59,497</u>
Net Cash Provided by Operating Activities	<u>\$96,419</u>	<u>\$104,078</u>

**Noncash Capital and Related Financing Activities:**

The Florida Department of Transportation approved the Authority's request for the conversion of \$1,661,000 in outstanding loans (Orlando International Airport) to contributions in aid.

In June 1997, the Florida Department of Transportation approved the Authority's request for a partial conversion of an outstanding \$1,714,000 loan (Orlando Executive Airport) to a 50/50 state grant. In July 1997, the Authority paid one-half of the \$1,714,000 and reported the remainder as contributions in aid.

See accompanying notes to financial statements.

# GREATER ORLANDO AVIATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

### 1. ORGANIZATION AND PURPOSE

The Greater Orlando Aviation Authority (the Authority) was established by the Florida State Legislature and consists of Orlando International Airport and Orlando Executive Airport, each of which functions as a self-supporting enterprise fund.

### 2. REPORTING ENTITY

In defining the Greater Orlando Aviation Authority for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board Statement No. 14. This statement establishes the basis for the reporting entity and whether it is considered a component unit of another entity and whether other entities are component units. The Authority would be a component unit of another entity if it were financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent, regardless of whether the entity appoints the voting majority of the potential component unit's board. Additionally, the Authority must consider those potential component units for which exclusion from their financial statements would cause the governmental entity's financial statements to be misleading. Based on the application of these criteria, the following is a brief review of each potential component unit considered in defining the Authority's reporting entity.

The City of Orlando is not financially accountable for the Authority. The Authority Board consists of five members appointed by the Governor, one member appointed by City Council, and one member appointed by the Orange County Commission. Board members cannot be removed by the Governor, City Council, or County Commission without cause. The City of Orlando does not participate in the designation of management of the Authority. The Authority Board approves the appointment of executives who are responsible for staffing their respective departments. The City of Orlando does not have the ability to significantly influence operations, and is not involved in any daily activities or operations of the Authority. Budgetary authority is not exercised by the City of Orlando. The City of Orlando does not approve or disapprove the Authority's budget, and does not participate in preparing or reviewing the budget. The City of Orlando does, however, provide the forum for holding the public budget hearing in accordance with the Operation and Use Agreement (Note 4). Deficits of the Authority are not guaranteed by the City of Orlando, nor does the City of Orlando exercise any control over the use of surplus funds. City of Orlando revenue bonds issued by the Authority are payable solely from operating revenues derived by the airport system. These bonds are not general obligations of the City of Orlando, and neither the faith and credit nor the taxing power of the City of Orlando is pledged to their payment. There are no significant financing arrangements between the Authority and the City of Orlando. The City of Orlando does not exercise any control over collecting revenues, nor disbursing of funds for the Authority. The City of Orlando does not participate in establishing fees and charges nor in contract negotiations. However, leases in excess of ten years must be approved by City Council and purchases and sales of real property require approval by City Council. Based on the above analysis, the Authority is considered to be a separate reporting entity.

The Authority applied these same criteria to determine if any other entity should be a component unit of the Authority. Based on a review of the criteria, no other entities are considered to be component units of the Authority.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

2. **REPORTING ENTITY (Continued)**

**Excluded from the reporting entity:**

**Retirement Plans for Employees of the Greater Orlando Aviation Authority:** Hartford Insurance Company, as administrator, makes all decisions related to investment of the funds. The Authority makes the actuarially required contributions. Financial information of the Retirement Plan is excluded from the Authority's financial statements. The Authority, a single enterprise fund, does not prepare Pension Trust Fund Statements. However, the required financial information is adequately disclosed in Note 11. The firefighters are part of a multi-employer plan with the State of Florida.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting:** The Authority's funds are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. The Authority applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents:** Demand deposits, certificates of deposits, cash on hand and repurchase agreements with a maturity of three months or less from the date of purchase are considered to be cash and cash equivalents.

**Securities Held-to-Maturity:** The Authority classifies all of its investments as held-to-maturity since it has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in investment income.

**Fair Value of Financial Instruments:** To meet the reporting requirements of FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments", the Authority calculates the fair value of financial instruments and includes this additional information in the notes to the financial statements. The Authority uses available market information and discounting of future cash flows as valuation methodologies to determine these fair values.

**Property and Equipment:** Property and equipment are recorded at cost when purchased or at fair market value when donated.

**Restricted Assets and Liabilities:** The Trust Indentures and Bond Resolutions authorizing the issuance of the revenue bonds for Orlando International Airport require the segregation of certain assets into restricted accounts and limits their use to specific items as defined by the documents. Current liabilities payable from restricted assets are the liabilities that are to be retired by use of the restricted assets.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Lease and Concession Agreements:** The Authority's operations consist of agreements for use of land, buildings, terminal space and privileges to airlines and concessionaires. The agreements consist of (a) one year, cancelable space and use permits, and (b) noncancelable agreements for land, buildings, terminal space and privileges, most of which expire over the next forty years. Revenue from these agreements is accounted for under the operating method and is reported over the terms of the agreements.

**Depreciation:** Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the property and equipment are as follows:

Buildings	5 to 40 years
Improvements	5 to 40 years
Equipment	5 years
Motor vehicles	5 to 20 years

**Pension Plans:** Pension expense includes amortization of prior service costs over a period of thirty years. The Authority's policy is to fund accrued pension costs which include normal costs and amortization of prior service costs for regular employees and amounts determined by the Florida Retirement System for firefighters.

**Compensated Absences:** Expenses relating to compensated absences are recognized as incurred in accordance with Governmental Accounting Standards Board Statement No. 16 and included in accrued expenses.

**Deferred Assessments - Passenger Facility Charges:** The collection of passenger facility charges has been approved by the Federal Aviation Administration (FAA). Accordingly, amounts collected and not disbursed have been reflected as deferred assessments. As construction costs are incurred for the approved projects, the passenger facility charges are recognized as contributions in aid. Passenger facility charges used to finance noncapital projects are recorded as non-operating revenue when earned.

**Arbitrage Rebate Penalty:** The U. S. Treasury has issued regulations on calculating arbitrage penalties and determining compliance with the arbitrage provisions of the Tax Reform Act of 1986. Arbitrage penalties arise when the Authority elects at the time that bonds are issued, to spend down available construction proceeds. If certain expenditure requirements are not met, penalties are assessed on each six-month period beginning on the date of issuance of the bonds. The Authority has estimated the rebate penalty and reduced construction proceeds accordingly. The liability is included in current liabilities payable from restricted assets.

**Interest Rate Risk Management:** The Authority uses interest rate swap agreements to reduce the impact of interest rate charges on future income. The Authority has entered into an interest-rate swap agreement to reduce interest costs on the Airport Facilities Taxable Subordinated Revenue Bonds, Series 1992 and the Airport Facilities Revenue Bonds, Series 1987 and 1988. The differential to be paid or received is accrued as interest income or expense and is recognized over the life of the agreement. The related amount payable to or receivable from counterparties is included in other assets or liabilities. The fair value of the swap agreement is not recognized in the financial statements.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Contributions in Aid:** Contributions in aid consist primarily of grants and contributions from federal and state governmental agencies and from airlines and passenger facility charges. Grants and contributions from federal and state governmental agencies and passenger facility charges are recognized as earned as related project costs are incurred. Donated property is recognized as received. Depreciation on contributed property and equipment resulting from capital grants is allocated to contributed capital using the straight-line method over the same lives as applied to property and equipment.

**Interest During Construction:** Interest is capitalized during construction to Construction in Progress, and consists of construction period interest expense on certain tax-exempt borrowings in excess of interest earned on related investments acquired with the proceeds of tax-exempt borrowings.

**Deferred Revenues:** Deferred revenues represent 50% of those revenues earned in excess of certain required deposits in accordance with the Airline Lease and Use Agreement.

**Budgets:** The Enabling Act and related amendments creating the Greater Orlando Aviation Authority established budgetary procedures for certain accounts maintained within its enterprise funds.

Prior to September 1 of each year, the Authority adopts by resolution its proposed budgets for certain accounts within its enterprise funds for the fiscal year commencing the following October 1. A public hearing is conducted by the Orlando City Council and, following the public hearing, the Authority adopts the budgets prior to the commencement of the next fiscal year. Once adopted, the total budgeted revenues or expenses for each account created under certain bond resolutions for which a budget is required cannot be amended except by resolution of the Authority, after giving ten days written notice of the proposed amendments to City Council and after giving a public notice at least ten days prior to the meeting of the Authority at which the proposed amendments are to be considered. Expenditures may not exceed budgeted appropriations at the fund level. Formal budgetary integration is employed as a management control device for those accounts for which budgets are adopted. All appropriations except the Improvement and Development Fund, the Renewal and Replacement Fund, the Discretionary Fund, and the Non-trustee Revenue Fund lapse at the end of each year and must be re-appropriated.

The Authority consists of enterprise funds and, consequently, budgetary data is not included in the basic financial statements. However, the budgets for revenue and operating and maintenance accounts are developed in accordance with the requirements of the bond covenants and the Airline Lease and Use Agreements. The budgets are prepared on a non-GAAP basis since capital expenditures and some encumbrances are included as expenses and depreciation is not budgeted.

**Reclassifications:** Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

## GREATER ORLANDO AVIATION AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

#### 4. OPERATION AND USE AGREEMENT - CITY OF ORLANDO

The City of Orlando and the Authority signed an Operation and Use Agreement, dated September 27, 1976, which grants the Authority the right to occupy, operate, control and use the Orlando International Airport and the Orlando Executive Airport for a term of fifty years commencing on October 1, 1976. At the end of the term, unless otherwise extended, the Authority is obligated to return full ownership and control of all its assets to the City of Orlando.

The assets, liabilities and equity were transferred to the Authority at the carrying amounts in the accounts of the Aviation Division of the City of Orlando which reflected historical or estimated historical costs or other basis as explained in Note 3, with accumulated depreciation at September 30, 1976. The property and equipment, net of accumulated depreciation transferred from the Aviation Division of the City of Orlando to the Authority, amounted to approximately \$31,453,000.

The City of Orlando provides certain police and fire protection to the Authority. Total charges for these services amounted to approximately \$5,777,000 and \$5,536,000 for 1997 and 1996, respectively.

#### 5. CASH DEPOSITS

Cash deposits as of September 30, 1997 and 1996 were \$3,179,000 and \$11,083,000, respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts which are entirely insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

The Florida Security for Public Deposits Act (the Act) establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, Authority deposits in qualified public depositories are considered totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the State Treasurer.

#### 6. INVESTMENTS

State statutes and bond resolutions authorize the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, obligations of specific agencies of the United States of America, New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and guaranteed by the United States of America, secured negotiable certificates of deposit and secured repurchase agreements. Investments are categorized into these three credit risk categories by GASB Statement No. 3:

- 1) Insured or registered, or securities held by the entity or its agent in the entity's name.
- 2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- 3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

6. INVESTMENTS (Continued)

Investment balances were as follows:

Carrying and Fair Value of Investments As of September 30, 1997 (in thousands)					
	Category			Carrying Value	Fair Value
	1	2	3		
U.S. Government Obligations	\$ 50	\$ -	\$ 46,726	\$ 46,776	\$ 47,393
U.S. Government Agencies	-	-	210,135	210,135	210,510
Repurchase Agreements	-	<u>18,615</u>	<u>49,333</u>	<u>67,948</u>	<u>67,948</u>
<b>Total</b>	<b><u>\$ 50</u></b>	<b><u>\$18,615</u></b>	<b><u>\$306,194</u></b>	324,859	325,851
Investments not subject to categorization					
Deferred compensation plan				6,273	6,273
Mutual funds				<u>94,968</u>	<u>94,968</u>
<b>Total investments</b>				<b><u>\$426,100</u></b>	<b><u>\$427,092</u></b>

Carrying and Fair Value of Investments As of September 30, 1996 (in thousands)					
	Category			Carrying Value	Fair Value
	1	2	3		
U.S. Government Obligations	\$ 50	\$ -	\$ 81,659	\$ 81,709	\$ 82,529
U.S. Government Agencies	-	-	216,291	216,291	217,247
Repurchase Agreements	-	<u>10,563</u>	<u>27,537</u>	<u>38,100</u>	<u>38,100</u>
<b>Total</b>	<b><u>\$ 50</u></b>	<b><u>\$10,563</u></b>	<b><u>\$325,487</u></b>	336,100	337,876
Investments not subject to categorization					
Deferred compensation plan				5,047	5,047
Mutual funds				<u>80,248</u>	<u>80,248</u>
<b>Total investments</b>				<b><u>\$421,395</u></b>	<b><u>\$423,171</u></b>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

6. INVESTMENTS (Continued)

At September 30, 1997, the fair value of securities underlying repurchase agreements approximates the carrying value of the repurchase agreements. These repurchase agreements are included as cash and cash equivalents on the balance sheet. Investments other than those designated for deferred compensation benefits (Note 14) and mutual funds are stated at cost or amortized cost.

The investments held on September 30, 1997 yield interest ranging from 3.3% to 9.53% and mature on various dates through August, 2008. The investments made during the fiscal years ended September 30, 1997 and 1996 were limited to the investment classifications listed above.

