

## NEW ISSUE

*In the opinion of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, except interest on any Series 2001A Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, and (ii) interest on the Bonds is excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. The Series 2001A Bonds are "private activity bonds" the interest on which is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2001B Bonds are not "private activity bonds" and therefore the interest on those Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.*



### **\$213,180,000** **STATE OF CONNECTICUT** **Bradley International Airport Revenue Bonds**

COMPRISED OF

<b>\$194,000,000</b>	<b>\$19,180,000</b>
<b>General Airport Revenue Bonds</b>	<b>General Airport Revenue Refunding Bonds</b>
<b>Series 2001A (AMT)</b>	<b>Series 2001B (Non-AMT)</b>

**Dated:** March 1, 2001

**Due:** October 1, as shown on the inside cover

This Official Statement describes Bradley International Airport (the "Airport") and other matters relating to the Series 2001A Bonds and Series 2001B Bonds (collectively, the "Bonds") identified above. The Series 2001A Bonds are being issued to finance various capital improvements at the Airport. The Series 2001B Bonds are being issued to refund a portion of certain outstanding Airport Revenue Bonds of the State of Connecticut (the "State"). The Bonds will be issued under and secured by the Trust Indenture and the First Supplemental Trust Indenture, each dated as of March 1, 2001 (collectively, the "2001 Indenture") between the State and State Street Bank and Trust Company, as Trustee.

**The Bonds are special obligations of the State and are payable only from the Pledged Revenues (which includes certain pledged passenger facility charge revenues) and other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture, subject to a prior lien on Airport revenues securing certain outstanding Airport Revenue Bonds of the State. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the 2001 Indenture.**

The Bonds may be owned only in book entry form through a direct or indirect participant in The Depository Trust Company ("DTC"). Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2001. Maturing principal of the Bonds is payable on October 1 in the years shown on the inside cover. Certain of the Bonds are subject to redemption prior to maturity as described herein. The Bonds will not be subject to acceleration upon the occurrence of an event of default or otherwise.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of such Bonds by



**Financial Guaranty Insurance  
Company**

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

*This cover page contains limited information for quick reference only. It is not a summary of the matters relating to the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.*

### **See Inside Cover For Maturities, Amounts, Interest Rates And Yields**

The Bonds are being offered when, as and if issued and received by the Underwriters named below, subject to the approval of their legality by Squire, Sanders & Dempsey L.L.P., New York, New York and Shipman & Goodwin LLP, Hartford, Connecticut, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP and Rome McGuigan Sabanosh, P.C., both of Hartford, Connecticut. Ownership of the Bonds is expected to be available through DTC in New York, New York, on or about March 27, 2001.

**Honorable Denise L. Nappier**  
Treasurer of the State of Connecticut

**Bear, Stearns & Co. Inc.**

**First Albany Corporation**

**Advest, Inc.**

**Belle Haven Investments, L.P.**

**Morgan Stanley Dean Witter**

**Dain Rauscher Incorporated**

**Goldman, Sachs & Co.**

**A.G. Edwards & Sons, Inc.**

**First Union National Bank**

**M.R. Beal & Co.**

**Roosevelt & Cross, Inc.**

**State Street Bank and Trust Co.**

**Salomon Smith Barney**

**Apex Securities, Inc.**

**Merrill Lynch & Co.**

**Quick & Reilly, Inc.**

**Siebert Brandford Shank & Co., L.L.C.**

**\$194,000,000**  
**General Airport Revenue Bonds**  
**Series 2001A (AMT)**

<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2002	\$1,390,000	3.50%	3.20%
2003	1,440,000	3.50	3.50
2004	3,740,000	3.60	3.65
2005	3,880,000	3.75	3.75
2006	920,000	3.80	3.89
2006	3,125,000	5.00	3.89
2007	4,225,000	4.00	4.00
2008	4,400,000	4.10	4.10
2009	1,480,000	4.20	4.23
2009	3,120,000	5.25	4.23
2010	1,445,000	4.30	4.33
2010	3,390,000	5.25	4.33
2011	940,000	4.375	4.42
2011	4,150,000	5.25	4.42
2012	1,280,000	4.50	4.53
2012	4,075,000	5.25	4.53*
2013	5,635,000	5.25	4.63*
2014	5,935,000	5.25	4.73*
2015	6,260,000	5.25	4.82*
2016	6,595,000	5.25	4.90*
2017	6,955,000	5.25	4.97*
2018	7,315,000	5.00	5.06
2019	7,690,000	5.05	5.10
2020	8,095,000	5.125	5.15
2021	8,525,000	5.15	5.17
2022	6,910,000	5.15	5.19

\$31,480,000 5.125% Term Bonds due October 1, 2026 - Yield 5.23%

\$49,605,000 5.125% Term Bonds due October 1, 2031 - Yield 5.25%

(plus accrued interest from March 1, 2001)

\*Priced assuming redemption on April 1, 2012; however, any such redemption is at the optional election of the State. See "THE BONDS - Redemption" herein.

**\$19,180,000**  
**General Airport Revenue Refunding Bonds**  
**Series 2001B (Non-AMT)**

<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2002	\$ 235,000	3.25%	3.10%
2003	245,000	3.40	3.40
2004	255,000	3.50	3.50
2005	260,000	3.60	3.60
2006	270,000	3.75	3.75
2007	285,000	3.875	3.875
2008	295,000	4.00	4.00
2009	305,000	4.10	4.10
2010	320,000	4.20	4.20
2011	8,190,000	4.25	4.27
2012	8,520,000	4.30	4.37

(plus accrued interest from March 1, 2001)

No dealer, broker or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State of Connecticut or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds, and there will not be any sale of the Bonds where it is not allowed by law. The delivery of this Official Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

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

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**In Memoriam**

**Robert F. Juliano**

This financing is dedicated to Mr. Robert F. Juliano, the Bureau Chief of the Bureau of Aviation and Ports of the Connecticut Department of Transportation at the time of his death on March 1, 2001, without whose guidance, inspiration and dedication the evolution and development of Bradley International Airport as a major aviation transportation facility would not have occurred.

His energy and personal touch will be missed and remembered by all who knew him, both personally and professionally.

**\$213,180,000**  
**STATE OF CONNECTICUT**  
**Bradley International Airport Revenue Bonds**  
*comprised of*

<b>\$194,000,000</b>	<b>\$19,180,000</b>
General Airport Revenue Bonds Series 2001A (AMT)	General Airport Revenue Refunding Bonds Series 2001B (Non-AMT)

**INTRODUCTION**

The purpose of this Official Statement is to provide information concerning the \$213,180,000 Bradley International Airport Revenue Bonds, comprised of \$194,000,000 General Airport Revenue Bonds, Series 2001A (the "Series 2001A Bonds") and \$19,180,000 General Airport Revenue Refunding Bonds, Series 2001B (the "Series 2001B Bonds") (collectively, the "Bonds"), being issued by the State of Connecticut (the "State"). Certain capitalized terms used in this Official Statement, unless otherwise defined in the text, are defined in **Appendix D – Summaries of Principal Financing Documents**.

**Purpose of the Bonds**

The Series 2001A Bonds, together with certain other funds, are being issued: (i) to fund a portion of the costs of the Project (as described below), (ii) to fund capitalized interest on a portion of the Series 2001A Bonds during the Project's construction period, (iii) to fund a debt service reserve fund and (iv) to pay costs associated with the issuance of the Series 2001A Bonds. The Project consists of the following capital improvements to be made at Bradley International Airport (the "Airport"): constructing a new terminal and 12-gate concourse, constructing and renovating aircraft apron areas, renovating the existing terminals and concourse areas, constructing a new federal inspection building, making roadway improvements, and purchasing and installing new jet bridges, baggage belts and other airline equipment. See "SOURCES AND USES OF BOND PROCEEDS."

The Series 2001B Bonds will be used (i) to purchase United States Government Obligations to be held in an escrow account and used to advance refund \$16,600,000 of the 1992 Refunding Bonds (as defined below) and (ii) to pay costs associated with the issuance of the Series 2001B Bonds. The refunded 1992 Refunding Bonds will be redeemed on October 1, 2004. See "SOURCES AND USES OF BOND PROCEEDS."

## **Bradley International Airport**

The Airport is the second largest airport in New England. In 1999, it ranked as the 55<sup>th</sup> busiest U.S. airport in terms of passengers and 36<sup>th</sup> busiest in terms of air cargo. The Airport's primary air service area is most of the State of Connecticut and southwestern Massachusetts. The Airport is situated on approximately 2,358 acres of land located mainly in the town of Windsor Locks, Connecticut, which is approximately 12 miles north of Hartford, Connecticut, and 12 miles south of Springfield, Massachusetts.

The Airport operates two passenger terminals, three concourses and an international arrivals building, with a total of 24 gates. It has three runways and can accommodate any type of commercial aircraft, including Boeing 747s. The Airport also offers facilities for corporate and private aircraft and over 400,000 square feet of warehouse space for cargo processing.

The Airport is served by 20 airlines, with US Airways (22.9% of the Airport's year 2000 total passengers), Delta Air Lines (21.6%), American Airlines (12.4%), Southwest Airlines (10.5%) and United Airlines (9.7%) the five most active carriers during the year 2000.

Passenger traffic at the Airport has grown over the last two decades. In 1978, 1,532,000 passengers boarded airplanes at the Airport. By 2000, that number had grown to 3,673,973, for an average annual growth rate of 4.5%. Almost all of the passenger travel at the Airport is characterized as origin-destination. This means that for most passengers, the Airport is either the origin or destination of their travel. This is contrasted with hub airports which "collect" passengers whose travel begins and ends at other airports.

The Airport is owned by the State and operated by the Connecticut Department of Transportation ("DOT"). DOT contracts out various Airport services to private businesses, including aircraft maintenance, food preparation, baggage handling, car rentals, lodging, ground transportation, janitorial and related maintenance services. In addition, private businesses under contract with DOT operate the Airport's parking facilities and concessions in the Airport terminals.

## **Security for the Bonds**

**The Bonds are special obligations of the State and are payable only from the Pledged Revenues (which includes certain pledged passenger facility charge revenues) and other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture, subject to a prior lien on Airport revenues securing certain outstanding Airport Revenue Bonds of the State. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the 2001 Indenture.**

The Bonds will be issued pursuant to a Trust Indenture and First Supplemental Trust Indenture, each dated as of March 1, 2001 (together, the "2001 Indenture") between the State and State Street Bank and Trust Company, as Trustee (the "Trustee"). Under the 2001 Indenture, the Bonds will be secured by a parity senior lien and pledge on the Pledged Revenues (including certain pledged passenger facility charge revenues) of the Airport subject to a prior lien on the Airport's gross operating revenues securing the outstanding State of Connecticut Airport Revenue Refunding Bonds, Bradley International Airport, Series 1992 (the "1992 Refunding Bonds") currently outstanding in the aggregate principal amount of \$71,215,000. Upon issuance of the Series 2001B Bonds, \$54,615,000 of 1992 Refunding Bonds will remain outstanding. The 1992 Refunding Bonds were issued by the State to refund outstanding Airport Revenue Bonds that were issued by the State under an Indenture of Trust dated as of October 1, 1982 (as supplemented in connection with the issuance of the 1992 Refunding Bonds, the "1982 Indenture") to finance improvements to the Airport. The prior lien under the 1982 Indenture will be released and discharged and the 1982 Indenture will no longer be of any force or effect at final maturity of the 1992 Refunding Bonds or, if earlier, when the State redeems or otherwise defeases all of the remaining 1992 Refunding Bonds. The earliest date on which the 1992 Refunding Bonds are subject to optional redemption is October 1, 2004. The final scheduled maturity date for the 1992 Refunding Bonds is October 1, 2012. When the 1992 Refunding Bonds are paid (at maturity or earlier redemption) or otherwise defeased and the 1982 Indenture is discharged, the provisions of the 2001 Indenture will control the operations and financings of the Airport. **The State will covenant in the 2001 Indenture not to issue any additional bonds under the 1982 Indenture.**

Under the 2001 Indenture, Pledged Revenues do not include "Released Revenues," which are revenues identified by the State that relate to a definable service, facility or program at the Airport and are excluded from General Revenues. Two such facilities that are or will produce Released Revenues are the Parking Garage (defined below) (currently under construction) and the surface parking facilities. On April 6, 2000, the State issued its \$47,665,000 State of Connecticut Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A and the \$6,135,000 State of Connecticut Bradley International Airport Special Obligation Parking Revenue Bonds, Taxable Series 2000B (collectively, the "Parking Garage Revenue Bonds") to finance the acquisition and construction of an approximately 3,450 space parking garage and related improvements (the "Parking Garage") at the Airport. The Parking Garage, and all of the Airport's surface parking facilities, will be operated under a parking lease agreement (the "Parking Lease") by APCOA Bradley Parking Company, LLC (the "Parking Operator"). The Parking Lease requires that the Parking Operator deposit all Parking Garage receipts with a trustee (the "Parking Garage Trustee") and all surface parking receipts with a custodian (the "Custodian") to pay operating expenses for the Parking Garage and the surface parking facilities, respectively. The Parking Garage receipts are pledged to the Parking Garage Trustee to pay debt service on the Parking Garage Revenue Bonds. **The Parking Lease is in effect for 25 years, ending on April 6, 2025. During this period all gross parking revenues from the Parking Garage and surface parking facilities will be deposited in accordance with the Parking Lease. Parking Garage and surface parking facilities revenues will be Released Revenues and will not be treated as revenues of the State under the 1982 Indenture or the 2001 Indenture.** However, certain fixed amounts paid to the State (the "State Minimum Guarantee Payment") and additional amounts paid to the State under the Parking Lease will be deposited as gross operating revenues under the 1982 Indenture and, (i) while the 1982 Indenture is in effect, will first be applied to make all required deposits to the funds

established under the 1982 Indenture, and then will be available to be deposited as Revenues under the 2001 Indenture, and (ii) after discharge of the 1982 Indenture, will be deposited as Revenues under the 2001 Indenture. Under the 2001 Indenture, the Parking Garage Revenue Bonds are treated as Released Revenue Bonds that are secured by a senior lien on the revenues derived from the Parking Garage. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parking Garage Revenue Bonds and Application of Parking Revenues" herein.

The Bonds will not be subject to acceleration upon the occurrence of an event of default under the 2001 Indenture.

A substantial portion of the principal of and interest on the Bonds will be payable from passenger facility charges ("PFCs"). As permitted under federal law, PFCs are charged by the Airport to each qualifying passenger enplaning at the Airport. The airlines and their agents collect the PFCs on behalf of the Airport by including the PFC in the ticket price. Use of PFC Revenues is limited to the allowable costs of approved PFC Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "PLAN OF FINANCE - PFC Program" for additional information on PFCs and their use to pay debt service on the Bonds.

### **Bond Insurance**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy (the "Bond Insurance Policy") to be issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company (the "Bond Insurer"). See "BOND INSURANCE" herein.