The following is a summary of held-to-maturity securities:

Held-to-Maturity Securities As of September 30, 1997 (in thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U. S. Government Obligations	\$ 46,776	\$ 720	\$103	\$ 47,393
U. S. Government Agencies	210,135	684	309	210,510
Repurchase Agreements	<u>67,948</u>	<u>-</u>	<u>-</u>	<u>67,948</u>
	<u>\$324,859</u>	<u>\$1,404</u>	<u>\$412</u>	<u>\$325,851</u>

Held-to-Maturity Securities As of September 30, 1996 (in thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U. S. Government Obligations	\$ 81,709	\$1,001	\$181	\$ 82,529
U. S. Government Agencies	216,291	993	37	217,247
Repurchase Agreements	<u>38,100</u>	<u>-</u>	<u>-</u>	<u>38,100</u>
	<u>\$336,100</u>	<u>\$1,994</u>	<u>\$218</u>	<u>\$337,876</u>

The amortized cost and estimated fair value of debt securities at September 30, 1997, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

6. **INVESTMENTS (Continued)**

<u>Held-to-Maturity</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$288,609	\$288,636
Due after one year through three years	23,119	23,860
Due after three years through five years	10,854	11,182
Due after five years	<u>2,277</u>	<u>2,173</u>
	<u>\$324,859</u>	<u>\$325,851</u>

7. **ACCOUNTS AND GRANTS RECEIVABLE**

Accounts and grants receivable consist of the following:

Accounts and Grants Receivable As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
<b>Current Assets</b>		
Accounts receivable	\$13,802	\$14,229
Grants receivable	<u>986</u>	<u>1,012</u>
	<u>\$14,788</u>	<u>\$15,241</u>
<b>Restricted Assets</b>		
Accounts receivable	\$ 5,936	\$ 5,019
Grants receivable	<u>5,594</u>	<u>4,206</u>
	<u>\$11,530</u>	<u>\$ 9,225</u>

8. **RESTRICTED ASSETS**

The Trust Indentures and Bond Resolutions authorizing the issuance of the revenue bonds for Orlando International Airport require segregation of certain assets into restricted accounts. The cash and securities in the Airport Facilities Bond Account are held by the First National Bank of Chicago. Other cash and investments are held by the SunTrust Bank, Central Florida, N. A. Majority-in-Interest approval of the Signatory Airlines was granted for (1) the issuance of commercial paper to fund various capital improvements to Orlando International Airport, and (2) use of Airport Facilities Improvement and Development funds to pay all or a portion of project costs with reimbursement from commercial paper and/or revenue bonds. Orlando Executive Airport is holding cash and investments for future use subject to certain restrictions (Note 25). Composition of the restricted accounts are as follows:

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

8. RESTRICTED ASSETS (Continued)

Restricted Assets As of September 30, 1997 (in thousands)						
	Cash and Cash Equivalents	Accounts and Grants Receivable	Investments and Interest Receivable	Prepaid Expenses	Due From (to) Other Accounts	(1) Total
Orlando International Airport						
Operating Reserve Account	\$ 4,933	\$ -	\$ 10,780	\$ -	\$ (849)	\$ 14,864
1972 and 1974 Debt Service Account	1,492	-	730	-	(42)	2,180
Airport Facilities Bond Account	82,657	-	63,699	-	(4,670)	141,686
Airport Facilities Improvement and Development Account	(638)	2,678	33,274	-	28,572	63,886
Prepaid Airlines Fees and Charges Account	(115)	-	299	-	20,771	20,955
Capital Expenditures Account	680	-	1,104	-	(49)	1,735
Fixed Assets and Long-term Debt	-	-	-	1,389	-	1,389
Airport Facilities Discretionary Account	9,122	-	-	30	-	9,152
Initial Project Completion						
Construction Account	426	-	2	-	(30)	398
Renewal and Replacement Account	474	161	13,668	-	(754)	13,549
Airport Facilities Expansion Account	4,220	-	18	-	(42)	4,196
1989 Capital Projects Account	322	-	-	-	(5)	317
Commercial Paper	30	378	-	-	(10,494)	(10,086)
1992 Capital Improvements						
Construction Account	2,719	732	1,334	-	1,411	6,196
Airport Facilities Subordinated						
Revenue Bond Construction Account	123	-	1	-	2	126
Passenger Facilities Charges Account	4,739	7,581	69,941	-	(1,161)	81,100
Orlando Executive Airport	94	-	349	-	-	443
Elimination of Intraaccount Balances	-	-	32,660	-	(32,660)	-
	<u>\$111,278</u>	<u>\$11,530</u>	<u>\$227,859</u>	<u>\$1,419</u>	<u>\$ -</u>	<u>\$352,086</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

8. RESTRICTED ASSETS (Continued)

Restricted Assets As of September 30, 1996 (in thousands)						
	Cash and Cash <u>Equivalents</u>	Accounts and Grants <u>Receivable</u>	Investments and Interest <u>Receivable</u>	Prepaid <u>Expenses</u>	Due from (to) Other <u>Accounts</u>	<u>Total</u>
Orlando International Airport						
Operating Reserve Account	\$ 1	\$ -	\$ 14,239	\$ -	\$ (418)	\$ 13,822
1972 and 1974 Debt Service Account	221	-	2,011	-	(87)	2,145
Airport Facilities Bond Account	66,147	-	83,615	-	(4,684)	145,078
Airport Facilities Improvement and Development Account	2,910	1,814	27,116	-	20,033	51,873
Prepaid Airlines Fees and Charges Account	552	-	-	-	20,289	20,841
Capital Expenditures Account	643	-	503	-	(7)	1,139
Fixed Assets and Long-term Debt	-	-	-	1,245	-	1,245
Airport Facilities Discretionary Account	7,795	-	-	-	-	7,795
Initial Project Completion						
Construction Account	69	-	342	-	-	411
Renewal and Replacement Account	71	224	13,948	-	(1,484)	12,759
Airport Facilities Expansion Account	101	-	7,869	-	(7)	7,963
1989 Capital Projects Account	2,285	-	1	-	(630)	1,656
Commercial Paper Account	-	-	-	-	(404)	(404)
1992 Capital Improvements						
Construction Account	1,706	125	17,011	-	392	19,234
Airport Facilities Subordinated						
Revenue Bond Construction Account	183	-	-	-	-	183
Passenger Facilities Charges Account	8,717	7,062	54,733	7	715	71,234
Orlando Executive Airport	287	-	199	-	-	486
Elimination of Intraaccount Balances	-	-	33,708	-	(33,708)	-
	<u>\$91,688</u>	<u>\$9,225</u>	<u>\$255,295</u>	<u>\$1,252</u>	<u>\$ -</u>	<u>\$357,460</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

9. **PROPERTY AND EQUIPMENT**

The following is an analysis of the Authority's investment in property and equipment by major classes as of September 30:

Property and Equipment As of September 30, (in thousands)		
	1997	1996
Land	\$153,521	\$153,521
Buildings	150,656	148,829
Improvements	591,769	544,497
Equipment	24,743	22,462
Motor vehicles	8,427	8,292
Leased property under capital lease	<u>1,311</u>	<u>4,009</u>
	<u>\$930,427</u>	<u>\$881,610</u>

The Authority's investment in property on operating leases and property held for lease is summarized in Note 10.

10. **LEASE AND CONCESSION AGREEMENTS AND PROPERTY HELD FOR LEASE**

The following is a schedule by years of minimum future revenues on noncancelable agreements:

Minimum Future Revenues As of September 30, (in thousands)	
1998	\$ 83,096
1999	67,808
2000	65,040
2001	65,593
2002	58,552
Later years	<u>283,320</u>
Total minimum future revenues	<u>\$623,409</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

10. **LEASE AND CONCESSION AGREEMENTS AND PROPERTY HELD FOR LEASE**  
(Continued)

There is no allocation as to what portion, if any, of these agreements would represent lease revenues and payments for non-realty rights. The presentation of revenues does not attempt to discern which amounts are subject to Florida sales tax.

Minimum future revenues do not include contingent revenues which may be received under agreements for use of land and buildings on the basis of revenue earned or fuel flowage fees earned. Contingent revenues amounted to approximately \$13,820,000 and \$11,506,000 for the years ended September 30, 1997 and 1996, respectively.

**Property Held for Lease:** The following is an analysis of the Authority's investment in property on operating leases and property held for lease by major classes:

Investment in Property on Operating Leases and Property Held for Lease As of September 30, (in thousands)		
	1997	1996
Land	\$ 8,374	\$ 8,374
Buildings	520,660	518,110
Improvements	<u>8,362</u>	<u>8,362</u>
	537,396	534,846
Less accumulated depreciation	<u>(147,880)</u>	<u>(133,168)</u>
	<u>\$389,516</u>	<u>\$401,678</u>

Certain administrative offices and common usage areas are included in buildings held for lease. The runways, taxiways and aprons included in improvements are used jointly by the contracting carriers under the Airline Lease and Use Agreements.

11. **DEFINED BENEFIT PENSION PLANS**

The Authority has two defined benefit pension plans for its employees, a single-employer plan and a multi-employer plan. The total payroll for all employees was \$23,575,000, \$22,573,000 and \$21,082,000 for 1997, 1996 and 1995, respectively.

**Single-Employer Pension Plan**

The most recent actuary valuation available was computed as of September 30, 1996 therefore the following disclosures include 1996 and 1995 results.

**Plan Description:** The Authority contributed to the Retirement Plan for Employees of the Greater Orlando Aviation Authority (the Plan), a single-employer retirement plan that is administered by the Hartford Life Insurance Company. The Authority's payroll for employees covered by the plan for the years ended September 30, 1996 and 1995 was \$16,680,000 and \$15,501,000, respectively. The total payroll for all employees other than firefighters was \$19,858,000 and \$18,540,000 for 1996 and 1995, respectively.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

**Single-Employer Pension Plan (Continued)**

**Plan Description (Continued):** All employees as of July 1, 1969, other than firefighters, are eligible to participate in the Plan. Thereafter, employees must complete one year of service to be eligible. All service from date of hire is credited. Retirement benefits are equal to 3% of final average earnings multiplied by years of credited service with a maximum of 75% of final average earnings. In event of early retirement, there is a 3% benefit reduction for each year prior to normal retirement. Normal retirement date is the first day of the month following, or coinciding with the earlier of a participant's sixty-fifth birthday or twenty-five years of credited service. Effective August 1, 1996 to August 1, 1997, employees who had attained age 60 or who completed 20 or more years of credited service were permitted to retire and receive their accrued benefit unreduced by early retirement factors.

An employee is 20% vested after three years of credited service and achieves 100% vesting after seven years of service. There are no employee contributions to the Plan. Benefit provisions and contribution obligations are established by the Authority Board.

If a vested participant dies after becoming eligible for early retirement, but prior to actual retirement, his eligible spouse or other named beneficiary will receive an amount equal to that which would have been received if the participant had retired on the date of death with an immediate 50% contingent annuity.

If a vested participant dies before becoming eligible for early retirement, his eligible spouse or other named beneficiary will receive an amount equal to that which would have been received if the participant had separated from service on the date of death, survived to the earliest possible retirement age and retired on this date with an immediate 50% contingent annuity. This benefit will be payable unless otherwise elected by the participant and his spouse.

Disability benefits are equal to 60% of salary at the date of disablement offset by any Social Security and/or Worker's Compensation benefit. The maximum monthly benefit is \$3,000.

**Plan Assets:** Assets are invested in the general account of The Hartford at book value.

**Funding Status and Progress:** The amount shown below as pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

Actuarial valuations for funding are performed each year as of October 1. The pension benefit obligation was computed most recently as of September 30, 1996, using the actuarial valuations performed as of October 1996. These valuations are based on census data and assets as of that date. The liabilities as of September 30, 1996 shown below were estimated by projecting the October 1, 1996 actuarial valuation result.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

**Single-Employer Pension Plan (Continued)**

**Funding Status and Progress (Continued):** The actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.5% and 8% per year for 1996 and 1995, (b) projected salary increases of 5.5% and 7% per year, of which 3% and 5% is attributed to inflation and 2.5% and 2% to merit increases for 1996 and 1995, (c) normal retirement age of the earlier of sixty-five or twenty-five years of credited service, (d) a loading charge expense of 2% for 1996 and 1995, and (e) an appropriate loading charge to fund ancillary benefits.

Additional assumptions applying to the early retirement program were utilized in developing a revised actuarial valuation. These additional assumptions include (1) 25% of those employees eligible for the early retirement window will elect retirement, (2) 100% of those eligible for early retirement but not the early retirement window, will elect early retirement, and (3) all of the employees will be replaced by new hires.

Pension Benefit Obligation			
As of September 30,			
(in thousands)			
	<u>1996</u>	<u>1995</u>	
1. Retirees, beneficiaries and terminated vested employees	\$ 9,332	\$ 7,772	
2. Current employees			
A. Accumulated employee contributions with interest	-	-	
B. Employer-financed vested	18,156	12,488	
C. Employer-financed nonvested	<u>6,608</u>	<u>7,316</u>	
3. Total pension benefit obligation	34,096	27,576	
Net assets available for benefits at market value	<u>29,690</u>	<u>27,204</u>	
Unfunded pension benefit obligation	<u>\$ 4,406</u>	<u>\$ 372</u>	

**Actuarially Determined Contribution Requirements and Contribution Made:** Contributions to the Plan are determined each year as part of the actuarial valuation used for funding. The frozen entry age actuarial funding method is used with costs expressed as a level percentage of payroll. The contribution is calculated as the normal cost plus the amount necessary to fully amortize changes in the unfunded frozen actuarial liability due to plan changes over 30 years from the effective date of the changes. The unfunded frozen actuarial liability is presently \$2,971,000.

The actuarial assumptions are the same as those used to calculate the pension benefit obligation as shown above.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

**Single-Employer Pension Plan (Continued)**

**Actuarially Determined Contribution Requirements and Contribution Made (Continued):** Actual contributions to the Plan for the years ended September 30, 1996 and 1995 were \$3,100,000 and \$3,102,000 (18.6% and 20.0% of covered payroll), respectively. The contributions for the years ended September 30, 1996 and 1995 consisted of (a) \$3,075,000 and \$2,932,000 normal cost (18.4% and 18.9% of current covered payroll) and (b) \$170,000 and \$170,000 amortization of the unfunded frozen actuarial liability (1.0% and 1.1% of current covered payroll), and \$145,000 and \$-0- prior year credit balances (0.8% and 0.0% of current covered payroll), respectively. Contributions were made in accordance with actuarially determined contribution requirements.

**Trend Information:** Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year historical trend information may be found in the Statistical Section of the Authority's Comprehensive Annual Financial Report.

The following schedule presents three-year trend information related to the funding of the Authority's single-employer pension obligations.

Three-Year Historical Trend Information Single-Employer Pension Plan As of September 30,			
	1996	1995	1994
Net assets available for benefits expressed as a percent of pension benefit obligation	90.1%	98.6%	95.4%
Unfunded pension benefit obligation expressed as a percent of annual covered payroll	19.5	2.4	7.9
Employer contributions expressed as a percent of annual covered payroll	18.6	20.0	18.7

**Multi-Employer Pension Plan**

**Plan Description:** All firefighters employed by the Authority participate in the Florida Retirement System (the System), a multi-employer cost-sharing retirement system. The payrolls for employees covered by the System for the years ended September 30, 1997 and 1996 were \$2,764,000 and \$2,715,000, respectively which was also the total payroll for firefighters.

Participation is compulsory for all full-time and part-time firefighters employed by the Authority. Participants are categorized as members of the special risk class. A member receives one month of service credit for each month in which any salary is paid for services performed. Members who meet certain requirements may purchase additional service credits to increase

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

**Multi-Employer Pension Plan (Continued)**

**Plan Description (Continued):** their retirement benefit. The System provides vesting of benefits after ten years of creditable service. Special risk members are eligible for normal retirement after a) ten years of special risk service and age fifty-five, b) twenty-five total years special risk service and age fifty-two (may include four years military), c) twenty-five continuous years special risk service, regardless of age, or, d) thirty years of any creditable service, regardless of age (may include four years military). Early retirement may be taken any time after vesting. However, there is a 5% benefit reduction for each year prior to normal retirement age or date. Options are available for benefits for life or reduced benefits with beneficiary rights.