### **Report of the Airport Financial Consultant**

The Airport's financial feasibility consultant, The Louis Berger Group, Inc. (the "Airport Financial Consultant") has prepared a report (the "Feasibility Report") in connection with the issuance of the Bonds. The Feasibility Report is included in this Official Statement as **Appendix A - Feasibility Report**. The Feasibility Report provides information, as of February 28, 2001, with respect to the Airport, the Project and financial factors relating to the Bonds.

The Feasibility Report should be read in its entirety for discussion of the historical and forecasted financial results of the Airport, including the assumptions and rationale underlying those forecasts. As noted in the Feasibility Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts may not be realized, and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

### **Miscellaneous**

This Official Statement contains brief descriptions and summaries of the Bonds, the Airport, the 2001 Indenture, the 1982 Indenture, the Continuing Disclosure Agreement, and certain other matters. Those descriptions and summaries do not purport to be comprehensive or definitive. The descriptions of the Bonds and the other documents contained in this Official Statement are qualified in their entirety by reference to the actual documents.



Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. The Feasibility Report is attached hereto as Appendix A. Appendix B includes the Airport's Financial Statements for the fiscal years ended June 30, 1999 and June 30, 2000. Appendix C contains information regarding the Airport's agreements with the airlines serving the Airport. Appendix D contains information regarding the 1982 Indenture and the 2001 Indenture. Appendix E contains the proposed form of the Continuing Disclosure Agreement to be entered into by the State. Appendix F contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the Bonds. Appendix G contains the specimen copy of the Bond Insurance Policy.

During the initial offering period for the Bonds, copies of the documents summarized in this Official Statement may be obtained upon request from the Office of the Treasurer, Attn: Catherine Boone, Assistant Treasurer, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3127. Thereafter, copies may also be obtained from the Trustee.

## **AUTHORIZATION FOR THE BONDS**

### **Legal Authority—State Bond Commission**

The State will issue the Bonds pursuant to the Connecticut General Statutes, Chapter 266a *et. seq.*, as amended (the "Act"), and the 2001 Indenture. Under the Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize the issuance of revenue bonds to finance improvements to the Airport. The State Bond Commission adopted authorizing resolutions for the Bonds on August 25, 2000, December 15, 2000 and January 26, 2001.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of the Department of Public Works of the State and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the Commission.

### **Agreement of the State**

In consideration of the purchase and acceptance of the Bonds by purchasers or subsequent holders of the Bonds, the 2001 Indenture provisions will constitute a contract among the State, the Trustee, and the holders from time to time of all bonds issued under the 2001 Indenture, including the Bonds. The 2001 Indenture provisions, covenants and agreements to be performed on behalf of the State will be for the equal benefit, protection and security of the holders of any and all of the bonds issued under the 2001 Indenture, including the Bonds, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction, except as provided in the 2001 Indenture.

## **THE BONDS**

### **General**

The Bonds will be issued in the principal amount, be dated, bear interest at the rates per annum and mature on the dates, subject to earlier redemption as described herein, all as set forth on the cover page and the inside cover page of this Official Statement. Interest on the Bonds will be paid on each April 1 and October 1 (each an "Interest Payment Date"), commencing October 1, 2001, in the manner described below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued in fully registered form only in denominations of \$5,000 and any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of DTC. Purchases of beneficial interests in the Bonds initially will be made in book-entry-only form (without certificates) in denominations of \$5,000 and any integral multiple thereof and, under certain circumstances, such beneficial interests are exchangeable for one or more fully registered bonds of the same series, maturity and principal amount in such denominations.

So long as any of the Bonds are in book-entry form, the registered owner of the Bonds will be Cede & Co. for all purposes of the 2001 Indenture and the principal of and interest and any premium on the Bonds will be payable as described under "Book-Entry-Only System" below.

If the book-entry-only system is discontinued with respect to the Bonds, thereafter, (i) principal of and any premium on the Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee or at the office of any paying agent designated by the Trustee and (ii) interest on the Bonds will be paid on each Interest Payment Date by check or draft mailed by the Trustee on the Interest Payment Date to the registered owners of the Bonds as of the close of business on the March 15 or September 15 (the "Regular Record Date") immediately preceding the Interest Payment Date.

If and to the extent that the State fails to make payment or provision for payment of interest on any Bonds on any Interest Payment Date, that interest will cease to be payable to the registered owner of that Bond as of the applicable Regular Record Date and, when moneys become available for payment of the interest, the Trustee will establish a Special Record Date pursuant to the 2001 Indenture for the payment of that interest which Special Record Date will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment. The Trustee will cause notice of the proposed payment and the Special Record Date to be mailed by first class mail, postage prepaid, to each registered owner at its address as it appears on the register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest will be payable to the registered owner of the Bonds at the close of business on the Special Record Date.

So long as any of the Bonds remain outstanding, the State will cause books for the registration and transfer of Bonds, as provided in the 2001 Indenture, to be maintained and kept at the designated office of the Trustee, as Registrar. The Bonds may be exchanged, at the option of the registered owner, for Bonds of the same series and maturity, in any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and

unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds being exchanged. Any Bonds may be transferred upon the register. Any transfer or exchange will be made upon presentation and surrender of the Bonds being exchanged at the designated office of the Registrar or at the designated office of any authenticating agent together with an assignment duly executed by the registered owner or its duly authorized attorney in any form which is satisfactory to the Registrar or the authenticating agent, as the case may be. Upon transfer of any Bonds and on request of the Registrar or the authenticating agent, the State will execute in the name of the transferee, and the Registrar or the authenticating agent, as the case may be, will authenticate and deliver, a new Bond or Bonds, of the same series and maturity, in any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds presented and surrendered for transfer. The exchange or transfer will be made without charge; provided, that the State and the Registrar or the authenticating agent, as the case may be, may make a charge for every exchange or transfer of Bonds sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange or transfer. Such reimbursement must be paid by the registered owner before a new Bond is delivered.

## Redemption

**Series 2001A Bonds.** The Series 2001A Bonds will be subject to redemption prior to maturity as follows:

**Mandatory Sinking Fund Redemption.** The Series 2001A Bonds maturing on October 1, 2026 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date on the dates and in the principal amounts set forth below:

<u>Mandatory Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
October 1, 2023	\$7,275,000
October 1, 2024	7,660,000
October 1, 2025	8,060,000
October 1, 2026*	8,485,000

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\*final maturity

The Series 2001A Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date on the dates and in the principal amounts set forth below:

<u>Mandatory Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
October 1, 2027	\$8,930,000
October 1, 2028	9,400,000
October 1, 2029	9,895,000
October 1, 2030	10,415,000
October 1, 2031*	10,965,000

\*final maturity

**Optional Redemption.** The Series 2001A Bonds that mature on or after October 1, 2011, are subject to redemption prior to maturity on or after April 1, 2011, by and at the option of the State, in whole or in part on any date and in integral multiples of \$5,000 at the applicable redemption prices (expressed as a percentage of principal amounts of Series 2001A Bonds redeemed), set forth below opposite the applicable redemption period, plus interest accrued to the redemption date:

<u>Optional Redemption Dates</u>	<u>Redemption Price</u>
April 1, 2011 through March 31, 2012	101%
April 1, 2012 and thereafter	100%

If optional redemption is to occur as of a Mandatory Redemption Date, the Series 2001A Bonds, or portions thereof to be optionally redeemed, will be selected prior to the selection by lot of the Series 2001A Bonds to be redeemed on the same date by operation of the Mandatory Sinking Fund Requirements.

**Series 2001B Bonds.** The Series 2001B Bonds are not subject to mandatory sinking fund redemption or optional redemption prior to maturity.

**Extraordinary Optional Redemption of all Bonds.** The Series 2001A Bonds and the Series 2001B Bonds are subject to extraordinary optional redemption prior to maturity, by and at the option of the State, in whole on any date, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, in the event (i) of damage or destruction of all or substantially all of the Airport to such an extent that the Airport is expected to be out of service, in whole or in part, for a period of six months or more, (ii) of condemnation of all or substantially all of the Airport to such an extent that the Airport is expected to be out of service, in whole or in part, for a period of six months or more, or (iii) that the Airport ceases to function as an airport for general commercial traffic for a period of 120 consecutive days or more.

**Notice of Redemption; Effect.** Except in the case of redemption pursuant to any Mandatory Sinking Fund Requirement, Bonds will be redeemed only after written notice from the State to the Trustee. The notice of the call for redemption of Bonds must identify (i) by designation, letters, numbers or other distinguishing marks, the Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. The notice will be given by the Trustee on behalf of the State by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owner of each Bond subject to redemption in whole or in part at the registered owner's address shown on the register on the fifteenth day preceding that mailing. Failure to receive notice by mailing or any defect in that notice regarding any Bond, however, will not affect the validity of the proceedings for the redemption of any Bond.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the redemption price for such optional redemption will not be due and payable unless such moneys are so deposited.

If (a) unconditional notice of redemption has been duly mailed or sent in the manner provided by the 2001 Indenture, or duly waived by the registered owners of all Bonds called for redemption, or (b) conditional notice of redemption has been duly mailed or sent in the manner provided by the 2001 Indenture, or waived, and the redemption moneys have been duly deposited with the Trustee, then in either case, the Bonds or portions thereof called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, will be paid at the redemption price, plus interest accrued to the redemption date. If money for the redemption of all of the Bonds or portions thereof to be redeemed, together with interest accrued thereon to the redemption date, is held by the Trustee or any paying agent on the redemption date, so as to be available therefor on that date, and if notice of redemption has been deposited in the mail as required in the 2001 Indenture, then from and after the redemption date those Bonds or portions thereof called for redemption will cease to bear interest and no longer will be considered to be outstanding under the 2001 Indenture.

**Partial Redemption.** If fewer than all of the Bonds of a series which are subject to mandatory sinking fund redemption on the applicable Mandatory Redemption Date are to be redeemed, the selection of Bonds of such series, or portions thereof in authorized denominations, to be so redeemed will be made by lot by the Trustee in any manner which the Trustee may determine. In the case of any other redemption, if fewer than all of the Bonds of a series are to be redeemed, the selection of Bonds of such series, or portions thereof in authorized denominations, to be so redeemed will be made in such amounts, within such maturities as determined in writing by the State. Within such maturities, the selection will be made by lot by the Trustee in any manner which the Trustee may determine.

## **Book-Entry-Only System**

*Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The State, Co-Bond Counsel and the Underwriters make no representation as to the accuracy of such information.*

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate for each series of the Bonds will be issued for each maturity of the Bonds of such series, 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, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. 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 others 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded on the records of the Direct and Indirect Participants. Beneficial Owners will not receive a 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 entered into the transaction. Transfers of ownership interests in the Bonds will be accomplished by entries made on the books of the Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 their customers.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the Bonds will mean Cede & Co., and will not mean the Beneficial Owners of the Bonds.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to Cede & Co. If less than all of the Bonds are being redeemed, 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 the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payment 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 such payment 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 Trustee, the Paying Agent or the State, 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 Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

In the event that (a) DTC determines to discontinue providing its service with respect to the Bonds of either or both series by giving reasonable notice to the State and discharging its responsibilities with respect thereto under applicable law and the State fails to appoint a successor securities depository for the Bonds of the affected series, or (b) the State determines to discontinue the system of the book-entry transfer through DTC (or a successor securities depository), bond certificates are required to be delivered as described in the Bonds. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

THE STATE, THE TRUSTEE AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR

INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE 2001 INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

The State and the Trustee cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Special Obligations of the State**

The Bonds are special obligations of the State and are payable only from the Pledged Revenues (which includes certain pledged passenger facility charge revenues) and other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture, subject to a prior lien on Airport revenues securing certain outstanding Airport Revenue Bonds of the State. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and the receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the 2001 Indenture.

### **Bonds Outstanding Under the 1982 Indenture**

The State issued the 1992 Refunding Bonds in the aggregate principal amount of \$94,065,000 on September 30, 1992 under the 1982 Indenture. The 1992 Refunding Bonds are currently outstanding, in the aggregate principal amount of \$71,215,000, have a final maturity date of October 1, 2012, and are first callable for optional redemption on October 1, 2004, at a redemption price of par. On February 1, 2001, the State called for early redemption and redeemed the remaining \$3,020,000 of its \$3,855,000 Airport Revenue Taxable Subordinated Refunding Bonds, Bradley International Airport, Series 1989 (the "1989 Bonds") dated August 1, 1989. Therefore, the only bonds outstanding under the 1982 Indenture are the 1992 Refunding Bonds.

The Series 2001B Bonds are being used to advance refund \$16,600,000 of the 1992 Refunding Bonds for redemption on October 1, 2004. Under the 2001 Indenture, the Bonds will be secured by a parity senior lien and pledge on the Pledged Revenues (including certain pledged passenger facility charge revenues) of the Airport subject to the prior lien on the Airport's gross



operating revenues securing the \$54,615,000 of remaining 1992 Refunding Bonds outstanding. For so long as the 1992 Refunding Bonds are outstanding, (i) the payment of all principal, interest or redemption premium, if any, due on the Bonds is subject to the prior deposits required under the 1982 Indenture, including the prior payment of all principal, interest or redemption premium, if any, due on the 1992 Refunding Bonds, and (ii) the State and the Airport will remain subject to the terms and provisions of the 1982 Indenture, including the requirement that revenues of the Airport be deposited in accordance with the provisions of the 1982 Indenture. Upon payment (at maturity or earlier redemption) or defeasance of the remaining 1992 Refunding Bonds, the lien of the 1982 Indenture will be discharged and the 1982 Indenture will no longer be of any force or effect. *The State has covenanted under the 2001 Indenture not to issue any additional bonds under the 1982 Indenture.*

### **Parking Garage Revenue Bonds and Application of Parking Revenues**

As discussed under “INTRODUCTION – Security for the Bonds,” the State issued its Parking Garage Revenue Bonds on April 6, 2000 to finance the costs of the Parking Garage. Upon compliance with certain conditions set forth in the Trust Indenture securing the Parking Garage Revenue Bonds, the State may issue additional Parking Revenue Bonds on a parity with the outstanding Parking Garage Revenue Bonds issued in 2000. In connection with the issuance of the Parking Garage Revenue Bonds, the State entered into the Parking Lease with the Parking Operator. Under the Parking Lease, the Parking Operator is obligated to construct and to operate the Parking Garage and to operate all of the State-owned surface parking facilities at the Airport through April 6, 2025. The Parking Lease provides that the Parking Operator make certain scheduled minimum annual payments to the State (the “State Minimum Guarantee Payment”). The State Minimum Guarantee Payment is payable monthly, with annual amounts beginning at approximately \$8.2 million for the fiscal year ending June 30, 2001 and increasing to approximately \$13.2 million for the fiscal year ending June 30, 2024. The Parking Operator’s sole corporate member is APCOA/Standard Parking, Inc., a national parking operator (“APCOA”). So long as the Parking Lease remains in effect, APCOA has guaranteed payment of the deposits required under the Parking Lease, including debt service on the Parking Garage Revenue Bonds and the State Minimum Guarantee Payment. *During the term of the Parking Lease, all gross parking revenues from the Parking Garage and surface parking facilities will be deposited in accordance with the provisions of the Parking Lease. Parking Garage and surface parking facilities revenues will be Released Revenues and will not be treated as revenues of the State under the 1982 Indenture or the 2001 Indenture.* Amounts paid to the State as the State Minimum Guarantee Payment and additional amounts under the Parking Lease will be deposited as gross operating revenues under the 1982 Indenture and, (i) while the 1982 Indenture is in effect, will first be applied to make all required deposits to the funds established under the 1982 Indenture, and then will be available to be deposited as Revenues under the 2001 Indenture, and (ii) after discharge of the 1982 Indenture, will be deposited as Revenues under the 2001 Indenture. See “Revenues – Released Revenues Relating to the Parking Lease” below.