Benefits are computed on the basis of age, average final compensation (AFC) and service credit. AFC is the average of the five highest fiscal years of earnings. Each year of service is expressed as a percentage of AFC. The total percentage value received is determined by calculating the total value of all service which is based on the retirement plan to which the member belonged when the service was earned, with each year valued ranging from 2% to 3%. The System also provides disability benefits for in-line-of-duty retirement at 42% of AFC and regular disability at 25% of AFC. Survivor benefits are also provided for death from in-line-of-duty equal to one-half of his or her monthly salary at death. If employment is terminated by death other than in-line-of-duty, the beneficiary will receive a life-time monthly benefit if employment exceeded 10 years. Cost-of-living adjustments are made each July 1 for those members who have received benefits for twelve or more months. Benefit provisions and contribution obligations have been established by the State of Florida and approved by the Authority Board.

**Contribution Requirements:** Retirement coverage is employee noncontributory. Employers pay all contributions for special risk members at a current rate of 27.1%. The contributions for the years ended September 30, 1997 and 1996 were \$749,000 (27.1% of covered payroll), and \$743,000 (27.4% of covered payroll), respectively. The contribution rates in effect during the period ended September 30, 1997, are as follows (contribution rates are in agreement with actuarially determined rates, each including an additional .66% health insurance subsidy contribution):

October 1, 1996 - September 30, 1997	27.10%
--------------------------------------	--------

**Funding Status and Progress:** The amount shown as pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Florida Retirement System's funding status on an on-going basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems. The measure is independent of and should not be confused with the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of a June 30, 1997 actuarial valuation. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year, compounded annually; (b) projected salary increases of 5.5% per year, compounded annually, attributable to inflation; (c) additional projected salary increases of 2% per year attributable to seniority/merit, and (d) a post-retirement benefit increase of 3% per

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

**Multi-Employer Pension Plan (Continued)**

**Funding Status and Progress (Continued):** year. There were no significant changes made to benefit provisions or actuarial assumptions. The pension benefit obligation as of June 30, 1997 for the System as a whole, determined through an actuarial update performed as of that date, was \$54.2 billion. The System's net assets available for benefits (at actuarial value) were \$56.2 billion, leaving assets in excess of pension benefit obligation of \$2.0 billion. The Authority's contribution requirement for the years ended September 30, 1997 and 1996 represented less than 1% of total contributions required of all participating employers.

**Trend Information:** Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Florida Retirement System 1997 Annual Report.

12. **POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

In addition to the pension benefits described in Note 11, the Authority provides post-retirement health care benefits to those employees who, in accordance with Article 4 of the Plan, retire at a participants' Normal Retirement Date or Early Retirement Date and who receive pension benefits immediately upon termination. Benefit provisions and contribution obligations have been established by the Authority Board.

Currently, 110 employees are eligible for post-retirement benefits. The Authority provides medical, dental, vision and life insurance coverage at no cost to employees who retired prior to August 2, 1997. Effective August 2, 1997, eligibility for retirement health care benefits will be determined by the years of credited service and whether the employee immediately begins to receive pension benefits. Employees who do not elect to receive pension benefits immediately upon termination of employment are not eligible for any health and life insurance coverage under this policy.

The Authority's premium contribution for employees retiring after August 2, 1997 is as follows:

<u>Credited Service</u>	<u>Contribution</u>
20 or more years	100%
15 but less than 20 years	75%
10 but less than 15 years	50%
less than 10 years	0%

No employees retired between August 2, 1997 and September 30, 1997. Therefore, no retirees' benefits have been subject to the vesting schedule.

Dependent coverage is available at the retirees' expense provided the retiree is eligible to receive health and life insurance benefits under this policy. Expenses for post-retirement health care benefits are recognized as premiums are due. Expenses for the years ended September 30, 1997 and 1996 were \$223,000 and \$190,000, respectively.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

13. **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts, and natural disasters for which the Authority carries commercial insurance. Specific details regarding deductibles and specific coverage can be found in the supplemental schedules of the Comprehensive Annual Financial Report of the Authority.

The Authority is self-insured for workers compensation. The plan is administered by Carson-Brooks, Inc. Excess coverage for workers compensation claims has been purchased, providing stop loss coverage for claims which exceed \$300,000 per occurrence and aggregate losses in excess of \$1,200,000 up to statutory requirements. Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Liabilities for unpaid claims at year-end are included in accrued expenses.

The Authority has a third party actuary perform a review of claim history for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including IBNR) for each year's claim experience. The Authority has recorded this estimate as a liability. There were no significant reductions in insurance coverage from the prior year. No settlements exceeded insurance coverage in the past three years.

Changes in the Authority's workers compensation claims liability are as follows:

Unpaid Claims As of September 30, (in thousands)	1997	1996
Unpaid claims and claims adjustment expenses at beginning of fiscal year	<u>\$320</u>	<u>\$396</u>
Incurred claims and claims adjustment expenses:		
Provisions for insured events of the current fiscal year	198	356
Decreases in provision for insured events of prior years	<u>(78)</u>	<u>(288)</u>
Total incurred claims and claims adjustment expenses	<u>120</u>	<u>68</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of current fiscal year	(32)	(117)
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>(52)</u>	<u>(27)</u>
Total payments	<u>(84)</u>	<u>(144)</u>
Total unpaid claims and claims adjustment expenses at end of fiscal year	<u>\$356</u>	<u>\$320</u>

**GREATER ORLANDO AVIATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

Years Ended September 30, 1997 and 1996

**14. DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. Investments are managed by the plan's trustee under multiple investment options. The choice of the investment options is made by the participant. Assets in the plan remain the property of the Authority until paid or made available to participants. Plan assets are administered by one of two companies selected by the Authority as plan administrator. The Authority is responsible for remitting withheld payroll deductions to the plan administrator and notifying the plan administrator as to any benefits to be paid. The Authority's deferred compensation plan investments are carried at fair value and are invested as follows:

Deferred Compensation Plan As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Stocks	\$2,789	\$1,733
U. S. Government	5	3
Bonds	210	175
Money Market	194	71
Fixed Annuity	<u>3,075</u>	<u>3,065</u>
	<u>\$6,273</u>	<u>\$5,047</u>

**15. LEASE OBLIGATIONS**

Assets acquired through capital leases are as follows:

Leased Property As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Buses	\$1,311	\$1,311
Telephones	-	2,500
Computers	-	198
	<u>\$1,311</u>	<u>\$4,009</u>

The charge to income resulting from amortization of assets recorded under capital leases is included with the total of depreciation expense for fixed assets.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

15. **LEASE OBLIGATIONS (Continued)**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 1997:

Minimum Lease Payments Year ended September 30, (in thousands)	
1998	<u>\$ 20</u>
Total minimum lease payments	20
Less amount representing interest	-
Present value minimum lease payments	<u>\$ 20</u>

16. **REVENUE BONDS PAYABLE**

Revenue Bonds Payable As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
\$10,700,000 Airport Revenue Bonds Series 1972, dated March 1, 1972 due serially on March 1 of each year through 1998. Interest at 4% to 7.5% due semi-annually on March 1 and September 1; net of unamortized discount of \$0 and \$1,000.	\$ 820	\$ 1,594
\$7,000,000 Airport Revenue Bonds Series 1974, dated March 1, 1974 due serially on March 1 of each year through 2000. Interest at 6% to 7.5% due semi-annually on March 1 and September 1; net of unamortized discount of \$2,000 and \$4,000.	1,488	1,926
\$86,445,000 Airport Facilities Revenue Bonds 1987 Series, dated January 1, 1987, of which a portion is due October 1 of each year beginning in 1990 through 2000, \$3,400,000 of which were defeased in July, 1993; \$15,815,000 in Term Bonds due October 1, 2006; \$6,975,000 in Term Bonds due October 1, 2008; and \$46,915,000 in Term Bonds due October 1, 2017; \$9,390,000, \$4,140,000 and \$27,865,000, of which were defeased July 1993, respectively. Interest at 5.25% to 7.40% due semi-annually on April 1 and October 1; net of unamortized discount of \$700,000 and \$767,000.	31,630	33,143

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. REVENUE BONDS PAYABLE (Continued)

Revenue Bonds Payable As of September 30, (in thousands)	<u>1997</u>	<u>1996</u>
<p>\$430,500,000 Airport Facilities Revenue Bonds 1988 Series, dated July 1, 1988 of which a portion is due October 1 of each year beginning in 1990 through 2002, \$3,665,000 of which were defeased in July, 1993; \$50,320,000 in Term Bonds due October 1, 2006; \$31,640,000 in Term Bonds due October 1, 2008; \$104,705,000 in Term Bonds due October 1, 2013; \$85,730,000 in Term Bonds due October 1, 2016; and \$69,660,000 in Term Bonds due October 1, 2018; \$4,965,000, \$3,120,000, \$10,330,000, \$8,460,000 and \$6,870,000, of which were defeased July 1993, respectively. Interest at 5.9% to 8.375% due semi-annually on April 1 and October 1; net of unamortized discount of \$6,859,000 and \$7,369,000.</p>	\$349,976	\$356,201
<p>\$176,320,000 Airport Facilities Revenue Bonds Series 1992A, dated March 1, 1992 of which a portion is due October 1 of each year beginning in 2004 through 2006; \$54,080,000 in Term Bonds due October 1, 2012; and \$88,480,000 in Term Bonds due October 1, 2021. Interest at 6.25% to 6.5% due semi-annually on April 1 and October 1; net of unamortized discount of \$7,375,000 and \$7,852,000.</p>	168,945	168,468
<p>\$31,600,000 Airport Facilities Refunding Revenue Bonds Series 1992B, dated March 1, 1992 due serially on October 1 of each year beginning in 2002 through 2008. Interest at 6.1% to 6.55% due semi-annually on April 1 and October 1; net of unamortized discount of \$374,000 and \$420,000.</p>	31,226	31,180
<p>\$96,515,000 Airport Facilities Taxable Refunding Revenue Bonds Series 1992C, dated April 1, 1992 due serially on October 1 of each year beginning in 1993 through 2004. Interest at 5.35% to 8.25% due semi-annually on April 1 and October 1; net of unamortized discount of \$637,000 and \$829,000.</p>	73,113	80,611

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. **REVENUE BONDS PAYABLE (Continued)**

Revenue Bonds Payable As of September 30, (in thousands)	1997	1996
<p>\$79,600,000 Airport Facilities Refunding Revenue Bonds Series 1992D, dated October 1, 1992 of which a portion is due October 1 of each year beginning in 1999 through 2006; and \$20,960,000 in Term Bonds due October 1, 2008. Interest at 5.0% to 6.2% due semi-annually on April 1 and October 1; net of unamortized discount of \$841,000 and \$954,000.</p>	\$78,759	\$78,646
<p>\$25,780,000 Airport Facilities Taxable Refunding Revenue Bonds Series 1992E, dated October 1, 1992 due serially on October 1 of each year beginning in 1993 through 1999. Interest at 4.0% to 7.1% due semi-annually on April 1 and October 1; net of unamortized discount of \$45,000 and \$94,000.</p>	15,045	20,111
<p>\$95,135,000 Airport Facilities Refunding Revenue Bonds Series 1993A, dated June 1, 1993 of which a portion is due October 1 of each year beginning in 1994 through 2008; \$17,005,000 in Term Bonds due October 1, 2013; and \$40,755,000 in Term Bonds due October 1, 2018. Interest at 3.1% to 5.5% due semi-annually on April 1 and October 1; net of unamortized discount of \$3,011,000 and \$3,223,000.</p>	90,409	90,197
<p>\$6,150,000 Airport Facilities Subordinated Revenue Bond (Air Cargo Facility) 1989 Series A, dated December 15, 1989 payable in monthly instalments with the remaining outstanding principal amount being payable on December 10, 1999, the final maturity date of this Subordinated Bond. Accrued interest is payable monthly in arrears at a rate of 8.25%.</p>	4,800	5,026
<p>\$21,690,000 Airport Facilities Subordinated Revenue Bonds (Terminal Hotel Facility), 1991 Series A, dated November, 1991, principal payable annually on each December 1 beginning 1994 through 2015. Variable interest rate due monthly based on the weekly Banker's Trust tax-exempt note rate; net of unamortized discount of \$379,000 and \$402,000.</p>	21,011	21,088

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. REVENUE BONDS PAYABLE (Continued)

Revenue Bonds Payable As of September 30, (in thousands)	1997	1996
\$7,100,000 Airport Facilities Subordinated Revenue Bonds, 1991 Series B, dated December 1991, principal payable annually on each December 1 beginning 1996 through 2015. Variable interest rate due monthly based on the weekly Banker's Trust tax-exempt note rate; net of unamortized discount of \$184,000 and \$196,000.	\$6,816	\$6,904
\$3,100,000 Airport Facilities Subordinated Revenue Bonds, 1992 Series B, dated May 1992, principal payable annually on each December 1 beginning 1996 through 2015. Variable interest rate due monthly based on the weekly Banker's Trust tax-exempt note rate; net of unamortized discount of \$80,000 and \$86,000.	2,920	3,014
\$3,100,000 Airport Facilities Subordinated Revenue Bonds, 1993 Series B, dated June 1, 1993, principal payable annually on each December 1 beginning in 1996 through 2015. Variable interest rate due monthly based on the weekly Banker's Trust tax-exempt note rate; net of unamortized discount of \$59,000 and \$65,000.	2,941	3,035
\$39,010,000 Airport Facilities Taxable Subordinated Revenue Bonds Series 1992, dated August 1, 1992 of which a portion is due October 1 of each year beginning in 1996 through 2007; and \$16,890,000 in Term Bonds due October 1, 2012. Interest at 5.7% to 8.2% due semi-annually on April 1 and October 1; net of unamortized discount of \$627,000 and \$694,000.	<u>37,708</u>	<u>38,316</u>
Total revenue bonds payable	\$917,607	\$939,460
Less current portion (Payable from restricted assets)	<u>(25,240)</u>	<u>(23,635)</u>
Revenue bonds payable, long-term	<u>\$892,367</u>	<u>\$915,825</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. REVENUE BONDS PAYABLE (Continued)

The following are schedules of debt maturities and related interest payable on all outstanding issues as of September 30, 1997:.