### **Revenues**

**General.** Under the 2001 Indenture, the term “Revenues” means: (i) all revenues, income, receipts and money derived from the ownership and operation of the Airport, including all rentals, charges, landing fees, use charges, concession revenue and PFC Revenues received by or on behalf of the State, (ii) investment earnings on amounts deposited in funds and accounts

under the 2001 Indenture or otherwise maintained with respect to the Airport, and (iii) all unrestricted gifts or grants. Revenues will be calculated on an accrual basis of accounting.

While the 1982 Indenture remains in effect, generally all Revenues initially will be deposited in accordance with the provisions of the 1982 Indenture. See "Deposit of Revenues and Application of Funds - Application of Funds Under the 1982 Indenture" herein. In accordance with the 1982 Indenture, after all required deposits are made to the funds established thereby, all remaining amounts are deposited into the General Airport Fund (the "1982 General Airport Fund") held by the trustee under the 1982 Indenture (the "1982 Indenture Trustee"). Under the 2001 Indenture, the State will covenant that, for so long as the 1992 Refunding Bonds remain outstanding, it will cause from time to time (but in sufficient time to allow the Trustee to timely make the payments required under the 2001 Indenture) the 1982 Indenture Trustee to withdraw and pay to the Trustee all moneys then on deposit in the 1982 General Airport Fund and available for withdrawal pursuant to the 1982 Indenture. All such amounts will be deposited into the Revenue Fund held by the Trustee under the 2001 Indenture and applied as provided therein. See "Deposit of Revenues and Application of Funds - Application of Funds Under the 2001 Indenture" herein.

***Pledged Revenues.*** Upon the deposit of Revenues into the Revenue Fund under the 2001 Indenture, such Revenues become Pledged Revenues under the 2001 Indenture, subject to application of those revenues to permitted purposes. Use of PFC Revenues is limited to the allowable costs of approved PFC Facilities.

Under the 2001 Indenture, "Pledged Revenues" means all Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the following funds and accounts: (i) the Revenue Fund, including the General Revenue Account, and the General Revenue Enhancement Account, but excluding the Released Revenue Account and amounts in the Revenue Fund required to be used to pay Operating Expenses, (ii) the PFC Revenue Fund, including the PFC Coverage Account, but excluding the PFC Escrow Account, (iii) the Debt Service Fund, including the Bond Service Account, the Payments Account, the Capitalized Interest Account and the Debt Service Reserve Account, (iv) the Construction Fund, including the Series 2001 Project Account, and (v) the Cost of Issuance Fund, including the Series 2001A Account and the Series 2001B Account. In addition to the exclusions identified in the preceding sentence, "Pledged Revenues" does not include (i) moneys and securities from time to time on deposit in the General Airport Fund, including the Deposit Account therein, (ii) moneys and securities from time to time on deposit in the Improvement Fund, including the Deposit Account therein, and (iii) any amounts required under the 2001 Indenture to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, amounts in the Rebate Account.

***PFC Revenues.*** The 2001 Indenture requires that PFC Revenues be deposited into the PFC Revenue Fund. Funds deposited into the PFC Revenue Fund will initially be deposited into the PFC Coverage Account in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds. The "PFC Component" is that portion of the Debt Service Requirements on the Series 2001A Bonds allocated to the PFC Facilities and expected to be paid from PFC Revenues. Amounts on deposit in the PFC Coverage Account will be Pledged

Revenues under the 2001 Indenture. The amount on deposit in the PFC Coverage Account will be transferred from time to time by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds. Use of PFC Revenues is limited to the allowable costs of approved PFC Facilities. See "Deposit of Revenues and Application of Funds - The 2001 Indenture - PFC Revenue Fund: PFC Coverage Account" and "PFC Program - Airport PFC Approvals" herein.

***Released Revenues Relating to the Parking Lease.*** Under the 2001 Indenture, Revenues relating to the Parking Lease are Released Revenues and are to be deposited and applied as set forth in the Parking Lease. As Released Revenues, such amounts are not deposited into the funds and accounts under the 2001 Indenture and are not Pledged Revenues. The Parking Lease is also treated as a "Special Facility Lease" under the 1982 Indenture and, as a result thereof, the revenues derived from the Parking Lease are not deposited into the funds and accounts under the 1982 Indenture.

The Parking Lease and the trust indenture securing the Parking Garage Revenue Bonds provide for separate application of amounts derived from the Airport's surface parking facilities and the Parking Garage (collectively, the "Parking Facilities"). Surface parking revenues are to be applied to pay expenses and certain other required deposits relating to the surface parking; Parking Garage revenues are to be applied to pay debt service on the Parking Garage Revenue Bonds and expenses and certain other required deposits relating to the Parking Garage. Surface parking revenues and Parking Garage revenues remaining after such deposits are made in each month are to be applied, on an aggregate basis, to make the monthly State Minimum Guarantee Payment. Additional surface parking revenues and Parking Garage revenues remaining on deposit are to be applied annually, on an aggregate basis, to pay specified amounts to the Parking Operator and the State. All State Minimum Guarantee Payments and payments of such additional amounts received by the State in accordance with the Parking Lease are gross operating revenues to be deposited in accordance with the 1982 Indenture and, after discharge of the 1982 Indenture, are Revenues to be deposited in accordance with the 2001 Indenture. See "Parking Garage Revenue Bonds and Application of Parking Revenues" herein.

Upon the occurrence of certain events, including the Parking Operator's failure to pay amounts due under the Parking Lease, including amounts sufficient to pay debt service on the Parking Garage Revenue Bonds and to make the monthly State Minimum Guarantee Payment, the Parking Lease provides that the State may re-enter and take possession of the Parking Facilities, sublease the Parking Facilities, operate the Parking Facilities or take any action that the State deems necessary or desirable. However, in the event that the Parking Operator or its affiliates or assigns become the subject of a federal bankruptcy proceeding, operation of the automatic stay provisions of the Bankruptcy Code under certain circumstances may require the Parking Garage Trustee, the Custodian and the State to obtain bankruptcy court approval prior to taking any action to enforce the Parking Lease, including terminating the Parking Lease or enforcing any of the remedies provided for in the Parking Lease. There is no assurance that the bankruptcy court would grant such approval, or that such approval would be granted on a timely basis. Accordingly, if the Parking Operator or its affiliates or assigns become the subject of a federal bankruptcy proceeding, the treatment of the Parking Lease under the Bankruptcy Code could result in long delays in the State's receipt of Parking Facilities' revenues and possibly in reductions in the amounts available for the Debt Service Requirements on the Bonds. See "Parking Garage Revenue Bonds and Application of Parking Revenues" herein.

The State has been advised that an independent affiliate of APCOA filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code on January 31, 2000, which resulted in certain debt restructurings of APCOA's parent corporation. The State has been advised that the assets of the independent affiliate were sold by the parent corporation and, according to a Report on Form 8-K dated March 5, 2001 and filed with the Securities and Exchange Commission, APCOA reported that the debt restructurings were completed on March 5, 2001. To date, the State is not aware of any adverse impact as a result of such bankruptcy filing or such debt restructurings on the operations at the Airport of APCOA or the Parking Operator. Pursuant to a Continuing Disclosure Agreement executed in connection with the issuance of the Parking Garage Revenue Bonds, APCOA and the Parking Operator have agreed to file their annual financial statements with the nationally recognized municipal securities information repositories. (The current repositories are identified in the Continuing Disclosure Agreement of the State attached hereto as Appendix E.)

### **Covenants as to Rates and Charges**

Upon the issuance of the Bonds, the State will covenant under the 2001 Indenture to establish rates for the services and facilities furnished by the Airport in an amount sufficient to pay debt service on the Bonds, operating expenses of the Airport and certain other amounts and charges. In addition, until the 1992 Refunding Bonds have been paid or legally defeased and the 1982 Indenture discharged, the State has covenanted under the 1982 Indenture to establish rates for the services furnished by the Airport in an amount sufficient to pay debt service on the 1992 Refunding Bonds, operating expenses of the Airport and certain other amounts and charges. Accordingly, upon issuance of the Bonds, the State will have to comply with the rate covenants under both the 1982 Indenture and the 2001 Indenture.

**1982 Indenture.** (All capitalized terms used below relating to the flow of funds under the 1982 Indenture and not otherwise defined, are used as defined under the 1982 Indenture.) For as long as the 1992 Refunding Bonds are outstanding, the State has covenanted under the 1982 Indenture to fix and charge rates, fees and charges to the extent possible for the use and services of the Airport so as to provide Gross Operating Revenues sufficient (a) to pay the principal of and interest and premium, if any, on the 1992 Refunding Bonds as the same shall become due (whether at maturity, upon required redemption prior to maturity or otherwise), (b) to create and maintain all reserves and sinking funds and make all other payments provided for under the 1982 Indenture, and (c) to pay as they come due the Current Expenses or to provide for such payment; provided, that nothing in the 1982 Indenture prohibits the State from entering into long-term agreements for the use of the services and facilities of the Airport.

The State has also covenanted pursuant to the 1982 Indenture to impose, to the extent possible, such rates, rents, fees and charges as will yield Gross Operating Revenues (including, for such purpose, moneys held in the Airport Coverage Account and the Interim Reserve Account, each established by the 1982 Indenture), with respect to the immediately ensuing Fiscal Year, after deducting Current Expenses and payments for reserves and sinking funds required under the 1982 Indenture, computed as of the final business day of such Fiscal Year, in an amount at least equal to 125% of the sum of (a) the amount required in such Fiscal Year to pay interest on the 1992 Refunding Bonds as and when the same becomes due and payable and (b) the amount required in such Fiscal Year to pay the principal of the 1992 Refunding Bonds as and

when the same shall become due and payable (whether at maturity, upon required redemption prior to maturity or otherwise). See **Appendix D-2 - Summaries of Principal Financing Documents, Bradley International Airport 1982 Indenture** for additional information on the 1982 Indenture.

Upon the payment or legal defeasance of the 1992 Refunding Bonds and the release of the lien of the 1982 Indenture, all covenants of the State contained in the 1982 Indenture will no longer be of any force or effect.

**2001 Indenture.** Under the 2001 Indenture, the State will covenant with the holders of all bonds Outstanding under the 2001 Indenture that it will at all times prescribe, fix, maintain and collect rates, fees and other charges for the services and facilities furnished by the Airport in an amount sufficient to:

- (a) (i) pay all of the Airport's Operating Expenses as they become due and payable, (ii) pay all Debt Service Requirements on bonds Outstanding under the 2001 Indenture (including the Bonds) when due and payable, (iii) make all required deposits, if any, into the Debt Service Reserve Account and the Rebate Account, (iv) pay amounts required to be paid under any Contract or Other Airport Obligation when due and payable, and (v) remedy all deficiencies in required payments or deposits into the funds and accounts created hereunder;
- (b) provide Net General Revenues in each Fiscal Year equal to at least:
  - (i) 120% of the Debt Service Requirements on all bonds Outstanding under the 2001 Indenture (including the Bonds) secured by a Senior Lien on General Revenues (including as Net General Revenues amounts on deposit in the General Revenue Enhancement Account and, for so long as any such bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account) and
  - (ii) 110% of the Debt Service Requirements on all bonds Outstanding under the 2001 Indenture (including the Bonds) secured by a Senior Lien on General Revenues (including as Net General Revenues, for so long as any such bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account, but not including amounts on deposit in the General Revenue Enhancement Account); and
- (c) provide PFC Revenues in each Fiscal Year equal to at least 100% (or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Debt Service Requirements on PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues.

In connection with the issuance of bonds under the 2001 Indenture which are not secured by a Senior Lien on General Revenues and/or PFC Revenues, the Supplemental Indenture authorizing such bonds shall specify the applicable rate covenant required to be met with respect to the related Revenues. In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State shall specify in the related

Supplemental Indenture the rate covenant provision to be applicable with respect to such Bonds in accordance with clause (c) above; provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Outstanding Bonds) shall indicate in writing to the State that the use of such rate covenant provision for purposes of clause (c) above will not, by itself, result in a reduction or withdrawal of such Rating. In no event shall this Section be construed as requiring the Airport to impose passenger facility charges in excess of amounts permitted pursuant to the PFC Act.

If the State fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of the 2001 Indenture in any Fiscal Year, but the State in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there will be no Event of Default as described in the 2001 Indenture until at least the end of such next Fiscal Year and only then if Net General Revenues are less than the amount required by the rate covenant provisions of the 2001 Indenture described above. See **Appendix D-1 - Summaries of Principal Financing Documents, Bradley International Airport 2001 Indenture – Defaults and Remedies** for additional information regarding Events of Default under the 2001 Indenture.

#### **Deposit of Revenues and Application of Funds**

The 2001 Indenture provides for the application of Revenues received by the State. In addition, for as long as the 1992 Refunding Bonds are outstanding under the 1982 Indenture, Gross Operating Revenues under the 1982 Indenture are to be applied to the funds and accounts specified in the 1982 Indenture for the purposes set forth therein. Any moneys remaining after the application of the Gross Operating Revenues as specified in the 1982 Indenture are to be applied to the funds and accounts specified in the 2001 Indenture for the purposes set forth therein. Upon the payment or legal defeasance of the 1992 Refunding Bonds, the Revenues will no longer be subject to application pursuant to the 1982 Indenture.

***Application of Funds Under the 1982 Indenture.*** (All capitalized terms used below relating to the flow of funds under the 1982 Indenture and not otherwise defined, are used as defined under the 1982 Indenture.) For as long as the 1992 Refunding Bonds are outstanding under the 1982 Indenture, the 1982 Indenture Trustee is required to deposit in the Revenue Fund created under the 1982 Indenture all Gross Operating Revenues. Until used and applied as described below, all moneys deposited in the Revenue Fund pursuant to the 1982 Indenture are held in trust for the equal and ratable benefit of all of the 1992 Refunding Bonds and are subject to the liens, pledges and charges created thereunder for the security and benefit of the holders of the 1992 Refunding Bonds.