Schedule of Debt Maturities Year ended September 30, (in thousands)	
<u>Year</u>	<u>Principal</u>
1998	\$ 25,240
1999	25,696
2000	34,375
2001	31,640
2002	34,380
Later years	<u>787,449</u>
	938,780
Less unamortized bond discount	<u>(21,173)</u>
	<u>\$917,607</u>

Schedule of Interest Payable Year ended September 30, (in thousands)	
<u>Year</u>	<u>Interest</u>
1998	\$ 65,698
1999	63,874
2000	61,636
2001	59,373
2002	57,042
Later Years	<u>514,126</u>
	<u>\$821,749</u>

The Airport System Revenue Bonds, Series 1972 and 1974 are collateralized by a first lien on gross revenues of the airport system as defined in the trust indentures. The Airport Facilities Revenue Bonds, Series 1987, 1988, 1992 and 1993 are collateralized by revenues of the airport system subject to the prior lien of the Series 1972 and 1974 Airport System Revenue Bonds. The Airport Facilities Subordinated Revenue Bonds are collateralized by revenues of the Airport Facilities Discretionary Account subject to the prior lien of the Series 1972 and 1974 Airport Revenue Bonds and the Resolution of the Authority adopted on June 13, 1978 authorizing the issuance of Airport Facilities Revenue Bonds.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. **REVENUE BONDS PAYABLE (Continued)**

The Authority has agreed to maintain rates and charges each year to provide net revenues equal to at least 1.25 times the sum of the aggregate debt service and prior lien debt service for each fiscal year. Net revenues are defined as revenues remaining after operating expenses and certain required deposits into the Renewal and Replacement Account and the Operating Reserve Account established under the Trust Indentures, and after required deposits into the Operation and Maintenance Reserve Account, the Capital Expenditures Account, and the Renewal and Replacement Account established under the Bond Resolution.

The 1972 and 1974 Series Trust Indentures and the Bond Resolutions established certain accounts and the order in which revenues are to be deposited into these accounts. The purpose of the accounts in order of priority of monthly revenue transfers is as follows:

**Airport System Revenue Account:** Deposit revenues of the airport system.

**Airport System Sinking Fund Principal and Interest Account:** Deposit an amount equal to 1/6 of the interest becoming due on the next semi-annual interest payment and 1/12 of all principal due on the next maturity date for the 1972 and 1974 bonds.

**Airport System Sinking Reserve Account:** Deposit 1/60 of the maximum amount of principal and interest on the bonds becoming due in any ensuing fiscal year until there is on deposit in the reserve account an amount equal to the maximum amount of principal and interest on the 1972 and 1974 bonds becoming due in any ensuing fiscal year.

**Airport System Operation and Maintenance Account:** Deposit 1/12 of the annual budget for operating expenses of the airport system and pay operating expenses.

**Airport System Operating Reserve Account:** Deposit amount necessary together with the monies then on deposit to equal 1/6 of the annual operation and maintenance budget for the airport system, for payment of operating expenses when monies in operating and maintenance accounts are insufficient.

**Airport System Renewal and Replacement Account:** Deposit 1/12 of the current annual budget until the balance equals \$6,000,000 or such larger amount certified as necessary by the Airport Consultant.

**Discretionary Account:** Deposit 7-1/2% of budgeted revenues to be used for deposits into Sinking Fund Reserve and Operation and Maintenance Account where revenues are insufficient.

**Airport System Surplus Account:** Deposit all remaining revenues after the above-required payments have been made which may be used for the purchase or redemption of prior lien bonds.

**Airport Facilities Revenue Account:** Deposit available revenues from surplus and discretionary accounts described above.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

16. **REVENUE BONDS PAYABLE (Continued)**

**Airport Facilities Bond Account:** Debt Service - Deposit 1/6 of the interest due on the next semi-annual interest payment date and 1/12 of the principal due on the next maturity date of the 1987, 1988, 1992A, 1992B, 1992C, 1992D, 1992E and 1993A bonds.

**Airport Facilities Bond Reserve Account:** Deposit amount necessary to bring the account balance equal to the maximum amount of principal and interest becoming due in any ensuing fiscal year on the 1987, 1988, 1992A, 1992B, 1992C, 1992D, 1992E and 1993A bonds.

**Airport Facilities Capital Expenditures Accounts:** Deposit 1/12 of the current annual budget for this account to purchase items of a capital nature until the balance equals \$347,700 or such larger amount certified as necessary by the Airport Consultant.

**Airport Facilities Discretionary Account:** Deposit \$166,666 or such lesser amount which will not cause the amount on deposit to exceed the discretionary account maximum balance established at \$3,537,300 plus any amount or amounts required to repay in a timely manner all subordinated indebtedness incurred to finance specific additional projects.

At the end of each fiscal year, the monies remaining in the Airport Facilities Revenue Account and the Airport System Operation and Maintenance Account are allocated equally between the Airport Facilities Improvement and Development Account and the Airport Facilities Prepaid Airline Fees and Charges Account, pursuant to the Airline Lease and Use Agreement (Note 26).

**Interest Rate Swap:** In August 1994, the Authority entered into a fixed-to-floating interest rate swap agreement, effective through October 1, 2002, to effect a savings of interest costs on the fixed rate \$39,010,000 Airport Facilities Taxable Subordinated Revenue Bonds, Series 1992 issued to finance the cost of the hotel. Under this agreement, the Authority will pay a floating rate to a third party based on the PSA Municipal Swap Index, multiplied by a leverage factor of 1.4 in order to approximate taxable rates. In return, the third party will pay to the Authority a fixed rate of 7.08% based on an index of five-year U. S. Treasury securities. The \$39,010,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The Authority continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the Authority effectively pays a variable rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate. A termination or default of the swap agreement may result in the Authority making or receiving a termination or default payment.

17. **CONDUIT DEBT OBLIGATIONS**

The Authority has outstanding one series of Special Purpose Facilities Revenue Bonds which were issued to provide for the acquisition, construction and installation of an aircraft maintenance hanger and one series of Variable Rate Special Purpose Refunding Revenue Bonds to refund Special Purpose Industrial Development Revenue Bonds which were issued to finance the acquisition, construction and installation of an air cargo facility. These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of rentals to be

**GREATER ORLANDO AVIATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended September 30, 1997 and 1996**

**17. CONDUIT DEBT OBLIGATIONS (Continued)**

received from lease agreements and from proceeds of the letter of credit provided by lessor. The bonds do not constitute a debt, liability or obligation of the Authority, the City of Orlando, or the State of Florida or any political subdivisions thereof and accordingly have not been reported in the accompanying financial statements.

At September 30, 1997 and 1996, Special Purpose Facilities Revenue Bonds outstanding totaled \$3,574,000 and \$3,878,000, respectively. At September 30, 1997 and 1996, Variable Rate Special Purpose Refunding Revenue Bonds outstanding totaled \$2,472,000 and \$2,522,000, respectively.

**18. REFUNDING OF BONDS**

The following bonds are legally defeased. Since governmental obligations are held in escrow for the payment of principal and interest, the bonds are not liabilities of the Authority. Final payments, for the defeased portion, for the 1981, 1988 and 1987 Airport Facilities Revenue Bonds are October 1, 2004, October 1, 1998, and October 1, 1996, respectively.

	Amounts Outstanding As of September 30, (in thousands)	
	1997	1996
Airport Facilities Revenue Bonds		
Series 1981	\$ 39,575	\$ 39,575
Series 1987	-	44,795
Series 1988	37,410	37,410
	<u>\$76,985</u>	<u>\$121,780</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

19. NOTES PAYABLE

Schedule of Notes Payable As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Commercial Paper Notes not to exceed \$100,000,000, interest payable at maturity at an annual rate, due fifteen business days prior to the Conversion Date or October 1, 2004.	\$26,512	\$ 32,512
Note payable to Florida Department of Transportation due in full July 2007, non-interest bearing.	10,000	10,000
Note payable to Florida Department of Transportation paid in full during 1997.	-	4,116
Goldman Sachs Loan due October 1, 1998, interest rate of 7.58% payable at maturity.	<u>1,244</u>	<u>1,244</u>
Total notes payable	37,756	47,872
Less current portion	<u>(10,000)</u>	<u>(18,402)</u>
Notes payable, long-term	<u>\$27,756</u>	<u>\$ 29,470</u>

Schedule of Maturities of Notes Payable Year ended September 30, (in thousands)	
1998	\$10,000
1999	1,244
2000	-
2001	-
2002	-
Later Years	<u>26,512</u>
	<u>\$37,756</u>

The security granted in connection with the notes payable to Florida Department of Transportation and the commercial paper are subordinate in all respects to the security created by the Bond Resolution.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

20. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Authority using available market information. However, considerable judgment is sometimes required in interpreting market data to develop the estimates of fair value.

Accordingly, the estimates presented herein may not be indicative of the amount that the Authority could realize in a current market exchange. The carrying amount and estimated fair value of the Authority's financial instruments are as follows:

Fair and Carrying Value of Financial Instruments				
As of September 30,				
(in thousands)				
	1997		1996	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 166,095	\$ 166,095	\$ 129,431	\$ 129,431
Investments	257,903	256,911	299,776	298,000
<b>Financial Liabilities</b>				
Notes payable	(37,403)	(37,756)	(47,408)	(47,872)
Revenue bonds payable	(1,098,939)	(917,607)	(1,081,804)	(939,460)
<b>Off Balance Sheet Financial Instruments</b>				
Interest Rate Swap Agreement	1,980	-	1,416	-

**Cash and Cash Equivalents:** The carrying amounts of these items are a reasonable estimate of their fair value because of the short-term nature of the maturities.

**Investments:** The fair value is estimated from quoted market prices for these or similar investments.

**Notes Payable and Revenue Bonds Payable:** The fair value is estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

**Interest Rate Swap:** The fair value is estimated based on current settlement prices.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

21. DEFERRED ASSESSMENTS - PASSENGER FACILITY CHARGES

The Authority received approval from the Federal Aviation Administration to begin collecting passenger facility charges effective February 1, 1993 in the amount of three dollars per enplaning passenger. Changes to deferred assessments are summarized as follows:

Deferred Assessments - Passenger Facility Charges As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Balance, Beginning of Year	\$ 66,866	\$49,995
Passenger Facility Charges imposed	33,398	31,829
Interest earned	<u>3,632</u>	<u>2,909</u>
Total Available	103,896	84,733
Expenditures	<u>(26,583)</u>	<u>(17,867)</u>
Balance, End of Year	<u>\$77,313</u>	<u>\$ 66,866</u>

22. CONTRIBUTIONS IN AID

Changes in contributions in aid are summarized as follows:

Contributions In Aid As of September 30, (in thousands)					
	<u>FAA</u>	<u>DOT</u>	<u>PFC</u>	<u>OTHER</u>	<u>TOTAL</u>
Balance September 30, 1995	\$190,385	\$59,345	\$18,481	\$ 9,917	\$278,128
Contributions for year end September 30, 1996	13,944	8,966	16,825	20	39,755
Depreciation on contributed property	<u>(8,628)</u>	<u>(2,398)</u>	<u>(4,054)</u>	<u>(269)</u>	<u>(15,349)</u>
Balance September 30, 1996	195,701	65,913	31,252	9,668	302,534
Contributions for year end September 30, 1997	6,208	8,415	25,968	632	41,223
Depreciation on contributed property	<u>(9,318)</u>	<u>(2,855)</u>	<u>(2,420)</u>	<u>(371)</u>	<u>(14,964)</u>
Balance September 30, 1997	<u>\$192,591</u>	<u>\$71,473</u>	<u>\$54,800</u>	<u>\$ 9,929</u>	<u>\$328,793</u>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

23. **RETAINED EARNINGS**

Under the provisions of the 1972 and 1974 Trust Indentures and the Bond Resolutions, certain current and future earnings are reserved for debt service, airport maintenance, capital expenditures and other disbursements to be made from restricted assets. Reserved and unreserved balances are calculated as follows:

Retained Earnings As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Reserved	\$87,018	\$ 77,824
Unreserved	<u>1,635</u>	<u>595</u>
<b>Total retained earnings</b>	<b><u>\$88,653</u></b>	<b><u>\$ 78,419</u></b>

Retained Earnings - Reserved As of September 30, (in thousands)		
	<u>1997</u>	<u>1996</u>
Reserved for operations	\$14,864	\$ 13,822
Reserved for renewal and replacement	13,077	12,359
Reserved for capital expenditures	1,663	1,084
Reserved for improvement and development	<u>57,414</u>	<u>50,559</u>
<b>Total reserved retained earnings</b>	<b><u>\$87,018</u></b>	<b><u>\$ 77,824</u></b>

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

24. SEGMENT INFORMATION BY AIRPORT

The Greater Orlando Aviation Authority consists of two enterprise funds, one for each of the airports it operates. Segment information for each enterprise fund is as follows:

	September 30, 1997 (in thousands)		
	Orlando International Airport	Orlando Executive Airport	Total
Operating Revenue	\$187,630	\$ 2,393	\$190,023
Depreciation	51,109	1,074	52,183
Operating Income (Loss)	45,426	(713)	44,713
Federal and State Grants	251	-	251
Passenger Facility Charges	615	-	615
Net Loss	(4,310)	(420)	(4,730)
Current Capital			
Contributions in aid	39,558	1,665	41,223
Property and Equipment			
Additions	70,093	1,724	71,817
Deletions	3,032	4	3,036
Net Working Capital	48,077	5,050	53,127
Total Assets	1,536,035	27,789	1,563,824
Bonds and Other Long-Term Liabilities			
Payable from operating revenues	892,367	273	892,640
Payable from other sources	29,887	-	29,887
Total Equity	390,485	26,961	417,446

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

24. **SEGMENT INFORMATION BY AIRPORT (Continued)**

	September 30, 1996 (in thousands)		
	Orlando International Airport	Orlando Executive Airport	Total
Operating Revenue	\$ 182,675	\$ 2,130	\$ 184,805
Depreciation	50,272	766	51,038
Operating Income (Loss)	45,143	(562)	44,581
Federal and State Grants	(574)	(30)	(604)
Passenger Facility Charges	1,042	-	1,042
Net Loss	(6,722)	(274)	(6,996)
Current Capital			
Contributions in aid	37,054	2,701	39,755
Property and Equipment			
Additions	38,884	3,671	42,555
Deletions	264	56	320
Net Working Capital	34,993	6,135	41,128
Total Assets	1,517,761	28,901	1,546,662
Bonds and Other Long-Term Liabilities			
Payable from operating revenues	915,845	281	916,126
Payable from other sources	27,756	1,714	29,470
Total Equity	355,236	25,717	380,953

25. **PROCEEDS FROM SALE OF LAND HELD FOR FUTURE RESTRICTED USE**

In 1973, the cities of Apopka, Ocoee and Winter Garden (the Cities) purchased 158 acres of land to develop a West Orange County municipal airport using a grant of \$158,000 from the State of Florida Department of Transportation.

On October 26, 1982, after efforts to commence development of the site were unsuccessful, the land (Tri-City Airport Property) was transferred to the Authority at its appraised value of \$700,000 and reflected as land held for future restricted use and as a contribution in aid. The Authority agreed to sell the land at fair market value as soon as practicable, and to reimburse the Cities for their respective actual costs incurred, not to exceed \$8,000 each.

During June 1985, the Authority sold the land. Net proceeds (after reimbursement to the Orlando Executive Airport for certain carrying costs and reimbursement to the Cities) are shown as a restricted asset.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

24. **SEGMENT INFORMATION BY AIRPORT (Continued)**

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During June 1985, the Authority sold the land. Net proceeds (after reimbursement to the Orlando Executive Airport for certain carrying costs and reimbursement to the Cities) are shown as a restricted asset.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

25. **PROCEEDS FROM SALE OF LAND HELD FOR FUTURE RESTRICTED USE**  
(Continued)

During 1989, the Authority re-activated its plans for a western reliever airport and again initiated site selection to develop this second general aviation airport. The remaining proceeds and earnings from the sale of the Tri-City Airport Property will be used to purchase and develop the new site.

If the Authority is unable to develop this airport, it will disburse to the Department of Transportation \$158,000 or such lesser amount from the net proceeds of the sale of the land. The remaining balance, if any, will be disbursed in accordance with an agreement with the Department of Transportation and the Cities.

26. **AIRLINE LEASE AND USE AGREEMENT**

The Authority has entered into lease and use agreements with certain airlines. Among other provisions, the agreements require that landing fees and fuel system use charges will be reviewed annually and adjusted as necessary so that the total revenues of the Airport System Revenue Account are sufficient to meet debt service requirements.

At the end of the fiscal year, after all required deposits have been made, the remaining funds on deposit are divided equally between the airlines and the Authority. The Authority's share is deposited into the Airport Facilities Improvement and Development Account and the airlines' share is deposited into the Airport Facilities Prepaid Airline Fees and Charges Account which is used to meet revenue requirements for the following fiscal year.

For the years ended September 30, 1997 and 1996, deferred revenues allocable to the airlines amounted to approximately \$21,009,000 and \$23,437,000, respectively. Airfield area revenues on the statement of revenues, expenses and changes in retained earnings have been reduced by this amount.

Revenues provided by Delta Air Lines under their lease and use agreement and other operating agreements were \$18,345,000 and \$22,473,000 for the year ended September 30, 1997 and 1996, respectively, which represents 10.0% and 12.2% of total operating revenues.

27. **OUTSTANDING CONTRACTS**

As of September 30, 1997, the Authority had entered into contracts totaling approximately \$183,048,000 for construction, engineering services and equipment, of which approximately \$113,746,000 remains unincurred. Grants and passenger facility charges will be utilized to fund a portion of these projects.

28. **COMMITMENTS AND CONTINGENCIES**

**Grants:** The Authority receives grants from federal and state assistance programs. Amounts received or receivable under these programs are subject to audit and adjustment. The amount, if any, of disallowed claims, including amounts already collected, cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

28. **COMMITMENTS AND CONTINGENCIES** (Continued)

**City of Orlando:** The Operation and Use Agreement with the City of Orlando (Note 4) provided for certain future payments by the Authority to the City of Orlando in the amount of \$2,000,000 plus 6% interest. The Agreement provides that all principal payments will be deferred and interest payments will be abated during the full term of airport revenue bonds issued for the construction of major new terminal facilities, runways or appurtenances at the Orlando International Airport. Since the term of the revenue bonds issued for such items is expected to be in excess of thirty years with the probability of additional financing, it is improbable that this liability and the related interest will be paid. As of September 30, 1997, this contingent liability of the Authority amounted to approximately \$1,713,000.

**Car Rental Agencies:** The Authority has agreed to reimburse several car rental agencies for the unamortized residual value of their leasehold improvements at Orlando International Airport, if their leases are terminated prior to their expiration dates. As of September 30, 1997, this contingent liability of the Authority amounted to approximately \$2,203,000.

**Property Tax:** All real and personal property owned by the Authority and used exclusively for public purposes is currently exempt from all ad valorem taxation. However, the Authority's exemption from County ad valorem and personal property taxes on its hotel within the terminal complex at Orlando International Airport continues to be challenged by the County Property Appraiser. The Authority has been assessed approximately \$4,000,000 through 1997, and is contesting these assessments. The Value Adjustment Board granted the Authority the governmental property exemption with respect to the 1993 tax year. However, the County Property Appraiser filed suit in December 1993, seeking to overturn this decision. The Authority has filed suits with respect to subsequent tax years and these actions have been stayed pending the outcome of the suit regarding the 1993 assessment.

In addition to the foregoing matters, in 1997, the Property Appraiser issued Notices of Disapproval of Application for Property Tax Exemption ("Notices of Denial") with respect to properties utilized by over forty (40) concessionaires within the terminal at the Airport. The Authority maintains that all concessionaires within the terminal serve a public purpose and, therefore, that all such property is exempt from ad valorem taxation. The Authority has filed petitions with the Orange County Value Adjustment Board with respect to each of the Notices of Denial, a hearing on these Petitions has been held before a Special Master, and a decision is pending. While the Authority's concession agreements pass along the tax burden to the concessionaires, the Authority would expect to obtain less in future concession revenues if the concessionaires are required to pay ad valorem taxes.

Furthermore, if the Property Appraiser prevails in its assessment of ad valorem taxes on these properties, then, to the extent any such taxes are not paid by the concessionaires, the Authority may be obligated to reimburse the City for such taxes. At this time, the Authority is unable to estimate the amount of these taxes, if any, that it will be required to pay on the properties utilized by the concessionaires.

**Contamination Assessment and Remediation:** The Authority has undertaken contamination assessment and site remediation at a number of locations at the Airport. In addition to the identified areas of environmental contamination, the Authority may be obligated to conduct site rehabilitation as the result of the past discharge of certain petroleum based pollutants or

28. **COMMITMENTS AND CONTINGENCIES** (Continued)

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

**Contamination Assessment and Remediation: (Continued)**

hazardous substances at the Airport either as the party primarily responsible or as the party responsible in the event other parties who are liable are unable to do so. Where groundwater or soil contamination is present, site rehabilitation has been or will be undertaken upon approval of the Orange County Environmental Protection Department or the Florida Department of Environmental Regulation ("FDER").

Although it is difficult to quantify the potential impact of compliance with environmental protection laws, the Authority believes that the ultimate aggregate cost of environmental remediation will not result in a material adverse effect on its future financial condition or results of operations. The Authority expects to recover any costs expended on environmental remediation through rates and charges. In addition, the Authority may be eligible for reimbursement from a State of Florida trust fund for some of the costs of its remediation activity regarding petroleum contamination.

**Wetland Mitigation:** Pursuant to environmental permits issued by the U. S. Army Corps of Engineers, the FDER and the South Florida Water Management District (collectively, the "Environmental Agencies"), the Authority has been required to provide mitigation for impacts which Authority projects had on existing wetlands. Wetland mitigation includes the preservation of both upland and wetland land in their natural state, the enhancement of existing wetlands, and the creation of new wetland areas. Wetland mitigation may also include funding the acquisition of environmentally sensitive lands by third parties.

The Authority has implemented wetland mitigation activities through the acquisition of necessary land, construction of wetland creation projects, and preparation of conservation easements. The Authority is currently in negotiations with the Environmental Agencies concerning mitigation activities at the Airport. The estimated future cost of compliance with the conditions contained in existing environmental permits could be as much as \$3,800,000. The cost of compliance is included in the Authority's capital improvements program.

**Construction Disputes:** John Carlo, Inc. v. Greater Orlando Aviation Authority. On or about March 28, 1997, plaintiff filed a claim against the Authority seeking approximately \$4,500,000 for the treatment of contaminated soil and for unforeseen site conditions and defective specifications and plans which allegedly resulted in delays and cost overruns in connection with the rehabilitation of the west ramp. At present, the Authority is unable to estimate its liability associated with this matter.

Devcon International Corporation v. Greater Orlando Aviation Authority. On August 8, 1995, plaintiff filed a complaint seeking damages in the amount of approximately \$4,986,000 resulting from alleged unforeseen site conditions and overruns in connection with a wetlands rehabilitation project. The Authority has counterclaimed for approximately \$770,000 for costs related to the delayed completion of the project. This case is set for scheduling conference in January 1998 to determine a trial date. At present, the Authority is unable to estimate its liability associated with this matter.

28. **COMMITMENTS AND CONTINGENCIES (Continued)**

**Construction Disputes: (Continued)**

# GREATER ORLANDO AVIATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

The Authority is aware of a number of other disputes arising from the construction of improvements at the Airport in which the contractors involved may seek additional compensation and in one instance, a tenant is seeking compensation for impacts from construction activities. Some of these disputes have become the subject of lawsuits. The aggregate uninsured amount of such disputes is approximately \$3,000,000. In the opinion of the Authority, based on its experience in resolving similar disputes, there is sufficient money in the Authority's construction contingency account to pay all amounts the Authority estimates will be paid in settling or litigating all outstanding construction disputes.

**Interest Rate Swap Agreement:** In August 1995, the Authority entered into a floating-to-fixed interest rate swap agreement with two co-swap providers to synthetically refund a portion of the Airport Facilities Revenue Bonds Series 1987 and 1988. Under current federal tax law, the 1987 and 1988 Bonds cannot be refunded on a tax-exempt basis earlier than July 1, 1996 and July 1, 1998, respectively.

The agreement provides for the payment of a fixed rate of 5.825% by the Authority on the \$383,765,000 of Airport Facilities Revenue Bonds, Series 1987 and 1988 beginning October 1, 1998. In turn, the co-swap providers will pay to the Authority a floating rate based on the PSA Municipal Swap Index. In the event of a change in federal tax law that eliminates the tax-exempt status of debt obligations of the Authority, the floating rate will be based on a combination of the PSA Municipal Swap Index and 70% of LIBOR (London Interbank Offering Rate). The Series 1987 and 1988 Bonds are expected to be refunded on their respective call dates as governmental purpose variable-rate debt obligations. The termination payment for this swap approximates \$31,722,840 and \$15,106,000 as of September 30, 1997 and 1996, respectively.

### 29. SUBSEQUENT EVENTS

**Revenue Bonds:** On November 21, 1997, the Authority issued Airport Facilities Revenue Bonds, Series 1997 of the City of Orlando, in the amount of \$169,880,000 to finance a portion of the cost of acquiring and constructing improvements to the terminal facility, airfield, roadways and parking facilities at Orlando International Airport. The interest rates on the bonds range from 5.125% to 5.75% and the final maturity date is October 1, 2023.

**Subordinated Indebtedness:** In December 1997, Majority-in-Interest approval of the Signatory Airlines was granted for (1) the issuance or reissuance by the Authority of not to exceed an outstanding amount of \$95 million of Subordinated Indebtedness, and (2) the execution of a forward-start Interest Rate Swap Agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P. or a third party swap provider.

The proceeds of the subordinated indebtedness will be used to finance a portion of the costs of acquiring and constructing various improvements to Orlando International Airport's terminal facility, airfield, roadways and parking facilities, and to reimburse the Authority for the costs of certain improvements which the Authority has advanced on an interim basis from other funds of the Authority.

### 29. SUBSEQUENT EVENTS (Continued)

**Subordinated Indebtedness (Continued):** The subordinated indebtedness will be in the form of a loan between the City of Gulf Breeze, Florida (City) and the Authority. The City will issue Capital Funding Revenue Bonds (Bonds), Series 1997B in the preliminary amount of \$89 million. The City will use the bond proceeds to make a loan to the Authority. The City expects to enter into an

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

Interest Rate Swap Agreement in order to convert the fixed interest rate on the Bonds to a variable rate. The loan from the City of Gulf Breeze will not be executed if the all-in true interest cost on the underlying Bonds is higher than 5.45% or if the composite index cap is higher than 6.45%.

The forward-start Interest Rate Swap Agreement, which is authorized to be executed by the Authority, provides for a floating-to-fixed interest rate swap on an aggregate notional amount not to exceed \$95 million, with an effective date not later than five years after the trade date of the swap, with a term not to exceed 30 years from the effective date. The issuance of the swap is conditioned on the Authority obtaining an estimated gross savings of at least \$6 million.

**Interest Rate Swap Agreement:** In October 1997, the Authority entered into a fixed-to-floating interest rate swap agreement effective through October 1, 2005, to effect a savings of debt service costs on the Authority's Airport Facilities Taxable Refunding Revenue Bonds Series 1992C and 1992E; Airport Facilities Refunding Revenue Bonds Series 1992D and 1993A; and Airport Facilities Taxable Subordinated Revenue Bonds.

The agreement provides that the Authority will pay a floating rate to a third party based on the PSA Municipal Swap Index, multiplied by a leverage factor 1.4 and 1.0 for the taxable and tax-exempt portions, respectively. In return, the third party will pay to the Authority a fixed rate of 6.09% and 4.90% on the taxable and tax-exempt portions, respectively. The notional amount of the swap is a non-amortizing amount of \$88,840,000 for a period of 8 ½ years and contains both a taxable and tax-exempt component.

The Authority continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the Authority effectively pays a variable rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate. A termination or default of the swap agreement may result in the Authority making or receiving a termination or default payment.

**Commercial Paper Program:** In November 1997, the Authority entered into a second Credit Agreement related to the Commercial Paper Program with Morgan Guaranty Trust Company of New York. This Credit Agreement was for \$150,000,000 for a 364 day commitment with a commitment fee of 0.75 of 1% per annum for 90 days and .125 of 1% per annum thereafter.

In addition, the Credit Agreement dated as of October 1, 1994 for \$100,000,000, was amended November 1997, that resulted in a reduction of the commitment fees from 25 basis points per annum to 18 basis points per annum.

GREATER ORLANDO AVIATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 1997 and 1996

29. **SUBSEQUENT EVENTS** (Continued)

**Conduit Debt:** In November 1997, Special Purpose Facilities Revenue Bonds in the amount of \$4,100,000 were issued to provide for the acquisition, construction and equipping of a Fixed Base Operator Facility. These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of loan payments to be received from a loan agreement and from proceeds of the letter of credit provided by the borrower. The bonds do not constitute a debt, liability or obligation of the Authority, the City of Orlando, or the State of Florida or any political subdivisions thereof.

**Passenger Facility Charges Approval:** In December 1997, the Authority's application to increase the total amount of Passenger Facility Charges (PFC) authorized to be imposed and used at Orlando International Airport (OIA) by \$231,750,000 was approved by the Federal Aviation Administration. Of the total increase of PFC collections, \$225,171,000 and \$6,579,000 will be used for projects at OIA and Orlando Executive Airport (OEA), respectively. These will be used to fund a portion of the costs of various improvements to OIA's terminal facility, airfield, roadways and related financing costs and the cost to upgrade and replace ARFF vehicles, and the costs of various improvements to OEA's airfield.

## Independent Accountants' Review Report

Members of the Authority  
Greater Orlando Aviation Authority

We have reviewed the accompanying balance sheets of Orlando International Airport as of March 31, 1998 and 1997, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the six months ended March 31, 1998 and 1997. All information included in these financial statements is the responsibility of the management of the Greater Orlando Aviation Authority.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements present only the Orlando International Airport by excluding the Orlando Executive Airport and are not intended to present the financial position and results of operations of the Greater Orlando Aviation Authority in conformity with generally accepted accounting principles.