On or before the 20th day of each month, the 1982 Indenture Trustee is required to withdraw from the Revenue Fund all moneys then held to the credit of the Revenue Fund (but not including moneys held to the credit of the Operation and Maintenance Reserve Account within the Revenue Fund) and deposit the sum so withdrawn to the credit of the following accounts or funds in the following order:

- (i) (A) to the Bond Service Account, to pay 1/12th of the principal of the 1992 Refunding Bonds due and payable within the next 12 months and 1/6th of the interest on the

1992 Refunding Bonds due and payable within the next six months and (B) to the Redemption Account, to pay 1/12th of the principal and premium, if any, due within the next 12 months for each of the term 1992 Refunding Bonds then outstanding;

(ii) to the Reserve Account, 1/12th of the amount, if any, necessary to make the amount deposited to the Reserve Account in such Bond Year equal to the maximum amount of principal and interest requirements for the current or any succeeding Bond Year for the 1992 Refunding Bonds;

(iii) to the State, such amount, if any, to make the amount then held by the State for the payment of Current Expenses (excluding any amount then held by the State as a reserve for the payment of expenses not annually recurring and for the replacement of depreciable equipment) equal to such amount as is necessary for Current Expenses during the next two months as shown on the Annual Operating Budget;

(iv) to the Operation and Maintenance Reserve Account, 1/12th of the amount, if any, necessary to make the amount deposited to the credit of the Operation and Maintenance Account equal to not less than 25% of the budgeted Current Expenses for the then current Fiscal Year (the "O&M Account Requirement"), subject to increase or decrease as specified from time to time by the State Bond Commission; provided that such amounts shall not be reduced to less than the O&M Account Requirement;

(v) to the 1982 Improvement Fund, such amount, if any, as determined by the State Bond Commission to pay costs of any additions, expansions or improvements of or to the Airport;

(vi) to the Airport Coverage Account, the amount, if any, necessary to make the amount deposited to the credit of the Airport Coverage Account equal to 25% of the sum of (a) the amount required in such Fiscal Year to pay interest on the 1992 Refunding Bonds when due and payable and (b) the amount required in such Fiscal Year to pay the principal of the 1992 Refunding Bonds as and when the same shall become due and payable (whether at maturity, upon required redemption prior to maturity, or otherwise);

(vii) to the 1982 General Airport Fund, the balance, if any, remaining after making the transfers described above.

Amounts on deposit in each of the funds under the 1982 Indenture will be applied as described in **Appendix D-2 – Summaries of Principal Financing Documents – Bradley International Airport 1982 Indenture**, provided that amounts on deposit in the 1982 General Airport Fund will be transferred to the Revenue Fund under the 2001 Indenture as described in the following paragraph.

***Application of Funds Under the 2001 Indenture.*** For so long as the 1992 Refunding Bonds are outstanding, the State will cause from time to time (but in sufficient time to allow the Trustee to timely make the payments required under the 2001 Indenture) the 1982 Indenture Trustee to withdraw and pay to the Trustee all moneys then on deposit in the 1982 General Airport Fund under the 1982 Indenture (and available for withdrawal thereunder) for deposit into the Revenue Fund under the 2001 Indenture.

All Revenues (other than PFC Revenues, Released Revenues relating to the Parking Lease and Special Purpose Revenues) will be deposited by the State, from time to time and as received, in the Revenue Fund created under the 2001 Indenture. PFC Revenues will be deposited in the PFC Revenue Fund.

***The 2001 Indenture - Revenue Fund.*** The amounts deposited into the Revenue Fund immediately will be allocated to the account within the Revenue Fund designated therefor:

- (i) General Revenues will be deposited to the General Revenue Account;
- (ii) Released Revenues will be deposited to the Released Revenue Account, provided that, (A) Released Revenues relating to the Parking Lease will be deposited and applied as set forth in the Parking Lease (see "Parking Garage Revenue Bonds and Application of Parking Revenues" herein) and (B) to the extent so provided in the Supplemental Indenture or other agreement establishing additional categories of Released Revenues, such Released Revenues may be deposited as set forth therein without being deposited in the Revenue Fund; and
- (iii) Special Purpose Revenues will be deposited and applied as set forth in the agreements establishing the related Special Purpose Facilities.

Moneys in the Revenue Fund will be applied by or at the direction of the State from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the State in its sole discretion:

- (i) to pay Operating Expenses (including amounts transferred from time to time to DOT to pay Operating Expenses in accordance with the requirements of the Act), provided that (A) amounts in the Revenue Fund may be applied to pay Operating Expenses, but only to the extent that such Operating Expenses have not been paid in accordance with the provisions of the 1982 Indenture and (B) amounts in the Released Revenue Account shall be used only for Operating Expenses of the related Released Revenue Facilities;
- (ii) to deposit into the Debt Service Fund the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account shall be used only for deposits to accounts or subaccounts relating to bonds Outstanding under the 2001 Indenture which have a lien on any Released Revenues or for other purposes permitted pursuant to the 2001 Indenture;
- (iii) to deposit into the Debt Service Reserve Account the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account shall be used only for deposits to accounts or subaccounts relating to bonds Outstanding under the 2001 Indenture which have a lien on any Released Revenues or for other purposes permitted pursuant to the 2001 Indenture;
- (iv) to deposit into the Rebate Account the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account shall be used



only for deposits to accounts or subaccounts relating to bonds Outstanding under the 2001 Indenture which have a lien on any Released Revenues or for other purposes permitted pursuant to the 2001 Indenture;

(v) to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related bonds Outstanding, provided that, for any payments on a Contract, amounts may be drawn only from the accounts or subaccounts relating to the Revenues securing the bonds related to such Contract, and, unless otherwise provided in the related Supplemental Indenture because a Credit Facility is intended to be drawn on for payments on bonds, only after all payments then due with respect to the related bonds Outstanding have been made;

(vi) to pay amounts required to be paid with respect to any Other Airport Obligations, provided that, for any payments with respect to any Other Airport Obligations, if such Other Airport Obligations relate to Released Revenue Facilities, then such payments shall be made from available amounts in the Released Revenue Account and otherwise, such payments shall be made from the General Revenue Account;

(vii) for transfer to the General Revenue Enhancement Account, the General Airport Fund or the Improvement Fund; and

(viii) for any other lawful purpose related to the Airport.

See **Appendix D-1 –Summaries of Principal Financing Documents – Bradley International Airport 2001 Indenture**, for a description of certain limitations applicable under the 2001 Indenture to such uses by the State.

***The 2001 Indenture - PFC Revenue Fund; PFC Coverage Account.*** PFC Revenues will be deposited initially into the PFC Coverage Account of the PFC Revenue Fund in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds, as set forth in the First Supplemental Indenture. Thereafter, PFC Revenues received during such Fiscal Year will be deposited into the PFC Escrow Account of the PFC Revenue Fund. In connection with the subsequent issuance of Additional PFC Revenue Bonds payable in whole or in part by a Senior Lien on PFC Revenues, the related PFC Revenues will be deposited into the PFC Coverage Account and shall secure, on a parity basis, all PFC Revenue Bonds secured by a Senior Lien on PFC Revenues; provided that the State may specify in the related Supplemental Indenture a different flow of funds for the related PFC Revenues consistent with the then applicable law relating to the application of PFC Revenues. In the event that the State is unable to deposit into the PFC Coverage Account in any Fiscal Year the amount specified above, such inability will not be an Event of Default under the 2001 Indenture. See **Appendix D-1 – Summaries of Principal Financing Documents – Bradley International Airport 2001 Indenture – Defaults and Remedies**.

The amount on deposit in the PFC Coverage Account will be transferred from time to time by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds and any Additional PFC Revenue Bonds. Amounts in the PFC Coverage Account shall be used only for deposits to accounts or subaccounts relating to bonds which have a lien on PFC Revenues. Amounts in the PFC Escrow Account may be (i) transferred by the State to the Deposit Account of the Improvement Fund to pay allowable costs of PFC Facilities, (ii) transferred to the Bond Service Account or the Payments Account to be used for payments on related bonds and Contracts or (iii) used for such other purposes as may be permitted pursuant to applicable law. See **Appendix D-1 – Summaries of Principal Financing Documents – Bradley International Airport 2001 Indenture – Revenue Fund and PFC Revenue Fund**, for a description of certain limitations applicable under the 2001 Indenture to such uses by the State.

***The 2001 Indenture – Debt Service Reserve Account.*** The 2001 Indenture establishes the Debt Service Reserve Account within the Debt Service Fund, together with separate subaccounts for each series of bonds under the 2001 Indenture. There will be deposited into the Series 2001A Bonds and Series 2001B Bonds subaccounts, respectively, of the Debt Service Reserve Account, amounts as set forth in “SOURCES AND USES OF BOND PROCEEDS” herein.

Whenever, for any reason, the amount in the Bond Service Account available to make the payment of principal or interest on bonds Outstanding (including the Bonds) under the 2001 Indenture, including amounts to be received from the Capitalized Interest Account and the PFC Coverage Account for such payment, is insufficient to pay all such principal or interest coming due on any General Revenue Bonds within the next seven calendar days, the State is required to make up any deficiency by transfers from the General Airport Fund. Whenever, on the date that such principal or interest is due on any Senior Lien Bonds, there are insufficient moneys in the Bond Service Account available to make such payment, the Trustee is required, without further instructions, to apply so much as may be needed of the moneys in the related subaccount of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency is required to be remedied by not more than 12 equal monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are available in the related account or accounts of the Revenue Fund for such purpose after all required transfers pursuant to the 2001 Indenture have been made. See **Appendix D-1 – Summaries of Principal Financing Documents – Bradley International Airport 2001 Indenture – Debt Service Reserve Account**.

### **Additional Bonds**

Pursuant to the terms of the 2001 Indenture, the State may issue additional bonds under the 2001 Indenture that are: (i) equally and ratably secured by the General Revenues or PFC Revenues under the 2001 Indenture on a parity with the Bonds (“Senior Lien Bonds”); (ii) subordinate to the Bonds (“Subordinate Lien Bonds”); (iii) secured by a Senior Lien on Special Purpose Revenues (“Special Purpose Revenue Bonds”); (iv) secured by a separable category or portion of revenues, income, receipts and money relating to a definable service, facility or

program of the Airport withdrawn from General Revenues ("Released Revenue Bonds"); and (v) not Subordinate Lien Bonds and either (a) have no Senior Lien on any Revenues, (b) have no lien on any Revenues or (c) have a Senior Lien on some Revenues in addition to a Subordinate Lien on some Revenues ("Hybrid Bonds"). The State will covenant in the 2001 Indenture not to issue any additional bonds under the 1982 Indenture.

The 2001 Indenture has various requirements for the issuance of Additional Bonds. Among these requirements is the requirement that for Additional Senior Lien Bonds issued on a parity with Outstanding Senior Lien Bonds (other than certain refunding bonds), there must be filed either:

(A) a report by an Independent Certified Public Accountant to the effect that the historical related Net Revenues (for General Revenues, without consideration of (i) amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) for each of the two most recent audited Fiscal Years, were equal to at least 120% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all related Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith, or

(B) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period the forecasted related Net Revenues (for General Revenues, without consideration of (i) any amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) are expected to equal at least 125% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith.

The report by the Independent Certified Public Accountant that is required by (A) above may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the Airport, imposed prior to the date of delivery of the proposed Additional Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State shall specify in the related Supplemental Indenture the percentage applicable to the issuance of additional PFC Revenue Bonds for purposes of clauses (A) and (B) above: provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any bonds Outstanding) shall indicate in writing to the State that the use of such percentage for purposes of clauses (A) and (B) above will not, by itself, result in a reduction or withdrawal of such Rating.

Additional Senior Lien Bonds may be issued to refund any portion or all of the outstanding Series 1992 Bonds upon compliance with various requirements, and the bonds so issued shall be Senior Lien Bonds secured on a parity with the Bonds, if:

(1) the State shall have obtained and delivered to the Trustee a report from an Independent Certified Public Accountant demonstrating that the refunding will reduce the total aggregate debt service payments on Outstanding Senior Lien Bonds secured by a Senior Lien on General Revenues and on the Series 1992 Bonds (if any) to remain outstanding under the Prior Indenture, including payments on related Contracts, all on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Series 1992 Bonds are being refunded under arrangements which immediately result in making provision for the payment of such Series 1992 Bonds.

For additional information regarding the issuance of Additional Bonds under the 2001 Indenture, see **Appendix D-1 - Summaries of Principal Financing Documents - Bradley International Airport 2001 Indenture - Additional Bonds.**

#### **Airline Operating Agreements**

The State is a party to individual Air Carrier Operating Agreements (the "Agreements") with seven signatory airlines, which are airlines that conduct regularly scheduled commercial flights at the Airport, utilize the passenger terminal complex, and executed Agreements in 1982, which expire on June 30, 2011 (the "Signatory Airlines"). Additionally, the Airport has Agreements with other air carriers operating at the Airport (the "Air Carriers"), that have various expiration dates. All of the rates, rents, fees and charges described below are Gross Operating Revenues under the 1982 Indenture and are deposited into the Revenue Fund under the 1982 Indenture.

The State imposes rates, rents, fees and charges for the use of the terminal building, the airfield and the aircraft apron areas in four categories:

- (a) Terminal Building Rental. Each Signatory Airline and Air Carrier pays rent on a square footage basis for the space leased by them within the terminal building. The rate per square foot is derived annually by dividing the gross square footage space in the terminal building into the Airport operating expenses allocated to the terminal building and then adding the annual debt service per square foot associated with each area of the terminal complex;
- (b) Landing Fees. Each Signatory Airline and Air Carrier pays a fee for landing aircraft at the Airport. The fee is the percentage of the Airport's expenses plus annual debt service allocable to the airfield multiplied by a "landing fee coefficient." The landing fee coefficient is derived by determining a "frequency factor" based on total aircraft arrivals for all Signatory Airlines as a percentage of total aircraft arrivals for all users of

the Airport, plus a “weight factor” based upon the gross landed weight for all Signatory Airlines as a percentage of the total gross landed weight for all users of the Airport. The expenses of the airfield area are multiplied by the sum of 35% of the weight factor and 65% of the frequency factor to determine each Signatory Airline’s Landing Fee. The landing fee for each Air Carrier is set by agreement at a rate that ranges from the rate for a Signatory Airline to 1.4 times the Signatory Airline rate;

- (c) Baggage Claim Area Charges. Each Signatory Airline and Air Carrier pays a baggage claim area charge. These charges are determined by utilizing the Terminal Building rate per square foot multiplied by the total square footage of the baggage claim area allocable to the Air Carriers as follows: 20% of the total costs are divided equally among all users of the baggage claim area and the remaining 80% of such costs are allocated to each user in proportion to the number of their enplaning passengers to the total number of enplaning passengers for all such users; and
- (d) Apron Area Rentals. Each Signatory Airline and Air Carrier pay aircraft apron area rentals, which are determined by dividing the total linear feet of apron area along the terminal building into the budgeted annual operating expenses and annual debt services of the apron area, which is then multiplied by the actual linear feet of apron area utilized by the Signatory Airline or Air Carrier.