Based on our reviews, we are not aware of any material modifications that should be made to the March 31, 1998 and 1997 Orlando International Airport financial statements for them to be in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

May 27, 1998

GREATER ORLANDO AVIATION AUTHORITY

ORLANDO INTERNATIONAL AIRPORT  
BALANCE SHEETS-UNAUDITED  
(In thousands)

	March 31	
<u>ASSETS</u>	<u>1998</u>	<u>1997</u> <u>As restated</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 43,317	\$ 63,080
Accounts and grants receivable	11,530	9,345
Investments	52,267	35,408
Interest receivable	514	577
Prepaid expenses	837	882
Investments designated for deferred compensation benefits	<u>6,351</u>	<u>5,478</u>
<b>Total current assets</b>	<b><u>114,816</u></b>	<b><u>114,770</u></b>
<b>Restricted Assets</b>		
Cash and cash equivalents	351,672	98,432
Accounts and grants receivable	10,051	7,157
Investments	181,364	198,717
Interest receivable	3,638	1,913
Prepaid expenses	<u>1,535</u>	<u>1,251</u>
<b>Total restricted assets</b>	<b><u>548,260</u></b>	<b><u>307,470</u></b>
<b>Property and Equipment</b>		
Property and equipment, net of accumulated depreciation and amortization	630,398	624,440
Property held for lease, Net of accumulated depreciation	377,537	391,829
Construction in progress	<u>88,688</u>	<u>51,303</u>
<b>Net property and equipment</b>	<b><u>1,096,623</u></b>	<b><u>1,067,572</u></b>
<b>Total Assets</b>	<b><u>\$1,759,699</u></b>	<b><u>\$1,489,812</u></b>

	March 31	
<u>LIABILITIES AND EQUITY</u>	<u>1998</u>	<u>1997</u> <u>As restated</u>
<b>Current Liabilities (Payable from Current Assets)</b>		
Accounts and contracts payable	\$ 5,781	\$ 4,839
Accrued expenses	4,501	4,497
Deferred revenue	33,315	32,912
Deposits	3,117	2,463
Advance rent from tenants, current	24	29
Deferred compensation payable	6,351	5,478
Notes payable, current	-	10,000
Obligations under capital leases, current	-	303
Total current liabilities	<u>-</u>	<u>303</u>
(payable from current assets)	<u>53,089</u>	<u>60,521</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Revenue bonds payable, current	25,685	23,645
Accrued interest	34,951	32,394
Accrued expenses	251	410
Accounts and contracts payable	5,712	4,057
Deferred revenue	247	773
Deferred assessments, passenger facility charges	<u>89,040</u>	<u>72,606</u>
Total current liabilities	<u>155,886</u>	<u>133,885</u>
(payable from restricted assets)	<u>155,886</u>	<u>133,885</u>
<b>Other Liabilities</b>		
Revenue bonds payable, long-term	1,116,292	893,184
Notes payable, long-term	27,756	27,756
Other liabilities	<u>2,131</u>	<u>2,131</u>
Total other liabilities	<u>1,146,179</u>	<u>923,071</u>
Total liabilities	<u>1,355,154</u>	<u>1,117,477</u>
<b>Equity</b>		
Contributions in aid	313,953	299,507
Retained earnings	<u>90,592</u>	<u>72,828</u>
Total equity	<u>404,545</u>	<u>372,335</u>
<b>Total Liabilities and Equity</b>	<u><b>\$1,759,699</b></u>	<u><b>\$1,489,812</b></u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY

ORLANDO INTERNATIONAL AIRPORT  
 STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS-UNAUDITED  
 (In thousands)

	Six months Ended March 31	
	<u>1998</u>	1997 <u>As restated</u>
Operating Revenues		
Airfield area	\$ 12,257	\$ 13,255
Terminal area	69,139	61,947
Other building and site rentals	3,766	3,227
Hotel	<u>14,724</u>	<u>12,505</u>
Total operating revenues	<u>99,886</u>	<u>90,934</u>
Operating Expenses		
Operations and facilities	23,973	22,720
Safety and security	4,755	4,100
Administration	8,608	6,717
Other	1,885	1,282
Hotel	<u>9,197</u>	<u>8,190</u>
Total operating expenses	<u>48,418</u>	<u>43,009</u>
Operating Income before Depreciation and Amortization	51,468	47,926
Depreciation and Amortization		
On assets acquired with own funds	18,223	18,443
On assets acquired from contributions in aid of construction	<u>8,131</u>	<u>6,970</u>
Operating Income	25,114	22,512
Non-Operating Revenues (Expenses)		
Interest income	9,779	7,941
Interest expense	(32,363)	(34,492)
Passenger facility charges	224	311
Federal and State grants	222	10
Other	<u>574</u>	<u>14</u>
Net Income (Loss)	3,550	(3,704)
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>8,131</u>	<u>6,970</u>
Increase in Retained Earnings	<u>11,681</u>	<u>3,266</u>
Retained Earnings, Beginning of Year, as Previously Reported	77,795	67,820
Add adjustment for cumulative effect on prior years of applying the new method of accounting for investments in accordance with GASB 31	<u>1,116</u>	<u>1,742</u>
Retained Earnings, Beginning of Year, as Restated	<u>78,911</u>	<u>69,562</u>
Retained Earnings, End of Period	<u>\$90,592</u>	<u>\$72,828</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY

ORLANDO INTERNATIONAL AIRPORT  
STATEMENTS OF CASH FLOWS-UNAUDITED  
(In thousands)

	Six months Ended March 31	
	<u>1998</u>	1997 <u>As restated</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and tenants	\$ 93,201	\$ 84,426
Cash paid to suppliers	(34,167)	(30,172)
Cash paid to employees for services	<u>(16,582)</u>	<u>(14,955)</u>
Net cash provided by operating activities	<u>42,452</u>	<u>39,299</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grants received	<u>1,020</u>	<u>335</u>
Net cash provided by noncapital financing activities	<u>1,020</u>	<u>335</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term debt	249,023	-
Principal payments - bonds and notes	(35,115)	(31,924)
Principal payments - capital leases	(20)	(355)
Interest paid	(29,711)	(34,839)
Purchase of fixed assets	(698)	(730)
Construction (including capitalized interest)	(46,888)	(33,396)
Capital contributed by federal, state and airlines	<u>20,798</u>	<u>27,703</u>
Net cash provided by (used for) capital and related financing activities	<u>157,389</u>	<u>(73,541)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(201,803)	(182,273)
Proceeds from sale and maturity of investments	195,776	149,998
Interest received	<u>9,334</u>	<u>8,461</u>
Net cash provided by (used for) investing activities	<u>3,307</u>	<u>(23,814)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	204,168	(57,721)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>190,751</u>	<u>219,776</u>
<b>Cash and Cash Equivalents, End of Period</b>	394,919	162,055
<b>Fair Value Adjustment</b>	<u>70</u>	<u>(543)</u>
<b>Cash and Cash Equivalents, End of Period, per Balance Sheet <sup>(1)</sup></b>	<u><u>\$394,989</u></u>	<u><u>\$161,512</u></u>
<sup>(1)</sup> Cash and Cash Equivalents -- Current Assets	\$ 43,317	\$ 63,080
Cash and Cash Equivalents -- Restricted Assets	<u>351,672</u>	<u>98,432</u>
	<u><u>\$394,989</u></u>	<u><u>\$161,512</u></u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY

ORLANDO INTERNATIONAL AIRPORT  
 STATEMENTS OF CASH FLOWS-UNAUDITED  
 (Continued)  
 (In thousands)

	Six months Ended March 31	
	<u>1998</u>	1997 <u>As restated</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	<u>\$ 25,114</u>	<u>\$ 22,512</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and Amortization	26,354	25,413
(Increase) Decrease in Assets		
Accounts/grants receivable	3,494	5,280
Prepaid expenses	(136)	(253)
Increase (Decrease) in Liabilities		
Accounts payable	(2,406)	(2,070)
Accrued expenses	211	205
Deferred revenues	(9,104)	(9,360)
Deposits	420	(143)
Advanced rent	<u>(1,495)</u>	<u>(2,285)</u>
Total adjustments	<u>17,338</u>	<u>16,787</u>
Net cash provided by operating activities	<u>\$42,452</u>	<u>\$39,299</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
ORLANDO INTERNATIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

**1. ORGANIZATION AND PURPOSE**

The Orlando International Airport is operated by the Greater Orlando Aviation Authority (the Authority) and functions as a self-supporting enterprise fund, and uses the full accrual method of accounting.

The Authority also operates Orlando Executive Airport. The financial statements of Orlando Executive Airport are presented separately in the report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending September 30, 1998. For further information, refer to the financial statements and footnotes thereto included in the Comprehensive Annual Financial Report for the year ended September 30, 1997.

**Change in Accounting Principles:** The Authority adopted Statement Number 31 of the Governmental Accounting Standards Board (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", as of and for the six months ended March 31, 1998. In accordance with GASB 31 the Authority has accounted for money market investments, regardless of time to maturity on their acquisition date, at fair value on the balance sheet with unrealized gains and losses charged or credited to interest income. In the prior years, money market investments were classified as held-to-maturity and stated at amortized cost. The interim financial statements as of and for the six months ended March 31, 1997 have been restated to apply the new method retroactively.

**Reclassifications:** Certain amounts in the prior year financial statements have been reclassified to conform to current year presentations.

**3. CASH DEPOSITS**

Cash deposits for the quarter ended March 31, 1998 and 1997 were \$3,376,000 and \$8,330,000, respectively. These deposits consisted of interest-bearing demand accounts which are entirely insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida. Demand deposits, certificates of deposits, cash on hand and repurchase agreements with a maturity of three months or less from the date of purchase are considered to be cash and cash equivalents.

The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, Authority deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

**4. INVESTMENTS**

State statutes and bond resolutions authorize the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, obligations of specific agencies of the United States of America, New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and guaranteed by the United States of America, secured negotiable certificates of deposits and secured repurchase agreements. Investments are categorized into these three credit risk categories by GASB Statement No. 3:

- 1) Insured or registered, or securities held by the entity or its agent in the entity's name.
- 2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- 3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name.

Investment balances were as follows:

Fair Value of Investments As of March 31, 1998 (In thousands)				
	Category			Fair Value
	1	2	3	
U.S. Government Obligations	\$ 51	\$ -	\$ 48,904	\$ 48,955
U.S. Government Agencies	-	-	194,700	194,700
Repurchase Agreements	-	<u>28,472</u>	<u>262,802</u>	<u>291,274</u>
<b>Total</b>	<u>\$ 51</u>	<u>\$28,472</u>	<u>\$506,406</u>	534,929
<b>Investments not subject to categorization:</b>				
Deferred compensation plan				6,351
Mutual funds				<u>90,315</u>
<b>Total investments</b>				<u>\$631,595</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

4. INVESTMENTS (Continued)

Fair Value of Investments As of March 31, 1997 (In thousands)				
	Category			Fair Value
	1	2	3	
U.S. Government Obligations	\$ 51	\$ -	\$ 67,392	\$ 67,443
U.S. Government Agencies	-	-	217,668	217,668
Repurchase Agreements	-	<u>8,662</u>	<u>30,445</u>	<u>39,107</u>
<b>Total</b>	<b><u>\$ 51</u></b>	<b><u>\$ 8,662</u></b>	<b><u>\$315,506</u></b>	324,218
Investments not subject to categorization:				
Deferred compensation plan				5,478
Mutual Funds				<u>63,089</u>
Total investments				<u>\$392,785</u>

At March 31, 1998, the market value of securities underlying repurchase agreements approximates the carrying value of the repurchase agreements and mutual funds.

The investments held on March 31, 1998 yield interest ranging from 2.69% to 9.28% and mature on various dates through August, 2008. The investments made during the quarters ended March 31, 1998 and 1997 were limited to the investment classifications listed above.

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY

ORLANDO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

5. RESTRICTED ASSETS

The Trust Indentures and Bond Resolution authorizing the issuance of the Revenue Bonds and the interim financing agreements require segregation of certain assets into restricted accounts. The composition of the restricted accounts are as follows:

Restricted Assets As of March 31, 1998 (In thousands)						
	Cash and Cash Equivalents	Accounts and Grants Receivable	Investments and Interest Receivable	Prepaid Expenses	Due From (to) Other Accounts	Total
Orlando International Airport						
Operating Reserve Account	\$ 1,840	\$ -	\$ 16,015	\$ -	\$ (1,098)	\$ 16,757
1972 and 1974 Debt Service Account	1,456	-	114	-	(118)	1,452
Airport Facilities Bond Account	83,321	-	63,886	-	(9,432)	137,775
Airport Facilities Improvement and Development Account	4,966	3,683	29,535	256	17,260	55,700
Prepaid Airlines Fees and Charges Account	218	-	-	-	(198)	20
Capital Expenditures Account	526	-	1,614	-	(67)	2,073
Fixed Assets and Long-term Debt	-	-	-	1,244	-	1,244
Airport Facilities Discretionary Account	8,756	-	-	35	-	8,791
Initial Project Completion						
Construction Account	438	-	2	-	(30)	410
Renewal and Replacement Account	4,383	167	12,174	-	(1,170)	15,554
Airport Facilities Expansion Account	3,765	-	16	-	(107)	3,674
1989 Capital Projects Account	322	-	-	-	(30)	292
Commercial Paper	126	291	-	-	(1,939)	(1,522)
1992 Capital Improvements						
Construction Account	2,856	865	13	-	179	3,913
Airport Facilities Subordinated						
Revenue Bond Construction Account	592	-	2	-	(466)	128
Passenger Facilities Charges Account	6,655	5,045	80,083	-	(400)	91,383
1997 Airport Facilities Revenue Bond						
Construction Account	148,911	-	1,668	-	(9,662)	140,917
1997B Gulf Breeze Construction Account	82,541	-	685	-	(13,527)	69,699
Elimination of Intraaccount Balances	-	-	(20,805)	-	20,805	-
	<u>\$351,672</u>	<u>\$10,051</u>	<u>\$185,002</u>	<u>\$1,535</u>	<u>\$ -</u>	<u>\$548,260</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