Consistent with and in support of the Project being funded by the Bonds, the State is negotiating with the Signatory Airlines to amend the Agreements to provide rates, rents, fees and charges that will continue to provide Gross Operating Revenues under the 1982 Indenture and, upon the payment (at maturity or earlier redemption) or defeasance of the 1992 Refunding Bonds, are subject to the terms and conditions of the 2001 Indenture. The requisite Majority-in-Interest of the Signatory Airlines (50% in number of the Signatory Airlines which account for more than 50% of aggregate revenue aircraft arrival weight landed at the Airport during the immediately preceding calendar year) have approved the Project. This allows the State to charge the Signatory Airlines the allocable costs and expenses incurred in completing the Project.

Under the amended Agreements (the “Amended Agreements”) the State expects to continue to impose rates, rents, fees and charges in the same categories as under the current Agreements with a change only in the computation of the Terminal Building Rentals. The State will recompute the Terminal Building Rentals to reflect a blended rate once the new terminal building and new concourse are beneficially occupied by one or more of the Signatory Airlines. This blended rate will reflect the properly allocable operating expenses of the entire terminal building, including debt service on the 1992 Refunding Bonds and the Bonds.

For additional information regarding the Agreements as they are currently in effect, see **Appendix C - Summary of Airline Operating Agreements.**

## **Remedies**

For a description of the events of default under the 2001 Indenture and the remedies available to the Trustee, on behalf of the holders of the Bonds, see **Appendix D-1 - Summaries of Principal Financing Documents, Bradley International Airport 2001 Indenture – Defaults and Remedies.**

The exercise of any remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Under the 2001 Indenture, the Bond Insurer has certain rights to consents, notices and to control certain procedures, including without limitation the right to control enforcement proceedings without the consent of Bondholders following an event of default under the 2001 Indenture. While the Bond Insurer has agreed to issue its Bond Insurance Policy (see "BOND INSURANCE"), neither the Bond Insurer nor the State make any representations that the Bond Insurer will exercise any or all rights available to the Bond Insurer, or that the Bond Insurer will act in such a manner as to promote and protect the interests of Bondholders. See **Appendix D-1 – Summaries of Principal Financing Documents, Bradley International Airport 2001 Indenture – Special Provisions Relating to the Bond Insurer.**

## **BOND INSURANCE**

*The following information has been furnished by Financial Guaranty Insurance Company ("Financial Guaranty") for use in this Official Statement relating to the Bonds. Reference is made to Appendix G for a specimen of Financial Guaranty's policy.*

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company (Financial Guaranty) will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the Policy). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). 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 Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any 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 Bond includes any payment of principal or interest made to an owner of a 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, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the 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 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 for 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 any amendment or supplement to or other modification of 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 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the State for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

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 December 31, 2000, the total capital and surplus of Financial Guaranty was approximately \$1.089 billion. 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).

## **BRADLEY INTERNATIONAL AIRPORT**

*For further information regarding the Airport, see the Feasibility Report attached hereto as Appendix A. See also the rendering of the Airport in this Official Statement.*

### **Introduction**

Bradley International Airport is New England's second largest airport, servicing most of Connecticut, western Massachusetts, eastern New York, southern Vermont and western New Hampshire. The Airport is situated on approximately 2,358 acres of land located 12 miles from Hartford, Connecticut and 12 miles from Springfield, Massachusetts. In addition to the Hartford and Springfield areas, the Airport is within one hour and fifteen minutes of driving time from numerous other Connecticut and Massachusetts cities, including New Haven, Bridgeport, Danbury, New London, Worcester and Pittsfield. It is equidistant between New York City and Boston. The Airport serves as an alternative landing site for Concord, New Hampshire and other flights into the Boston and New York City Airports.

In 1999, the Airport was ranked by Airports Council International-North America as the 55<sup>th</sup> busiest airport in North America in terms of passenger volume and 36<sup>th</sup> busiest in terms of air cargo. The Airport's passenger makeup consists of 50% leisure travel and 50% business travel. Over 97% of the passenger activity at the Airport is from passengers who are beginning or ending their flight at the Airport, therefore the Airport is designated an Origin/Destination Airport. Total passenger traffic at the Airport in 1999 was over 6.3 million passengers. This represented an increase of 12% over 1998 passenger activity. The daily number of flights averaged 465, including commercial, private and military departures and arrivals. For the year 2000, 7.3 million passengers were served at the Airport, an increase of 15.8% above the 1999 level of 6.3 million passengers, and an increase of 30.4% above the 1998 level of 5.6 million passengers.

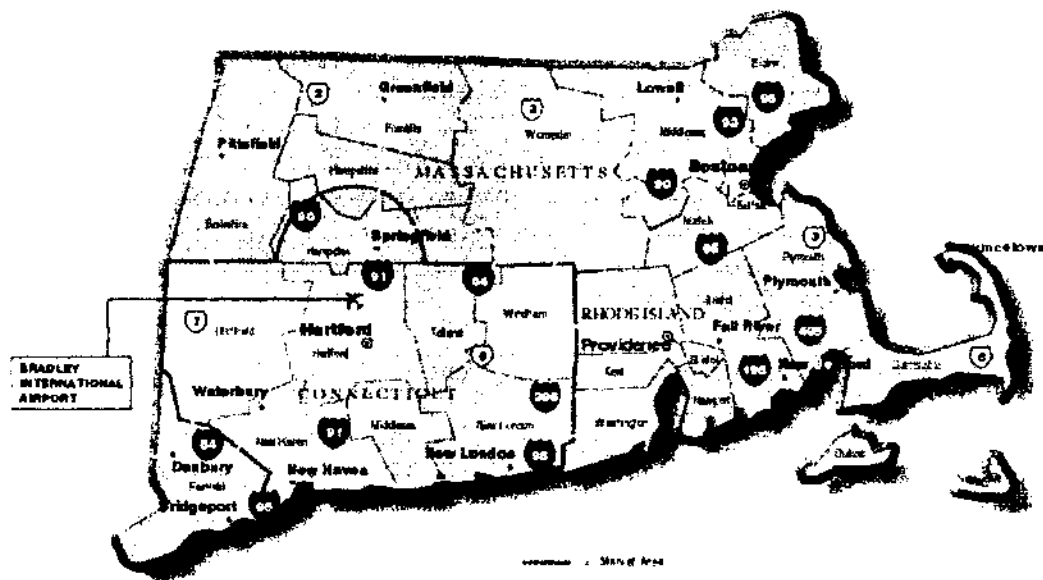
The Airport is served by 20 air carriers, including America West, American, Continental, Delta, Delta Express, MetroJet, Midway, Midwest Express, Northwest, Southwest, TWA, United, US Airways and seven regional airlines, currently providing non-stop service to and from 38 major cities including Atlanta, Charlotte, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Las Vegas, Los Angeles, Minneapolis, Nashville, Phoenix, St. Louis, San Francisco, San Juan, six cities in Florida, Montreal and Toronto. One-stop (no plane change) service is also available to and from 37 additional cities including the transcontinental markets, Mexico and the Caribbean. In addition to scheduled service, various charter airlines offer seasonal service to the Bahamas, the Caribbean, Mexico, and other popular tourist destinations.



For the year 2000, the five top air carriers at the Airport carried 77.1% of the total passenger activity of 7.3 million passengers; US Airways represented 22.9%, Delta represented 21.6%, American represented 12.4%; Southwest represented 10.5%; and United represented 9.7%.

There are ten cargo operators at the Airport. For the year 2000, over 189,000 tons of cargo were shipped through the Airport, a 2.1% decrease from the approximately 193,000 tons shipped in 1999. This is a 4.2% increase over 1998 and a 48% increase over 1990. The cargo operators are United Parcel Service, Federal Express, Airborne Express, Bax Global, DHL, Emery, Express One, Kitty Hawk, Tradewinds and Airnet. Currently there are 16 daily flights by these cargo operators. On-Airport air cargo warehouse space totals 446,000 square feet.

### Air Service Area



The Airport is located between Hartford, Connecticut and Springfield, Massachusetts and adjacent to Interstate 91. Airport passenger surveys from previous studies performed by the Airport Consultant indicate that the Airport air service area is centered on Hartford County, the ground travel origin of 44% of enplaned air carrier passengers. Beyond Hartford County, the larger air service area is defined by most of the State of Connecticut as well as southwestern Massachusetts.

Survey findings show roughly 89% of passengers enplaning at the Airport originated in an area comprising the entire State of Connecticut minus Fairfield County, plus the two Massachusetts counties of Hampden and Hampshire. For the purposes of forecasting activity at the Airport, this area is defined as the Airport's Air Service Area. Other than Massachusetts, out-of-state passengers come from eastern New York, southern Vermont and western New Hampshire. These non-Massachusetts out-of-state passengers make up only a small proportion of total passenger volume, accounting for just over 1% of enplanements.

The existing Air Service Area may expand with the recent introduction of low fare service by Southwest Airlines. The service area could expand to include Fairfield County, and the Interstate 84 corridor deeper into eastern New York State. Service area expansion into further outlying regions may also occur depending on the route structures and fares available at the airports serving such regions. However, the existing service by Southwest at Providence, Rhode Island and Manchester, New Hampshire, and its recently initiated service at Albany, New York, may preclude service area expansion in those directions.

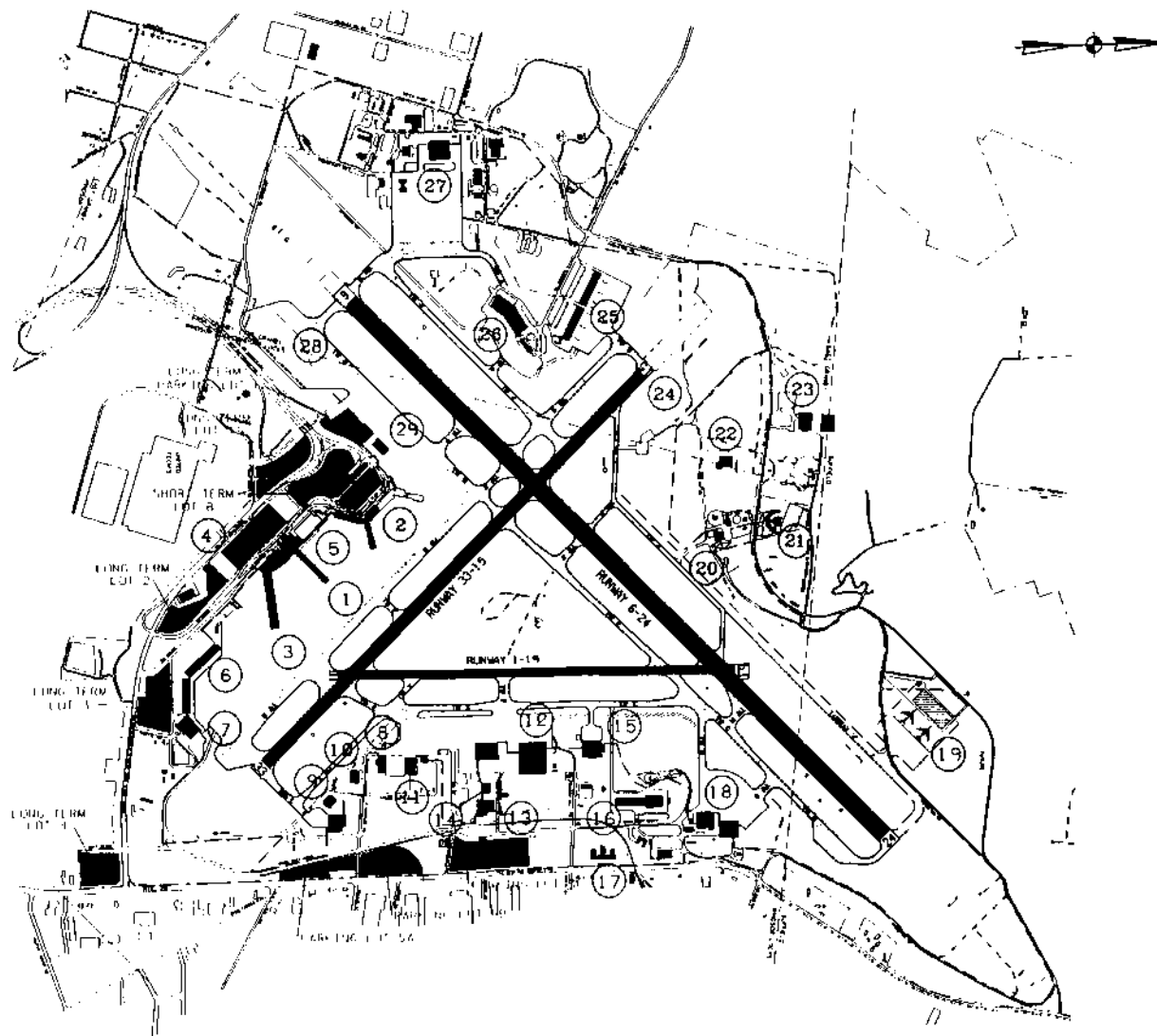
It should also be noted that the Southwest strategy of low fare service has tended to deepen airport service areas (i.e., increase the number of passengers from an area) more than expand the service area geographically. This deepening occurs through the attraction of passengers from alternate modes of transportation and the attraction of passengers that would not have traveled in the absence of the low fare service.

### **The Economy, Population, Income and Employment**

The State is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. The State is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and approximately 60% of the Canadian population live within 500 miles of the State. The State's population grew at a rate which exceeded the United States' rate of population growth during the period 1940 to 1970, and slowed substantially during later decades. The State has extensive transportation and utility services to support its economy.

The State's economic performance is measured by personal income which has been and is expected to remain among the highest in the nation; gross state product (the market value of all final goods and services produced by labor and property located within the State) which demonstrated stronger output growth than the nation in general during the 1980s, slower growth for a few years in the early 1990s, and steadily increasing growth during the rest of the 1990s; employment which fell during the early 1990s but rose steadily during the rest of the decade to the levels achieved in the late 1980s; and the unemployment rate, which is the lowest in a decade and lower than the regional and national rate.

# BRADLEY INTERNATIONAL AIRPORT



LAYOUT PLAN

----- SECURITY FENCE

## LEGEND

- ① TERMINAL A
- ② TERMINAL B
- ③ NEW TERMINAL BLDG.
- ④ PARKING GARAGE
- ⑤ HOTEL
- ⑥ RONCARI AIR CARGO
- ⑦ U. S. POSTAL FACILITY
- ⑧ TAC AIR 1
- ⑨ FIRE STATION 1
- ⑩ EXIST. MAINT. FACILITY
- ⑪ TAC AIR 2
- ⑫ UNITED PARCEL SERVICE
- ⑬ AETNA
- ⑭ CITY CORP.
- ⑮ CANADAIK/BOMBARDIER
- ⑯ PROPOSED MAINT. BLDG.
- ⑰ AIR EXCHANGE
- ⑱ ARMY NATIONAL GUARD
- ⑲ FUTURE CARGO
- ⑳ FIRE STATION 2
- ㉑ CT. FIRE ACADEMY
- ㉒ A. T. C. TOWER
- ㉓ N.E. AIR MUSEUM
- ㉔ FUTURE AIR CARGO
- ㉕ AVIATION FAC. CO. INC.
- ㉖ SIGNATURE
- ㉗ CT. AIR NAT. GUARD
- ㉘ REMOTE DEICING FACILITY
- ㉙ FUTURE F.I.S.