5. **RESTRICTED ASSETS (Continued)**

Restricted Assets As of March 31, 1997 (In thousands)						
	Cash and Equivalents	Accounts and Grants Receivable	Investments and Interest Receivable	Prepaid Expenses	Due From (to) Other Accounts	(1) Total
<b>Orlando International Airport</b>						
Operating Reserve Account	\$125	\$ -	\$ 15,373	\$ -	\$ (834)	\$ 14,664
1972 and 1974 Debt Service Account	3	-	1,679	-	(146)	1,536
Airport Facilities Bond Account	49,700	-	91,353	-	(8,904)	132,149
Airport Facilities Improvement and Development Account	10,397	1,984	32,466	-	(186)	44,661
Prepaid Airlines Fees and Charges Account	622	-	-	-	(70)	552
Capital Expenditures Account	1,013	-	548	-	(27)	1,534
Fixed Assets and Long-term Debt	-	-	-	1,245	-	1,245
Airport Facilities Discretionary Account	8,097	-	-	-	-	8,097
Initial Project Completion						
Construction Account	416	-	2	-	-	418
Renewal and Replacement Account	5,745	191	9,173	-	(1,894)	13,215
Airport Facilities Expansion Account	5,070	-	21	-	(319)	4,772
1989 Capital Projects Account	2,293	-	-	-	(2,000)	293
Commercial Paper Account	-	-	-	-	(1,097)	(1,097)
1992 Capital Improvements						
Construction Account	6,446	(695)	4,054	3	674	10,482
Airport Facilities Subordinated						
Revenue Bond Construction Account	188	-	1	-	-	189
Passenger Facilities Charges Account	8,317	5,677	60,381	3	382	74,760
Elimination of Intraaccount Balances	-	-	(14,421)	-	14,421	-
	<u>\$98,432</u>	<u>\$7,157</u>	<u>\$200,630</u>	<u>\$1,251</u>	<u>\$ -</u>	<u>\$307,470</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

**6. PROPERTY AND EQUIPMENT**

The following is an analysis of the Authority's investment in property and equipment by major classes as of March 31 (in thousands):

	<u>1998</u>	<u>1997</u>
Land	\$ 151,116	\$ 151,116
Buildings	151,163	148,959
Improvements	571,097	531,573
Equipment	24,917	25,622
Motor vehicles	<u>9,469</u>	<u>9,109</u>
	907,762	866,379
Less accumulated depreciation and amortization	<u>(277,364)</u>	<u>(241,939)</u>
	<u>\$630,398</u>	<u>\$624,440</u>

**7. PROPERTY HELD FOR LEASE**

The following is an analysis of the Authority's investment in property held for lease by major classes as of March 31 (in thousands):

	<u>1998</u>	<u>1997</u>
Land	\$ 4,693	\$ 4,693
Buildings	518,833	518,505
Improvements	<u>8,126</u>	<u>8,126</u>
	531,652	531,324
Less accumulated depreciation	<u>(154,115)</u>	<u>(139,495)</u>
	<u>\$377,537</u>	<u>\$391,829</u>

**8. CONTRIBUTIONS IN AID**

Cumulative contributions, net of depreciation, consisted of the following at March 31 (in thousands):

	<u>1998</u>	<u>1997</u> <u>As restated</u>
Federal Grants	\$179,772	\$183,363
State of Florida Grants	66,665	65,531
Passenger Facility Charges	59,642	42,729
Airlines and Other	<u>7,874</u>	<u>7,884</u>
	<u>\$313,953</u>	<u>\$299,507</u>

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

**9. RETAINED EARNINGS**

Under the provisions of the 1972 and 1974 Trust Indentures and the 1978 Bond Resolutions, certain current and future earnings are reserved for debt service, airport maintenance, capital expenditures and other disbursements to be made from restricted assets. Reserved and unreserved balances are calculated as follows:

Retained Earnings As of March 31 (In thousands)		
	<u>1998</u>	1997 <u>As restated</u>
Reserved	\$87,315	\$73,508
Unreserved	<u>3,277</u>	<u>(680)</u>
<b>Total retained earnings</b>	<b><u>\$90,592</u></b>	<b><u>\$72,828</u></b>

Retained Earnings -Reserved As of March 31 (In thousands)		
	<u>1998</u>	1997 <u>As restated</u>
Reserved for operations	\$ 16,579	\$ 14,697
Reserved for renewal and replacement	15,386	13,488
Reserved for capital expenditures	2,062	1,536
Reserved for improvement and development	<u>53,288</u>	<u>43,787</u>
<b>Total reserved retained earnings</b>	<b><u>\$87,315</u></b>	<b><u>\$73,508</u></b>

**10. OUTSTANDING CONTRACTS**

As of March 31, 1998, the Authority had entered into construction contracts totaling approximately \$241,347,000 for construction, engineering services and equipment, approximately \$157,588,000 of which remains unincurred. Grants and passenger facility charges will be utilized to fund a portion of these projects.

See accountants' review report and accompanying notes.

GREATER ORLANDO AVIATION AUTHORITY  
 ORLANDO INTERNATIONAL AIRPORT  
 NOTES TO FINANCIAL STATEMENTS-UNAUDITED

Six months Ended March 31, 1998 and 1997

**11. DEFERRED ASSESSMENTS - PASSENGER FACILITY CHARGES**

The Authority received approval from the Federal Aviation Authority to begin collecting passenger facility charges effective February 1, 1993 in the amount of three dollars per enplaning passenger. Charges to deferred assessments are summarized as follows:

Deferred Assessments - Passenger Facility Charges		
As of March 31		
(In thousands)		
	1998	1997 As restated
Balance, Beginning of Year	\$77,201	\$66,895
Passenger Facility Charge imposed	16,627	21,275
Interest earned	<u>2,111</u>	<u>1728</u>
Total available	95,939	89,898
Expenses	<u>(6,899)</u>	<u>(17,292)</u>
Balance, End of Period	<u>\$89,040</u>	<u>\$72,606</u>

**12. CONTINGENT LIABILITIES**

The Authority is involved in the following actions:

**Property Tax:** All real and personal property owned by the Authority and used exclusively for public purposes is currently exempt from all ad valorem taxation. However, the Authority's exemption from County ad valorem and personal property taxes on its hotel within the terminal complex at Orlando International Airport continues to be challenged by the County Property Appraiser. The Authority has been assessed approximately \$4,000,000 through 1997, and is contesting these assessments. The Value Adjustment Board granted the Authority the governmental property exemption with respect to the 1993 tax year. However, the County Property Appraiser filed suit in December 1993, seeking to overturn this decision. The Authority has filed suits with respect to subsequent tax years and these actions have been stayed pending the outcome of the suit regarding the 1993 assessment.

**Construction Disputes:** The Authority is aware of a number of disputes arising from the construction of improvements at the Airport in which the contractors have, or may in the future, seek additional compensation. Some of these disputes have become the subject of lawsuits. The aggregate amount of such disputes is in excess of \$13,000,000. In the opinion of the Authority, based on its experience in resolving similar disputes, there is sufficient money in the Authority's construction contingency account to pay all amounts the Authority estimates will be paid in settling or litigating all outstanding construction disputes.

See accountants' review report and accompanying notes.

**APPENDIX G**  
**FORM OF CO-BOND COUNSEL OPINION**

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[Proposed Form of Opinion of Co-Bond Counsel]

\_\_\_\_\_, 1998

Greater Orlando Aviation Authority  
One Airport Boulevard  
Orlando, Florida 32827

Re: \$ \_\_\_\_\_ Greater Orlando Aviation Authority  
Airport Facilities Refunding Revenue Bonds, Series  
1998 of the City of Orlando, Florida

Members of the Board:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Greater Orlando Aviation Authority (the "Authority") of its Greater Orlando Aviation Authority Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida (the "City") in the aggregate principal amount of \$ \_\_\_\_\_ (the "1998 Bonds").

All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to them under a resolution of the Authority adopted on June 13, 1978 entitled "Airport Facilities Revenue Bond Resolution Authorizing Airport Facilities Revenue Bonds of City of Orlando, Florida," and approved by the City on June 19, 1978, as supplemented and amended from time to time thereafter (the "Resolution"), including without limitation, pursuant to a resolution of the Authority adopted August 19, 1998 entitled "Supplemental Airport Facilities Revenue Bond Resolution Authorizing the Issuance of Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida" (the "1998 Supplemental Resolution").

The description of the 1998 Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the 1998 Bonds do not purport to set forth all of the terms and conditions of the 1998 Bonds or any other document relating to the issuance thereof, but are intended only to identify the 1998 Bonds and to describe briefly certain features thereof.

The 1998 Bonds are dated as of August 1, 1998, have been issued in fully registered form and bear interest from their dated date. The 1998 Bonds shall finally mature on October 1, 2018, and

are subject to mandatory and optional redemption prior to maturity in the manner and upon the terms and conditions provided by the Resolution.

The 1998 Bonds are being issued for the purpose of refunding certain Subordinated Indebtedness incurred upon the termination of the Swap Agreements (as defined in the 1998 Supplemental Resolution).

The 1998 Bonds are being issued as Refunding Bonds under the Resolution on a parity with the City's Outstanding Airport Facilities Revenue Bonds, Series 1992A, Airport Facilities Refunding Revenue Bonds, Series 1992B, Airport Facilities Taxable Refunding Revenue Bonds, Series 1992C, Airport Facilities Refunding Revenue Bonds, Series 1992D, Airport Facilities Taxable Refunding Revenue Bonds, Series 1992E, Airport Facilities Refunding Revenue Bonds, Series 1993A, and Airport Facilities Revenue Bonds, Series 1997 of the City of Orlando, Florida (collectively, the "Outstanding Bonds"), and are payable as to both principal and interest from and are secured by the following (collectively, the "Pledged Funds"), in each case subject to the application thereof pursuant to and on the conditions set forth in the Resolution: (i) prior to the Retirement Date of the Prior Lien Bonds, by all Available Revenues upon transfer into the Revenue Fund, (ii) after the Retirement Date of the Prior Lien Bonds, by all Revenues (as defined in the Resolution) and (iii) by the moneys, securities and other funds held or set aside in the Resolution for the purpose of paying Debt Service on the Bonds. The 1998 Bonds and the Outstanding Bonds are junior and subordinate to the Prior Lien Bonds as to the pledge of and lien on Revenues created by the Trust Agreement. The Resolution permits the issuance of other Additional Bonds and Refunding Bonds on a parity with the 1998 Bonds and the Outstanding Bonds.

The 1998 Bonds and the obligations evidenced thereby do not constitute a general debt, liability or obligation of the Authority or the City, or a debt, liability or obligation of the State of Florida or any political subdivision or agency thereof, or a pledge of the faith and credit of the Authority, or the City, or of the State of Florida or of any political subdivision thereof, but shall be payable solely out of the Pledged Funds. Neither the taxing power of the City, or of the State of Florida or of any political subdivision or agency thereof is pledged to pay the principal of, premium, if any, or the interest on or Redemption Price of the 1998 Bonds. The Authority has no taxing power. The 1998 Bonds are not secured by a lien on the Airport System or any other real or tangible personal property.

In rendering the opinions set forth below, we have examined certified copies of the Resolution and are relying on the covenants and agreements of the Authority therein.

We have also examined certified copies of the proceedings of the Authority, and other proofs submitted to us relative to the issuance and sale by the Authority and the City of the 1998 Bonds. In addition to the foregoing, we have examined and relied upon such other agreements, documents and opinions, including certificates and representations of public officials, and officers and representatives of various other parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions set forth below. Reference is made to the opinion of even date herewith of Foley & Lardner, counsel to the Authority, on which we rely as to the due organization and valid existence of the Authority, the due adoption of the Resolution and the approvals required from certain airlines under the Lease and Use Agreements; and to the opinion of even date herewith of the City's Office of Legal Affairs, as to the due adoption by the City of its resolutions approving the Resolution. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that:

(1) The Resolution has been duly adopted by the Authority and approved by the City, and constitutes the valid and binding special obligation of the Authority and the City enforceable in accordance with its terms.

(2) The 1998 Bonds are valid and binding special obligations of the Authority and the City, payable solely from the Pledged Funds in accordance with the terms and conditions of the Resolution.

(3) As of the date hereof and under existing law, the Authority qualifies as a political subdivision, within the meaning of Section 1.103-1(b) of the Income Tax Regulations, of the State of Florida.

(4) Solely in reliance upon and subject to the assumptions, qualifications, reliances, exclusions, exceptions and limitations provided in the opinion of even date of Orrick, Herrington & Sutcliffe, LLP, special tax counsel with respect to the 1998 Bonds (the "Orrick Opinion"), as of the date hereof, interest on the 1998 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the status of interest on any 1998 Bond during any period that such 1998 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of any facilities refinanced with proceeds of the 1998 Bonds or of the Greater Orlando Aviation Authority Airport Facilities Variable Rate Subordinated Revenue Refunding Bonds, 1998 Series A, B, C or D of the City of Orlando, Florida being issued simultaneously with the 1998 Bonds, or a "related person." We observe, however, that interest on the 1998 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. The scope of the opinion expressed in this paragraph (4) is limited to matters addressed above and no other opinion is to be inferred or implied thereby. The Orrick Opinion states that certain future actions by the Authority would prohibit subsequent reliance thereon. To the extent the Orrick Opinion may not be relied upon in accordance with its terms, the opinion expressed in this paragraph (4) may not be relied upon.

(5) Under existing law, the 1998 Bonds are exempt from all present intangible personal property taxes imposed by the State of Florida.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect the exclusion from gross income of interest on the 1998 Bonds for federal income tax purposes after the date hereof.

All opinions as to legal obligations of the Authority and the City set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (c) other applicable laws that may affect remedies, but do not, in our opinion, materially impair the practical realization of the benefits or the security of the parties entitled thereto.

This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the 1998 Bonds.

In rendering the opinions set forth above we have not been requested to pass upon, and have not passed upon, the validity of any Lease and Use Agreement or Fueling System Lease Agreement between the Authority and air carriers utilizing the Airport System.

We have not been engaged or undertaken to review, confirm or verify and therefore express no opinion (except to the extent stated in the Official Statement) as to the accuracy, completeness, fairness or sufficiency of any of the statements in the Official Statement relating to the 1998 Bonds, including the appendices thereto or other offering material relating to the 1998 Bonds. In addition, we have not been engaged to and therefore express no opinion as to the compliance by the Authority, the City or the underwriters with any federal or state statute, regulation or ruling with respect to the sale or distribution of the 1998 Bonds.

Sincerely,

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**APPENDIX H**  
**FORM OF SPECIAL TAX COUNSEL OPINION**

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## APPENDIX H

### Proposed Form of Special Tax Counsel Opinion

\_\_\_\_\_, 1998

Greater Orlando Aviation Authority  
One Airport Boulevard  
Orlando, Florida 32837

Re: \$ \_\_\_\_\_  
Greater Orlando Aviation Authority  
Airport Facilities Refunding Revenue Bonds,  
Series 1998 of the City of Orlando, Florida

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the above-referenced bonds (the "Bonds"), issued pursuant to the resolutions of the Greater Orlando Aviation Authority (the "Authority") adopted on June 13, 1978, as supplemented and amended, and on August 19, 1998, authorizing the issuance of the Bonds (collectively, the "Resolutions").

The Bonds are being issued for the purpose of providing funds, together with proceeds of the Authority's \$ \_\_\_\_\_ Airport Facilities Variable Rate Subordinated Revenue Refunding Bonds, 1998 Series A, B, C and D of the City of Orlando Florida (the "Subordinated Bonds") and other available funds of the Authority, for refunding the outstanding principal amount of certain of the Authority's bonds, including call premium thereon and payments required to be made in connection with the termination of certain anticipatory hedging transactions and to pay for costs of issuing the Bonds.

The Subordinated Bonds, which are being issued simultaneously with the issuance of the Bonds, are being issued pursuant to the Resolutions and that certain Master Indenture of Trust for Greater Orlando Aviation Authority Facilities Subordinated Revenue Bonds of the City of Orlando, Florida, dated as of August 1, 1992 (the "Master Indenture"), as amended and supplemented from time to time, and specifically, as amended and supplemented by that certain Third Supplemental Indenture of Trust, dated as of August 1, 1998 (the "1998 Supplemental Indenture" and together with the Master Indenture, the "Indenture").

Steward, Joyner & Jordan-Holmes, P.A., Co-Bond Counsel, and Foley & Lardner, counsel to the Authority, and such other opinions, documents and matters to the extent we deemed necessary to render the opinion set forth herein.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinion may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur. Our engagement with respect to the Bonds has concluded with their issuance and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, the parties thereto. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the fourth paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

You have requested that we render our opinion regarding the exclusion from gross income for federal income tax purposes of the interest on the Bonds. In this regard, we have considered certain of the requirements of the Internal Revenue Code of 1986 (the "Code"), but have not been asked to examine, have not examined, express no opinion as to whether, and have assumed that, the Authority is a political subdivision of the State of Florida and that the Bonds constitute the legal, valid and binding obligations of the Authority. We understand that Co-Bond Counsel have rendered their opinions to you dated the date hereof with respect to such matters.

The Resolutions, the Indenture and the Tax Certificate provide that prior to taking certain actions the Authority must have received an opinion of nationally recognized bond counsel to the effect that the taking of any of such actions will not adversely affect the exclusion from federal gross income of the interest on the Bonds. The opinion expressed herein may not be relied upon on or after the taking of any such action with respect to the Bonds, the use of the proceeds thereof or the use of the facilities to be refinanced thereby, which requires that the Authority shall have received such an opinion of nationally recognized bond counsel if such opinion is rendered by counsel other than ourselves which addresses matters covered by the opinion expressed herein.

Greater Orlando Aviation Authority

\_\_\_\_\_, 1998

Page Three

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of any facilities refinanced with Bond proceeds or Subordinated Bond proceeds, or by a "related person". We observe that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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**APPENDIX I**  
**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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## CONTINUING DISCLOSURE UNDERTAKING

**THIS CONTINUING DISCLOSURE UNDERTAKING** (this "Disclosure Undertaking") is executed and delivered as of August 1, 1998 by the **GREATER ORLANDO AVIATION AUTHORITY** (the "Authority") in connection with the issuance of its \$\_\_\_\_\_ Airport Facilities Refunding Revenue Bonds, Series 1998 of the City of Orlando, Florida (the "1998 Bonds"). The 1998 Bonds are being issued pursuant to the Airport Facilities Revenue Bond Resolution, adopted by the Authority on June 13, 1978, as amended and supplemented from time to time and as specifically supplemented by that certain Supplemental Airport Facilities Revenue Bond Resolution, adopted on August 19, 1998 (collectively, the "Bond Resolution"). In consideration of the purchase of 1998 Bonds by the owners and Beneficial Owners (herein defined) thereof and thereafter from time to time, the Authority undertakes, covenants and agrees as follows:

1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Authority for the benefit of owners and Beneficial Owners of the 1998 Bonds and in order to assist the Participating Underwriters (herein defined) in complying with the Rule (herein defined). The financial information and operating data forming the basis of the annual reporting requirements of Section 3 and 4 of this Disclosure Undertaking are derived from the Official Statement (herein defined).

2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined herein, the following capitalized terms used in this Disclosure Undertaking have the following meanings:

"Annual Financial Information" shall mean any Annual Financial Information with respect to the Authority as described in Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any individual beneficial owner of the 1998 Bonds. Beneficial ownership is to be determined consistent with the definition thereof contained in Rule 13d-3 of the Securities and Exchange Act of 1934, as amended, or, in the event such provisions do not adequately address the situation at hand (in the opinion of nationally recognized bond counsel), beneficial ownership is to be determined based upon ownership for federal income tax purposes.

"Dissemination Agent" shall mean the Authority or any Dissemination Agent designated by the Authority.

"Fiscal Year" shall mean the fiscal year of the Authority, which currently is the twelve month period beginning October 1 and ending on September 30 of the following year.

"GAAP" shall mean generally accepted accounting principles promulgated by the Government and Financial Accounting Standards Boards as in effect from time to time in the United States.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, 1150 18th Street, N.W., Suite 400, Washington, DC 20036-2491.

"National Repository" shall mean any current or future Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

- (a) **Bloomberg Municipal Repositories**  
P.O. Box 840  
Princeton, New Jersey 08542-0840  
Phone: (609) 279-3200  
Fax: (609) 279-5962  
Email: [munis@bloomberg.com](mailto:munis@bloomberg.com)
  
- (b) **Kenny Information Systems, Inc.**  
65 Broadway - 16th Floor  
New York, New York 10006  
Attention: Kenny Repository Service  
Phone: (212) 770-4595  
Fax: (212) 797-7994
  
- (c) **Thomson NRMSIR**  
Attention: Municipal Disclosure  
395 Hudson Street, 3rd Floor  
New York, New York 10014  
Phone: (212) 807-5001  
(800) 689-8466  
Fax: (212) 989-2078  
Email: [Disclosure@muller.com](mailto:Disclosure@muller.com)
  
- (d) **Donnelly Financial**  
Municipal Securities Disclosure Archive  
559 Main Street  
Hudson, Massachusetts 01749  
Phone: (800) 580-3670  
Fax: (508) 562-1969  
Email: [sspotkill@rrdfin.com](mailto:sspotkill@rrdfin.com)

- (e) DPC Data, Inc.  
One Executive Center Drive  
Fort Lee, New Jersey 07024  
Phone: (212) 346-0701  
Fax: (212) 947-0107  
Email: NRMSIR@dpcdata.com

A list of the names and addresses of each National Repository and State Repository as of any date may currently be obtained by calling the SEC's Fax on Demand Service from a fax machine phone line at 202/942-8088 and requesting document numbers 0206 and 0207, respectively, or by visiting the SEC's web site at "<http://www.sec.gov>" and accessing the municipal securities section of the homepage selection captioned "What Every Investor Should Know."

"Obligated Person" shall mean the Authority and any airline or other entity using the Airport pursuant to a lease or use agreement for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Authority for each of the two prior Fiscal Years of the Authority. The Authority confirms that currently it is the only Obligated Person.

"Official Statement" shall mean the Official Statement of the Authority, dated August 26, 1998, delivered in connection with the offering of the 1998 Bonds and any amendment or supplement thereto.

"Participating Underwriters" shall mean Jackson Securities Incorporated, J.P. Morgan & Co., First Union Capital Markets (A division of Wheat First Securities, Inc.), Hanifen, Imhoff, Inc., SunTrust Equitable Securities and William R. Hough & Co., the underwriters of the 1998 Bonds or any successors to such underwriters.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as such rule may be amended from time to time and any successor provisions thereto.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of Florida.

"State Repository" or "SID" shall mean any public or private repository or entity designated by the State as a state information depository for the purposes of the Rule and recognized as such by the SEC. As of the date of this Disclosure Undertaking, there is no State Repository.

3. Provision of Annual Financial Information. Except as otherwise provided herein, the Authority shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each Fiscal Year, commencing with the 1998 Fiscal Year, provide each Repository with the Annual Financial Information for the preceding Fiscal Year. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in this Section 3 below; provided however, that, if the financial statements of the Authority are audited, then such audited financial statements must be submitted, but they may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by such date. If the Fiscal Year changes, the Authority shall give written notice of such change in the manner described in Section 5(c) hereof. If the financial statements of the Authority specified in Section 4(a) hereof are not available by the time the Annual Financial Information must be provided, unaudited Financial Statements of the Authority shall be provided by the Authority as part of the Annual Financial Information and such audited financial statements of the Authority, when and if available, will be provided by the Authority to each Repository immediately upon such audited financial statements becoming available.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been filed with each Repository or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

4. Content of Annual Financial Information. The Annual Financial Information of the Authority shall consist of or cross reference the following:

(a) General Purpose Financial Statements for the Authority prepared in accordance with GAAP.

(b) Annual, updated historical financial information and operating data for the Authority of the type included in those sections of the Official Statement captioned "AUTHORITY FINANCIAL FACTORS" and "THE AIRPORT SYSTEM," consisting of: Revenues, Available Revenues (prior to the Retirement Date of Prior Lien Bonds), Operation and Maintenance Expenses, Net Revenues, debt service coverage, passenger enplanements, landed weights and airline passenger market shares.

If the Authority has not filed the Annual Financial Information when due, then the Authority or the Dissemination Agent, on behalf of the Authority, shall file a notice with each Repository as required by the Rule.

5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, on behalf of the Authority and in a timely manner, notice of the occurrence of any of the following events with respect to the 1998 Bonds, if material, to each National Repository or the MSRB and to the SID, if any:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) Substitutions of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events adversely affecting the tax-exempt status of the 1998 Bonds;
- (vii) Modifications to rights of holders of the 1998 Bonds;
- (viii) Calls (including calls for optional redemption) on the 1998 Bonds;
- (ix) Defeasances of the 1998 Bonds;
- (x) Release, substitution or sale of property securing repayment of the 1998 Bonds;
- (xi) Rating changes; and
- (xii) Notice of any failure on the part of the Authority or any other Obligated Person to meet the requirements of this Section 5.

(b) Whenever the Authority obtains actual knowledge of the occurrence of a Listed Event, the Authority shall determine promptly if such event would be material to holders of the 1998 Bonds under applicable federal securities laws.

(c) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material to holders of the 1998 Bonds under applicable federal securities laws, the Authority shall timely give or cause to be given a notice of such occurrence (as required by Section 5(a) hereof) to each National Repository or the MSRB and to the SID, if any, provided, that any event under Section 5(a) (iv), (v), (vi), (xi) or (xii) above will always be deemed to be material.

(d) Each notice given pursuant to this Section 5 shall be captioned "Material Event Notice" and shall prominently state the date, title and CUSIP numbers of the 1998 Bonds.

6. Termination of Reporting Obligation.

(a) The obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 1998 Bonds.

(b) If in the opinion of nationally recognized bond counsel satisfactory to the Managing Underwriter and the Authority, the Rule shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and if and to the extent in the opinion of nationally recognized bond counsel satisfactory to the Managing Underwriter and the Authority, the Rule, or any provisions thereof, shall be declared by a federal court of competent and final, non-appealable jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the 1998 Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of the Rule so declared, shall no longer be required to be provided hereunder.

(c) If a termination or cessation described in either of clause (a) or clause (b) above occurs prior to the final maturity of the 1998 Bonds, the Authority shall give or cause to be given notice of such event in the same manner as for a Listed Event under Section 5(c) hereof.

7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Authority may unilaterally amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, but only upon delivery by the Authority to the Managing Underwriter of the proposed amendment or waiver and an opinion of nationally recognized bond counsel to the effect that such amendment or waiver, and giving effect thereto, will not adversely affect the compliance of this Disclosure Undertaking and the Authority with the Rule, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3, 4, 5 or 10 hereof, it may only be made in connection with a change in circumstances that arises from a change in applicable legal requirements, law, any subsequent change in or applicable and binding interpretation of the Rule, or change in the identity, nature or status of the Authority or any other Obligated Person or the type of business conducted;

(b) this Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements

of the Rule at the time of the issuance of the 1998 Bonds on September 1, 1998, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver does not materially impair the interests of the owners or Beneficial Owners of the 1998 Bonds, as determined either by parties unaffiliated with the Authority or any other Obligated Persons (i.e., either the Trustee or nationally recognized bond counsel).

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Authority shall describe such amendment in the next Annual Financial Information relating to the Authority, and shall include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being provided by or in respect of the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) hereof, and (ii) the Annual Financial Information relating to the Authority for the year in which the change is made shall present a comparison (in narrative form and also, if feasible in quantitative form) between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison also shall be quantitative.

9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth herein or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Authority chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Undertaking, the Authority shall have no obligation hereunder to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Undertaking, the sole remedy available to any holder, owner or Beneficial Owner of 1998 Bonds shall be to seek specific performance by court order to cause the Authority to comply with its obligations under this Disclosure Undertaking, it being the Authority's position that money damages would be inadequate recompense and/or difficult to ascertain. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Bond Resolution.

11. Beneficiaries. This Disclosure Undertaking shall insure solely to the benefit of the Authority, the Dissemination Agent, if any, the Participating Underwriters, all holders, owners and

Beneficial Owners from time to time of the 1998 Bonds for the benefit of such holders, owners and Beneficial Owners, and shall create no rights in any other person or entity.

12. Sources of Payment. The Authority shall be required to use only Revenues to pay any costs and expenses to be incurred in the performance of its obligations under this Disclosure Undertaking and the performance of its obligations hereunder shall be subject to the availability of Revenues for that purpose. None of the members or employees of the Authority shall be charged personally with any liability, or held liable under any term or provision of this Disclosure Undertaking because of its execution or attempted execution, or because of any breach or attempted or alleged breach thereof.

**THE OBLIGATIONS UNDER THIS DISCLOSURE UNDERTAKING ARE NOT OBLIGATIONS OF THE CITY OF ORLANDO, THE STATE OF FLORIDA OR GENERAL OBLIGATIONS OF THE AUTHORITY, THE CITY OF ORLANDO, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF ORLANDO, STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF SUCH OBLIGATIONS.**

13. Obligated Persons. Any change in Obligated Persons shall be reported by the Authority in connection with the Annual Financial Information. If any person, other than the Authority, becomes an Obligated Person relating to the 1998 Bonds, the Authority shall use its reasonable best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person; provided, however, the Authority takes no responsibility for the accuracy or completeness of any financial information or operating data or other filings by any future Obligated Person.

14. Governing Law. This Disclosure Undertaking shall be governed by and construed in accordance with the internal laws of the State (without regard to conflict of law principles thereof), provided that, to the extent this Disclosure Undertaking addresses matters of federal securities laws, including the Rule, this Disclosure Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

15. Severability. In case any part of this Disclosure Undertaking is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Undertaking. This Disclosure Undertaking shall be construed or enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Undertaking affect any legal and valid application.

**IN WITNESS WHEREOF**, the Authority has caused this Disclosure Undertaking to be executed on its behalf by its authorized representative.

**GREATER ORLANDO AVIATION AUTHORITY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_