The financial operations of the Airport are impacted by population, income and employment trends. The United States Bureau of the Census estimated the population of the State to be 3,274,000 persons in 1998. The air service area was somewhat lower at 3,025,000 people. In 1998 approximately 2,800,000 total enplanements were recorded at the Airport. Income in the air service area is also largely determined by trends in the State. The United States Bureau of the Census estimate for 1998 placed the State first among the 50 states in terms of per capita personal income at \$37,600, 11% higher than New Jersey, the second ranking state, and a full 42% above the national average. The unemployment rate in the State, at 3.5% in early 1999, was well below the national rate of 4.7%, and employment growth in 1998 was nearly equal to 40,000 jobs, or 2.2% actual growth from 1997. A reason for favorable prospects for the area is the high skill level of the workforce. The State of Connecticut ranks third and Massachusetts first, in the proportion of state populations that have obtained college degrees.

### **Current Facilities**

The Airport currently consists of two passenger terminals, three concourses and an international arrivals building, with 24 passenger gates. Please refer to the fold out Bradley International Airport – Layout Plan for an overview of the existing facility and reference numbers.

***The Terminal Buildings.*** Terminal A, Terminal B (also known as the Murphy Terminal), and an International Arrivals Building (“IAB”) within Terminal B are shown on the Layout Plan as reference numbers 1 and 2. Interior walkways, covering more than 1,600 linear feet, connect the three buildings.

Approaching from the southeast on the existing roadway network, the first building encountered is Terminal A. Terminal A is the newest of the three terminals. Dedicated in May 1986, Terminal A is a two level facility containing three primary functional elements: passenger processing and service, baggage handling and processing, and aircraft servicing. Its design reflects a simple single pier concept; in this case a single passenger concourse loading passengers from both sides (designated as Concourse C). US Airways, Continental Airlines, and United Airlines are the major carriers occupying Terminal A. The upper (second level) of Terminal A contains the main elements required for processing departing passengers: access from the upper level roadway, including provision for curbside check-in conveyors; airline ticket counters and support offices; a main lobby with passenger services; airport concessions; and security facilities at the entrance to the concourse. Concourse C is capable of supporting ten aircraft parking positions, accessed from the concourse by passenger loading bridges. The lower level of the terminal contains inbound baggage claim, baggage service offices and the ground transportation office. Between Terminal A and the IAB is an existing Sheraton Hotel that connects through non-secure walkways to the lobbies of the three terminals.

The IAB is the second facility encountered on the roadway. It is presently being used by Southwest Airlines and Continental Airlines. Southwest Airlines also leases space in the Murphy Terminal. The IAB represents a linear concept, housing both terminal and concourse elements in a single structure. The concourse is single loaded. The IAB contains two upper level holdrooms, one historically dedicated to international flights, and an upper level customs/baggage claim area. The lower level includes other immigration processing service

facilities and Federal Inspection Station ("FIS") offices, as well as a second baggage claim area. The IAB has also accommodated small commuter airlines and the charter airlines. It also functions as a connector linking Terminals A and B.

The last of the three buildings is Terminal B (Murphy Terminal). Dedicated in 1951, it is the oldest continuously in-use airport passenger terminal in the United States today. Originally built as a single level terminal reflecting a simple linear concept, it has been added to and expanded over the years with the addition of two piers, Concourses A and B, and three additional floors. It is now a multi-level facility with departures and arrivals separated on the second and first floors, respectively. Airport administration occupies the third floor, and the main mechanical and electrical rooms are in a basement level. The terminal supports both apron level and concourse level holdrooms.

American, Delta, Northwest, TWA, Midway/Midwest, Shuttle America and Air Canada operate from the Murphy Terminal. The Murphy Terminal has reached its maximum passenger capacity level due to increased aircraft passenger loads. The limitations of the original designs, for a smaller facility, have resulted in spatial conflicts and passenger congestion in almost all public areas of the building. Additionally, the mechanical systems are antiquated and ad hoc, with two of its three boilers dating from 1951 and second floor air conditioning provided by window units.

***Runways and Taxiways.*** The Airport has three runways and 17 taxiways. Runway 6-24 is the main precision instrument approach runway utilized at the Airport. It has a length of 9,501 feet, a width of 200 feet and is oriented in a northeast – southwest configuration. The runway has the capacity to accommodate all types of commercial aircraft flown by the major airlines. Its last major reconstruction was completed in 1990. Runway 15-33 is the crosswind-utility instrument approach runway. It has a usable length of 6,846 feet, width of 150 feet and is oriented in a northwest – southeast configuration. The runway has the capacity to handle most types of commercial aircraft flown by the major airlines, with the exclusion of larger long-range models, i.e. Boeing 747s and 767s. Its last major reconstruction was completed in 1991. Runway 1-19 is a utility runway with a usable length of 5,246, a width of 100 feet and is oriented in a north-south configuration. This runway has the capacity to handle smaller corporate jets as well as commuter aircraft. The Airport's Capital Improvement Program includes reconstruction of Runway 6-24 in fiscal year 2008 and Runway 15-33 in fiscal year 2011. Both projects are programmed for future Airport Improvement Program (AIP) funding coupled with AIP Discretionary Funds and/or additional future PFC funds.

***Parking Facilities.*** There are nine on-Airport surface parking facilities shown in red on the Airport Layout Plan. These facilities provide 780 short-term parking spaces, 3,536 long-term parking spaces and 830 employee parking spaces. The Parking Garage is currently under construction at the Airport (reference number 4). The Parking Garage will contain approximately 3,450 parking spaces on five levels and will be located immediately across from the existing roadway in front of the Airport terminal complex. Overhead walkways will connect the Parking Garage and the terminal complex. Upon completion, the Parking Garage is expected to initially provide approximately 1,080 short-term spaces and 2,370 long-term spaces, although the design of the Parking Garage will allow that allocation to be adjusted to service parking demand. The Parking Lease requires that the Parking Garage be substantially complete by May, 2002.

The Airport is also served by eight off-Airport parking facilities which provide over 14,000 long-term parking spaces for Airport users. Each of these facilities provides shuttle service to and from the Airport's passenger terminals.

**Other Facilities.** The Airport recently completed the construction of a three station deicing facility at the end of Runway 6-24 (reference number 28 on the Layout Plan). This will provide for the deicing of aircraft just prior to their takeoff. The facility is integrated into the Airport's new glycol recovery and treatment system.

There are two fire stations located on the Airport (reference numbers 9 and 20 on the Layout Plan); a general airport maintenance facility (reference number 10); and a new FAA air traffic control tower (reference number 22).

There is a full service, eight story Sheraton Hotel at the Airport, located within Terminal A (reference number 5). The hotel was constructed in 1986 and has 237 guestrooms, an underground 261-space parking garage, conference/meeting facilities and a full service restaurant. The hotel's occupancy levels have averaged around 80%, with midweek (Tuesday through Thursday) occupancy at or near 100% and weekend occupancy around 70%.

#### **Selected Financial Information**

The following revenues and expenses for the five years ending June 30, 1996 - 2000, reflect the figures as presented in the Airport's audited financial statements which are prepared on the accrual basis of accounting.

**BRADLEY INTERNATIONAL AIRPORT  
STATEMENT OF OPERATIONS**

OPERATING REVENUES	For the Year ended June 30,				
	2000	1999	1998	1997	1996
<b>AIRLINE REVENUE</b>					
Terminal building – Airline	\$ 4,127,718	\$ 3,959,285	\$ 3,752,223	\$ 3,878,266	\$ 4,149,135
Passenger terminal apron	1,936,625	1,576,880	1,974,486	1,588,346	1,476,658
Baggage claim rent	948,198	881,579	864,474	879,963	897,652
Landing fees	7,895,650	6,424,882	7,963,794	6,439,810	6,159,240
Ramp Parking	211,167	271,625	31,728	264,266	259,112
Sub Total	\$ 15,119,358	\$ 13,114,251	\$ 14,586,705	\$ 13,050,651	\$ 12,941,797
<b>NON AIRLINE REVENUE</b>					
Rental cars	\$ 6,790,804	\$ 5,663,030	\$ 4,973,101	\$ 4,511,155	\$ 4,114,640
Terminal building - Non Airline	89,407	189,270	183,804	181,783	181,980
Restaurants	2,599,846	2,313,132	2,265,588	2,228,651	2,231,491
Hotel concessions	453,772	406,017	400,538	400,000	400,000
Other concessions	2,918,834	2,453,951	2,192,443	2,171,674	2,086,609
Fixed base operations	668,475	650,539	614,331	397,678	659,715
Land and building rentals	2,152,759	1,990,143	1,942,985	1,907,371	1,867,444
Auto parking	10,029,716	9,073,162	7,974,156	7,408,538	6,897,191
Other operating revenue	484,220	505,403	512,326	473,542	438,598
Sub Total	\$ 26,187,833	\$ 23,244,647	\$ 21,059,272	\$ 19,680,392	\$ 18,877,668
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 41,307,191</b>	<b>\$ 36,358,898</b>	<b>\$ 35,645,977</b>	<b>\$ 32,731,043</b>	<b>\$ 31,819,465</b>
<b>PERSONAL SERVICES</b>					
Salaries and wages	\$ 6,057,824	\$ 5,808,852	\$ 5,255,917	\$ 5,218,271	\$ 4,798,232
Overtime	631,179	757,854	674,452	589,046	1,008,288
Shift differential	25,493	26,669	26,660	26,590	25,626
Other pay	121,803	126,341	126,880	114,935	117,494
Fringe benefits	2,853,851	2,552,628	2,319,653	2,257,156	2,388,935
Indirect cost allocation	302,891	290,442	262,793	260,914	239,891
Other personal services	91,360	151,600	171,391	125,883	115,442
Sub Total	\$ 10,084,401	\$ 9,714,386	\$ 8,837,746	\$ 8,592,795	\$ 8,693,908
<b>OTHER EXPENSES</b>					
Contractual services	\$ 9,101,443	\$ 8,999,508	\$ 7,871,806	\$ 8,405,724	\$ 8,803,998
Commodities	746,210	632,689	652,369	623,404	815,232
Utilities	1,828,913	1,849,479	1,982,458	2,055,002	2,069,999
Other	54,240	46,420	50,891	68,743	192,350
Sub Total	\$ 11,730,806	\$ 11,528,096	\$ 10,557,524	\$ 11,152,873	\$ 11,881,579
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 21,815,207</b>	<b>\$ 21,242,482</b>	<b>\$ 19,395,270</b>	<b>\$ 19,745,668</b>	<b>\$ 20,575,487</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$ 19,491,984</b>	<b>\$ 15,116,416</b>	<b>\$ 16,250,707</b>	<b>\$ 12,985,375</b>	<b>\$ 11,243,978</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Gain from litigation	\$ -	\$ -	\$ 658,819	\$ -	\$ -
Investment income	3,559,686	2,977,617	3,413,468	3,156,390	3,053,373
Amortization of discount (premium) on investments	-	-	9	(3,625)	(3,625)
Depreciation	(8,487,629)	(8,151,583)	(7,935,717)	(7,667,542)	(7,474,407)
Amortization:					
Deferred planning and studies costs	(183,719)	(211,048)	(115,889)	(108,832)	(115,192)
Deferred bond issuance costs	(116,382)	(126,633)	(137,423)	(149,032)	(161,822)
Deferred lease costs	(75,730)	(75,730)	(75,730)	(56,797)	-
Bad debt (expense) recovery	(26,651)	(10,231)	(44,544)	(21,707)	(17,328)
Revenue bond interest expense	(5,728,354)	(5,968,680)	(6,191,162)	(6,397,463)	(6,588,408)
Subordinated refunding bond interest expense	(289,301)	(300,631)	(311,087)	(321,048)	(330,097)
(Loss) gain on disposal of equipment	62,650	(1,321)	-	10,912	-
Loss on sale of investment	-	-	-	(18,657)	-
Total net non-operating expense	\$ (11,285,430)	\$ (11,868,240)	\$ (10,739,256)	\$ (11,577,401)	\$ (11,637,506)
<b>NET INCOME (LOSS) BEFORE PFC REVENUE</b>	<b>\$ 8,206,554</b>	<b>\$ 3,248,176</b>	<b>\$ 5,511,451</b>	<b>\$ 1,407,974</b>	<b>\$ (393,528)</b>
<b>PASSENGER FACILITY CHARGE REVENUE</b>	<b>\$ 10,985,445</b>	<b>\$ 8,808,117</b>	<b>\$ 6,758,482</b>	<b>\$ 2,939,398</b>	<b>\$ 3,461,899</b>
<b>NET INCOME</b>	<b>\$ 19,191,999</b>	<b>\$ 12,056,293</b>	<b>\$ 12,269,933</b>	<b>\$ 4,347,372</b>	<b>\$ 3,068,371</b>
<b>PASSENGER ENPLANEMENTS</b>	<b>3,476,803</b>	<b>2,968,267</b>	<b>2,727,407</b>	<b>2,665,376</b>	<b>2,657,393</b>



The Operating Revenues can be categorized as Airline Revenues and Non-Airline Revenues. Airlines Revenues are comprised of terminal building rent, baggage area charges, apron area rental, landing fees and ramp parking. Airline Revenues accounted for 37%, 36% and 41% of the Airport's revenues for the fiscal years ended June 30, 2000, 1999 and 1998, respectively. Non-Airline Revenues are those revenues generated from concessions such as rental cars, restaurants, the hotel, fixed base operations, land and building rentals, auto parking lots and other miscellaneous Operating Revenue activities.

Airline Revenues have increased 17% during the five-year period ending June 30, 2000. The increased revenues in the fiscal year ended June 30, 1998 were due to increased rates which reflected the impact of a significant prior year adjustment/surcharge of \$1.4 million due to the severity of the winter season experienced in the fiscal year ended June 30, 1996, and an increased level of security mandated by the FAA during the fiscal year. Airline Revenues for the fiscal year ended June 30, 2000 were higher due to an increase in the rates as well as increased airline presence and activity.

Non-Airline Revenues are paid to the Airport in accordance with the terms and conditions of the applicable lease agreements. During the five-year period ending June 30, 2000, Non-Airline Revenues have increased 38.7%.

Rental car and auto parking revenues have grown steadily over the last five years as a result of the increased activity at the Airport. Rate increases for parking at the Airport have also contributed to the increased revenues. Short-term rates were increased in May, 1996 and September, 1999 and long-term parking rates were increased in September, 1999.

Restaurant revenues include the commissions on food and beverage sold at the Airport as well as the in-flight caterers. The significant increase for the fiscal year ended June 30, 2000, was due to a higher annual minimum guarantee to be paid by the food/beverage concessionaire. Effective January 1, 2000, the monthly minimum increased by 20%, or \$42,000. The annual minimums will increase by less than 1% through the balance of the concessions agreement, which expire on March 31, 2004.

Other concessions comprise a myriad of concession activities, such as advertising, gift shop, candy shop, off-airport valet parking, ground transportation fees, ground handling (aircraft) services, shoeshine, luggage carts, banking, insurance, etc. The gift shop, the off-airport valet parking and the advertising concessions have shown significant growth since the fiscal year ended June 30, 1998 due primarily to increased activity at the Airport.

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues," the State has entered into the Parking Lease. Phase One of the Parking Garage, consisting of approximately 1,700 parking spaces, is anticipated to open on May 1, 2001, and Phase Two of the Parking Garage, consisting of the remaining parking spaces, is anticipated to open in December, 2001. The Parking Operator is responsible for all of the surface and garage parking operating expenses, debt service on the Parking Garage Revenue Bonds, and capital improvements over the 25 year term of the Parking Lease. The Parking Lease requires that the State Minimum Guarantee Payment be paid by the Parking Operator to the State on a monthly basis. The annual State Minimum Guarantee Payment ranges from approximately \$8.2 million in the first full year of the Parking Lease to approximately \$13.2 million in the last full year of the Parking Lease. The State Minimum Guarantee Payment is guaranteed by APCOA/Standard Parking, Inc. Additional payments to the Airport and the Parking Operator, at the end of each

Parking Lease year and after Airport acceptance of the annual independent audit of parking revenues and expenses, are as follows: (i) the first \$1 million of surplus moneys are paid to the Parking Operator; (ii) the next \$2 million is split 50/50 between the Airport and the Parking Operator; and (iii) any remaining surplus balance is distributed 85% to the Airport and 15% to the Parking Operator. The State Minimum Guarantee Payment for the Airport's fiscal year ending June 30, 2001 is \$8.2 million and is the amount budgeted for that fiscal year.

The Airport's Operating Expenses have increased by 6% during the five-year period ended June 30, 2000. Personal services reflects the costs associated with the 122 authorized State positions at the Airport. Wage increases are governed by various collective bargaining agreements and include cost of living and annual salary increases. The fringe benefit costs are developed using rates that have been developed by the State of Connecticut, Comptroller's Office. The fringe benefits are broken down into two categories: hazardous duty and non-hazardous duty positions. For the fiscal years ended June 30, 1998, 1999 and 2000, the percentages have ranged from 36% to 43% of covered payroll for hazardous duty and 35% to 42% of covered payroll for non-hazardous duty. The amount of overtime generally increases depending on the severity of the winter season. Regular overtime is managed carefully with vacancies responsible for the majority of the overtime incurred. Personal Services for the fiscal year ending June 30, 2001 is budgeted at \$11,178,323, or 10% above the prior year's budgeted amount. Budgets are based on full staffing with salaries reflecting collective bargaining increases.

Contractual services covers numerous types of services, including payments to State Police Troop W (the security services at the Airport), payments in lieu of taxes made to surrounding municipalities ("PILOT Payments"), and all other contracted services required at the Airport including janitorial, window and carpet cleaning, glycol recovery, rental of snow equipment, insurance, marketing consultants, advertising and air service, taxi cab starters, and trash pickup. Contractual services for the fiscal year ended June 30, 2000 totaled \$9.1 million with \$3.9 million (43%) for Troop W services, \$2 million (22%) for PILOT Payments and \$3.2 million (35%) on all other contractual services. Contractual services for the fiscal year ending June 30, 2001 are budgeted at \$10.7 million, an 18% increase over the prior fiscal year. Twenty-one percent (21%) of the increase is attributable to the Troop W services, 22% is attributable to contractual increases for building and grounds expenses and 57% is attributable to increased emphasis on marketing and planning efforts.

Two areas of operating expenses which will cause slight increases in the Airport's expenses for the fiscal year ending June 30, 2001, and more significant increases in the years ahead, involve glycol recovery processing and janitorial services.

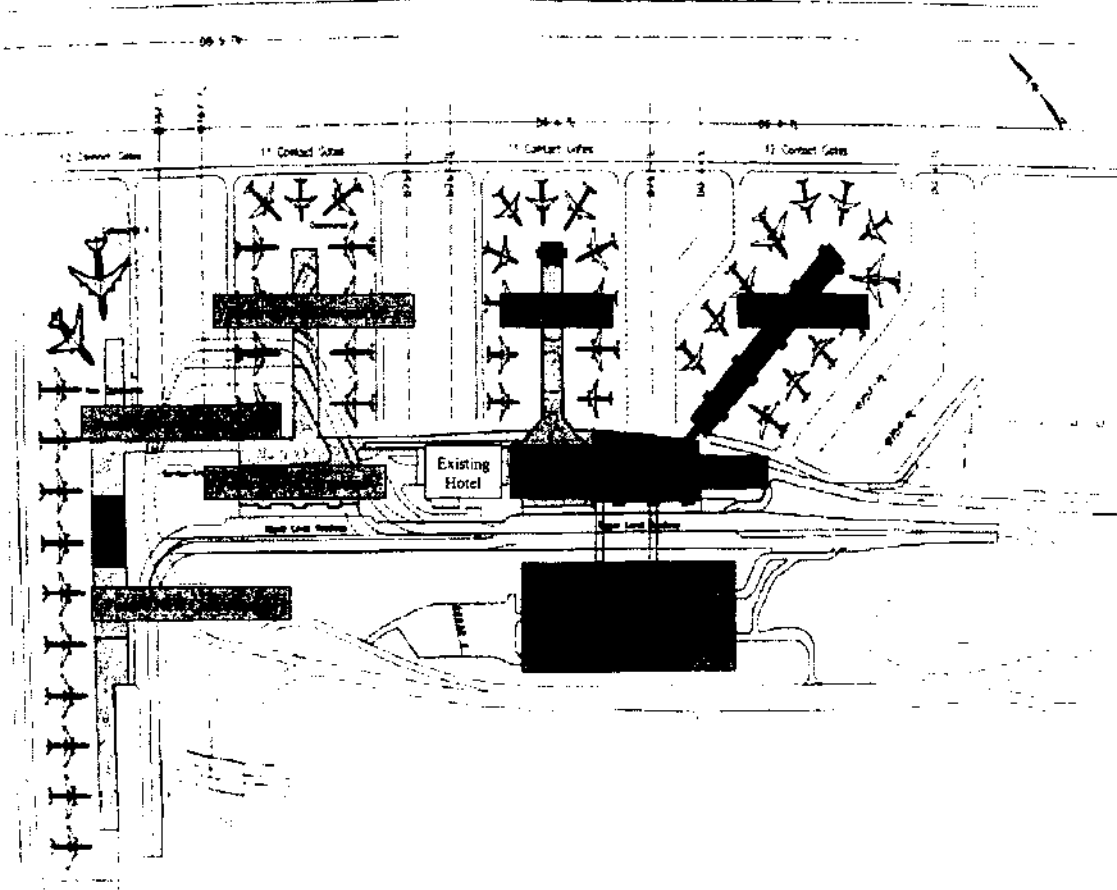
A new Glycol Collection Facility has been constructed. This system has established three new aircraft deicing positions and has converted the drainage of the existing remote deicing facility into a central collection system. The system's new capture rate is estimated to be from 10 to 20 million gallons per winter season, compared to the previous highest capture rate, through the use of vacuum/scrubbers, of 850,000 gallons. The associated stormwater processing system, in addition to reducing deicing fluid concentrations to allowable levels for discharge into the sanitary sewer system, will also provide for the recovery of deicing fluid for possible resale. Glycol processing expense for the fiscal year ended June 30, 2000 was \$126,000. For the next fiscal year, \$175,000 was budgeted. However, with the new collection system operational for half of the 2000-2001 winter season, treatment costs are estimated at \$316,000 which, when offset by credits from the sale of the deicing agent, will reduce the anticipated net expense to

\$250,000. For the fiscal year ending June 30, 2002, the processing costs will increase as system maintenance and overhaul costs will be added, bringing the net estimated expense to \$500,000 annually.

Another area that will likely increase in cost is janitorial services. The current janitorial contract expires on February 28, 2002. However, Airport management is evaluating the necessity of canceling the contract prior to its stated expiration date due to performance problems. If these performance issues cannot be resolved and the contract is terminated, a new contract will be subject to a State law that requires a level of compensation to the janitorial employees that is higher than what is in effect under the existing contract. Airport management is also considering changing to a performance-based contract. If these changes are implemented, janitorial costs may increase by 50% to 100% over the current levels. The budget for janitorial services for the fiscal year ending June 30, 2001 is \$1 million. With the proposed changes, annual janitorial services could increase by \$500,000 to \$1 million.

## MASTER PLAN

The Airport Master Plan presented below was prepared in 1993 by Thompson Consultants International in association with Maguire Group Connecticut, Inc. That plan, which is currently being updated by Parsons, Brinckerhoff, Quade & Douglas, Inc., provides for the staged development of additional terminal capacity, incremental upgrading of on-airport parking, construction of a remote deicing area and additional operational improvements to the Airport. With completion of the construction of the Parking Garage, there will be over 8,000 on-airport parking spaces. The remote deicing area has been constructed. A new firestation and a new FAA control tower were constructed on the north side of the Airport. The Airport crash, rescue, and maintenance equipment have been upgraded. The Project is the initial phase of the terminal expansion Program.



## THE PROJECT

The proposed Terminal Improvement Project (the "Project") includes constructing a new terminal and 12-gate concourse, constructing and renovating the aircraft apron areas, renovating the existing Terminal A, Concourse C and IAB, renovating a portion of existing Terminal B (also known as the Murphy Terminal) and its attached Concourse B, constructing a new federal inspection building, making roadway improvements, demolishing the old maintenance building and purchasing and installing new jet bridges, baggage belts and other airline equipment. The Project is estimated to cost approximately \$201.8 million.

The new Terminal Expansion ("New Terminal") and 12-gate New Concourse ("East Concourse") will be constructed immediately adjacent to the east side of Terminal A and Concourse C, which were opened in May, 1986. This will create a unified terminal complex with 23 gates to be used by US Airways, Delta, American, United, Continental and Northwest Airlines. Approximately 75% of passenger traffic will use this unified complex. Terminal A and Concourse C will be renovated to blend architecturally with the new facility.

The interior of the unified terminal complex will consist of new ticket counters and airline offices. Where required, new inbound and outbound baggage claim devices will be installed in Terminal A and the New Terminal, and new passenger waiting areas will be added to Concourse C. Public restrooms, airline club space and other amenities will be provided. The New Terminal and renovated Terminal A will include a new centralized security checkpoint serving both concourses. New signage, security system and a multiple use flight information display system (MUFIDS) will be provided. Exterior improvements will include new signage, curbside baggage check-in positions, exterior lighting, apron lighting, new passenger loading bridges including fixed ground power systems and pre-conditioned air systems.

A mall-like concession area will be included in the New Terminal. This will include a food court and news, gifts, clothing, variety, and specialty vendor concessions. A professional airport management firm is proposed to run the retail operation in order to maximize Airport revenues, passenger convenience and customer satisfaction.

The existing Murphy Terminal will remain, but only Concourse B adjacent to the IAB and a small section of the east end of Murphy Terminal will remain open. The gates remaining open in Concourse B will be occupied by the regional air carriers, America West and TWA. Renovations to the floors and walls will be undertaken and a new elevator and escalator installed. The IAB will continue to be occupied by Southwest Airlines. The floors and walls of the public corridor area of the IAB will be cosmetically upgraded.

The aircraft apron will be reconstructed and an at-gate deicing fluid runoff collection system will be installed around the new concourse and Concourse C.

The existing FIS in the IAB will be relocated to a new two-gate, 25,000 square foot facility to the south of existing Concourse A. Future development plans will incorporate this building into a new concourse proposed for this area of the Airport. (See "MASTER PLAN")

The Airport access roadway system will be reconstructed to accommodate the New Terminal, including extending the existing upper level viaduct to the east, adding an additional traffic lane on the lower level and installing new signage. Canopies will be installed above the arrival roadway to connect with the two pedestrian bridges from the new approximately 3,450 space parking garage, which is currently under construction adjacent to the new unified terminal complex.

When completed, a total of 34 aircraft gates will be available at the Airport including 12 at the new East Concourse, 11 at Concourse C, four at the IAB, five at Concourse B, and two international gates at the new FIS facility.

### **Management Discussion of Project Design and Construction Approach**

Under the supervision of DOT, Project design was undertaken by the consulting engineering firm of HNTB Incorporated (the "Designer"), a national airport consulting firm. DOT has retained the services of O&G Industries, Inc., of Torrington, Connecticut (the "Construction Manager"), as the construction manager for the Project.

The Designer, working with the Construction Manager, separated the overall design package into eleven separate projects to allow construction to start early on the initial elements, while the building design was being fully completed on later elements. The Designer and the Construction Manager then developed staging and phasing plans to minimize inconveniences to the traveling public and allow the Airport to operate to the fullest extent possible during construction. Airline moves have been limited to once for each airline and construction impacts will be minimal due to the use of the existing facilities during construction. The Construction Manager, with input from DOT and the Designer, developed a critical path schedule for the Project. DOT and the Designer will use this schedule to monitor progress to keep the Project on schedule.

Construction of the New Terminal and East Concourse began in May 2000. The outer building materials and the glass enclosures will then be installed to enclose the new buildings. The East Concourse interior work will be completed to a point where US Airways can relocate its passenger gate operations from Concourse C to the East Concourse in the summer of 2002. The contractor will then construct the new passenger waiting space at the end of Concourse C and the concrete apron will be constructed in this vacated ramp area. Delta and US Airways will relocate their full operations to the New Terminal and East Concourse by the end of 2002. Once work has been completed on the new holdroom space, United Airlines will relocate within Concourse C to its new gates. Continental will also relocate to a new gate and the work within Concourse C will then be completed. Once US Airways relocates to the New Terminal, work for the renovations to Terminal A will begin. Upon completion of the New Terminal and East Concourse, American Airlines and Northwest Airlines will relocate to their new locations by the fall of 2003. Work will then begin on Terminal B/Concourse B. The new elevator and escalator will be installed in Terminal B and the remaining renovations to Terminal B, Concourse B and the IAB corridor will be completed in December 2003.

The concrete apron project will begin in April 2001 and will be constructed in various phases so that the construction does not interfere with the airline ramp operations. It will be fully completed in the summer of 2003. This project includes the installation of a glycol collection system around the East Concourse and Concourse C.

The roadway project began in October 2000 and will be completed in November 2002. The contract requires that one lane of traffic for the upper and lower roadways must be retained at all times.

### **Project Cost Estimate**

As noted above, the Project is estimated to cost approximately \$201.8 million. This cost includes design, engineering, construction, construction contingency, construction management and other services. Construction began in calendar year 2000 and will be completed in 2003, with most of the construction costs occurring in 2001 and 2002. The Project cost estimate has been itemized into the primary components as shown below.

In developing the Project costs and financing, all of the needs at the Airport were reviewed and a financial plan was developed utilizing existing and anticipated Airport Improvement Program (AIP) funding and projected General Airport Revenues to address all anticipated Airport needs throughout the Project financing period. The Airport met with representatives of the FAA to determine the eligibility for PFC financing for the Project. To minimize financing costs, the Airport obtained \$8,655,840 in Federal Highway Administration (FHWA) funding for the roadway improvements and established a multi-year AIP project to provide \$11,198,265 for the required apron work. In addition, the Airport has committed \$7,128,300 in available cash to the Project, leaving \$174,773,431, or 86.6%, of the Project cost to be financed from the Bond proceeds. The table below summarizes the financing for the Project.

### Sources of Project Funding

Item	Total Cost	General Airport Revenues	PFC Revenues	Airport Improvement Funds	Federal Highway Funds
Terminal Improvements	\$140,239,081	\$66,001,422	\$74,237,659		
Apron Improvements	26,780,150	2,337,823	13,244,062	\$11,198,265	
Roadway Improvements	13,298,405	1,255,849	3,386,716		\$8,655,840
Jet Bridges	10,890,000	495,000	10,395,000		
FIS Facility	6,500,000	6,500,000			
Other	<u>4,048,200</u>	<u>4,048,200</u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	\$201,755,836	\$80,638,294	\$101,263,437	\$11,198,265	\$8,655,840
Less:					
Costs Paid From Cash or Other Sources	<u>26,982,405</u>	<u>7,128,300</u>		<u>11,198,265</u>	<u>8,655,840</u>
Project Costs From Bond Proceeds	<u>\$174,773,431</u>	<u>\$73,509,994</u>	<u>\$101,263,437</u>		

The estimated costs of, and the projected schedule for, the Project are subject to a number of uncertainties. The ability of the State to complete the Project may be adversely affected by various factors including: (i) errors in certain projections and estimates, (ii) design and engineering errors, (iii) changes to the scope of the Project, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental issues. Any schedule delays or cost increases could result in the need to issue Additional Bonds and may result in increased costs per enplaned passenger to the airlines.



## **PLAN OF FINANCE**

### **General**

The sources of funds for the Project includes \$26,982,405 available through Airport Improvement Program Grants, Federal Highway Administration Grants, and Airport funds, and \$174,773,431 of Series 2001A Bond proceeds secured by a pledge of General Airport Revenues ("GAR") and PFCs.

### **AIP Grants**

The Airport is eligible for and receives entitlement grants through the federal Airport Improvement Program ("AIP") administered by the FAA. Based on past and anticipated funding levels, and the status of the Airport's grant spending, \$11,198,265 in AIP entitlement grants are being dedicated to the portion of the Project representing apron construction at the new concourse. This includes \$8.5 million in available federal fiscal year 2001 and prior year funds, and \$2,698,265 in available federal fiscal year 2002 funds. The remaining costs of the apron projects will be financed through bond proceeds.

### **FHWA Grants**

The components of the Project representing reconstruction and extension of the Airport access roadway system are eligible for grant funding by the Federal Highway Administration. The State has executed a Federal Aid Agreement providing \$8,655,840 for the roadway projects. The remaining cost of the roadway projects will be financed through bond proceeds.

### **Airport Funds**

The 1982 General Airport Fund will provide \$7,128,300 in available cash to finance the cost of the design and construction of the FIS Building (\$6.5 million) and the construction of the commercial vehicle lot (\$628,300).

### **Bond Proceeds**

The remaining \$174,773,431 of the Project costs will be bond financed. This includes the terminal building and concourse expansion and renovation totaling \$140,239,081, \$15,581,885 of apron and \$4,642,565 of roadway project costs remaining after allocation of grants as discussed above, acquisition and installation of jet bridges totaling \$10,890,000, and construction management, public relations services and other costs totaling \$3,419,900. A single 30-year bond issue has been structured in support of the Project's financing requirements, backed by a pledge of GAR and PFCs. In structuring the financing plan, the State has sought to maximize the use and leveraging of PFCs at the \$4.50 level based on applicable Project eligibility criteria, and to support the remainder of the Project through its GAR. The financing plan provides annual debt service based on a 30-year GAR bond. For administrative and payment purposes the bond will be treated as a 30-year PFC bond, wrapped around a 20-year GAR component. The administrative GAR component has been divided into a portion chargeable to the airlines, through rates and charges, and a portion that will be repaid through Airport non-airline revenues. This configuration maximizes the use of eligible PFC revenue,

fairly charges the airlines for the benefits they receive, and minimizes the GAR debt service requirements.

### **PFC Program**

The United States Congress enacted the Aviation Safety and Capacity Expansion Act of 1990, as amended from time to time (the "PFC Act") in 1990. The PFC Act allows a public agency, such as the State, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to limited exceptions) a passenger facility charge of \$1.00, \$2.00, \$3.00, 4.00 or \$4.50 (the "PFC"). The purpose of the PFC Act is to provide additional capital funding for the expansion of the national airport system. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system; reduce noise from an airport that is part of such system; or furnish opportunities for enhanced competition between or among air carriers. Before imposing and using PFCs, a public agency must apply to the Federal Aviation Administration ("FAA") for approval. PFCs are collected on behalf of airports by air carriers and their agents (the "Collecting Carriers").

Certain passengers are not subject to collection of a PFC by Collecting Carriers. PFCs may not be collected from a passenger enplaning at an airport if the passenger did not pay for the ticket (including tickets obtained with frequent flyer coupons). A PFC may be collected from a passenger (i) on a one-way trip only for the first two airports on the air travel itinerary where PFCs are imposed and (ii) on a roundtrip only for the first two and last two airports where PFCs are imposed. No PFC may be imposed on any passenger on any flight (i) to a point receiving essential air service compensation, (ii) to an airport receiving scheduled passenger service and having fewer than 2,500 passenger boardings each year, or (iii) to a community that has a population of less than 10,000 and is not connected by a land highway or vehicular way to the land-connected national highway system within a state.

The public agency may request exemption from the requirement to collect PFCs for a class of air carriers if the number of passengers enplaned by the air carriers in the class constitutes no more than 1% of the total enplaned passengers annually at the airport at which the PFC is imposed. An exemption from the requirement to collect PFCs for "on-demand air taxi commercial operators" (ATCO) was requested by the State on the basis that (i) the number of enplaned passengers within this class is well below the 1% of total annual enplaned passengers at the Airport and (ii) the minimal PFC revenues to be collected from the excluded class does not justify the administrative burden which would be imposed on the air carriers and the Airport in collecting and accounting for the revenues.

The duration of a public agency's authority to impose PFCs is governed by the regulations issued under the PFC Act (the "PFC Regulations"). The duration of authority to impose a PFC after project implementation extends until (i) the charge expiration date is reached, (ii) PFCs collected and interest thereon equals the allowable cost of the approved project, (iii) the FAA terminates the authority to collect PFCs if it determines that the PFCs are not being used for the approved project in accordance with the terms of the PFC Act, the PFC Regulations and the FAA approval (which approved project includes debt service or costs attributable to an approved project), or (iv) the FAA determines that the public agency is violating noise and access requirements under the Airport Noise and Capacity Act of 1990, as amended (the "Noise

Act"). The PFC Regulations define "project implementation," with respect to construction, as the issuance to a contractor of a notice to proceed or the start of physical construction. A Notice to Proceed, directing the contractor to begin work on the Project, was issued by the State on May 16, 2000.

A PFC may be amended by a public agency without consultation or approval by the FAA to decrease the level of PFC collected, decrease the total PFC revenue, or increase the total approved PFC revenue by 15% or less, provided that the air carriers and the FAA are notified in writing. A PFC amendment that increases the dollar amount of the PFC, increases the total approved PFC revenue by more than 15%, materially alters the scope of the approved project, or changes or establishes a new class of air carrier for exemption, requires FAA notification showing consultation with and agreement or disagreement by the air carriers, justification for the amendment, and other information as required by the FAA. In this case, if no air carrier certifies its objection, the amendment may be instituted unless, within 30 days after notification, the FAA notifies otherwise. If an air carrier certifies its disagreement with the proposed amendment, the public agency must request approval from the FAA. Such request must, in addition to the written evidence required above, contain the reasons for air carrier objection, the reasons for requesting the amendment in light of the air carrier objections, and other information requested by the FAA. The FAA then has 120 days to approve or disapprove the amendment. If the request is for an increase in the PFC level above \$3.00, the FAA must insure that additional requirements applicable to PFCs above the \$3.00 level and competition plan requirements at applicable covered airports are met.

Any new PFC charge is effective on the first day of a month that is at least 60 days after the Collecting Carriers are notified. The PFC Regulations require the Collecting Carriers to remit PFC collections, net of a collection fee of \$.08 per PFC remitted, to the State no later than the last day of the calendar month following the month in which the PFC collections are recorded in the Collecting Carriers' accounting system. The Collecting Carriers are allowed to retain the interest earned on the PFC collections during this "hold" period.

### **Airport PFC Approvals**

On July 9, 1993, the FAA issued the initial PFC approval that authorized the State to impose PFCs at the Airport at the rate of \$3.00 per eligible enplaned passenger beginning October 1, 1993. The State has received FAA approval to impose and use \$42,549,716 in PFCs for the following projects: Glycol Collection Facility, \$16,659,913; Snow Removal Equipment Maintenance & Storage Building, \$6,257,923; Taxiways, \$5,443,000; Snow Removal Equipment and other Equipment, \$5,114,880; Terminal B Roadway Improvements, \$3,073,000; Instrument Landing System, \$2,500,000; Aircraft Ramps, \$2,090,000; Obstruction Lights, \$716,000; Fire Station, \$360,000; and Security Fencing, \$335,000. As of August 1, 2000, all authorized collections had been completed; therefore the Airport is not currently collecting PFCs.

On July 7, 2000, the Airport notified air carriers, foreign air carriers, and the FAA of its intent to submit a PFC application at the \$4.50 level to undertake, in part, a portion of the Project and its financing costs. The Airport met to formally consult with the air carriers on the PFC proposal on August 15, 2000. The air carriers had until September 14, 2000 to submit certifications of agreement or disagreement. Of all air carriers responding, only Southwest Airlines disagreed with the Project because of the increased PFC collection level from \$3.00 to

\$4.50. The Airport addressed Southwest's concerns in the Airport's PFC application filed with the FAA on October 30, 2000. On February 27, 2001, the FAA advised the Airport of its approval of the application. The Airport notified the Collecting Carriers on February 28, 2001, and the Collecting Carriers will begin charging the \$4.50 PFC on May 1, 2001.

In its October 30, 2000 application, the Airport requested authority for a total of \$231,947,428 in new PFC funding, including \$130,683,991 to pay interest on the Bonds. The Airport estimates collections to be achieved by February 2015.

Any PFC Revenues not deposited in the PFC Coverage Account will be deposited in the PFC Escrow Account established under the 2001 Indenture and held and administered by the State, and used to pay for projects approved by the FAA for PFC funding ("Approved Projects"), to fund debt service related to such projects or to provide for the redemption of the Series 2001A Bonds prior to their maturity. The FAA approval provides that bond documents, such as the 2001 Indenture, may define pledged airport revenues in a manner that would include PFC Revenues. However, the FAA approval also provides that the use of PFC Revenues is limited to the allowable costs of approved PFC projects and may not be used to pay debt service on any bonds issued to finance other than approved PFC projects. The use of PFC Revenues deposited in the PFC Escrow Account for any project not identified in the existing PFC approvals would require further FAA approval.

### **Termination of Authority to Impose PFCs**

**General.** As noted above, termination of authority to collect PFC revenue may result from violation of the PFC Act, the PFC Regulations or the FAA approval or the Noise Act.

The PFC Regulations require that the FAA undertake informal resolution of a PFC termination if the FAA cannot determine that PFC revenue is being used for approved projects in accordance with the PFC Act, the PFC Regulations and the FAA approval. Approved projects include debt service and any costs applicable to the portion of any bonds issued for an approved project.

Termination proceedings begin only after the FAA determines that informal resolution is not successful. A notice of proposed termination is published in the Federal Register. This notice contains the scope of the proposed termination, the basis for such action, and the date for filing comments. The due date for comments and corrective action is not less than 60 days after publication of the notice.

If corrective action has not been taken, the FAA holds a public hearing giving notice and publication in the Federal Register at least 30 days prior to the hearing. The FAA then publishes its final decision in the Federal Register. This decision may contain additional corrective action that the public agency may yet take. Within 10 days of the date of publication of the notice, the public agency must either advise the FAA that it will complete any corrective action prescribed or provide the FAA with a list of air carriers operating at the Airport and all other carriers that have remitted PFC revenue to the public agency within the preceding 12 months. When the FAA's notice does not provide for corrective action or the public agency fails to complete such action, the FAA notifies each air carrier. Those carriers then terminate collections no later than 30 days after the date of notification by the FAA.

**Noise Act Violation.** If the State violates the provisions of the Noise Act, there are procedural safeguards to ensure that the State's authority to impose PFCs at the Airport would not be summarily terminated. Most significantly, the State under any circumstance can prevent termination of its PFC authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the State's authority to impose PFCs at the Airport, has been determined.

**Treatment of PFCs in Airline Bankruptcies.** The PFC Regulations require Collecting Carriers to account for PFC collections separately and indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the State. Collecting Carriers must disclose the existence and amount of funds regarded as trust funds in financial statements. However, Collecting Carriers are allowed to commingle PFC collections with the carriers' other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted to the State. Despite the language in the PFC Regulations, at least one bankruptcy court in an unpublished opinion has indicated that PFCs held by a Collecting Carrier in bankruptcy would not be treated as being held in trust for the eligible agency imposing the PFCs, but that such PFCs would instead be subject to the general claims of such Collecting Carrier's creditors. There is no assurance that a similar finding would not be made by other bankruptcy courts in the future.

#### **PFC Funding Issues**

The Plan of Finance and the Feasibility Report assume that (i) PFC Revenues will be available in the amounts required for payment of the PFC Component on the debt service on the Series 2001A Bonds, and (ii) federal grants will be received in certain amounts and at certain times to pay certain capital project costs. See **Appendix A - Feasibility Report**, for more information regarding these assumptions.

**To the extent that any portion of the funding assumed in the Plan of Finance is not available as anticipated, the State may be required to issue Additional Bonds to pay the costs of the Project and increase airline rates and charges to pay debt service on the Bonds and to fund the required coverage thereon. The State's ability to raise such rates and charges may be limited by various contractual obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Airline Operating Agreements" herein.**

## SOURCES AND USES OF BOND PROCEEDS

It is anticipated that the proceeds of the Series 2001A Bonds will be used as follows:

### Sources

Principal amount of the Series 2001A Bonds.....	\$194,000,000
Accrued interest.....	699,352
Original Issue Premium.....	725,481
<b>Total Sources</b> .....	<b><u>\$195,424,833</u></b>

### Uses

Deposit to Construction Fund.....	\$174,773,431
Capitalized interest (net of investment proceeds) <sup>(1)</sup> .....	4,440,940
Deposit to Debt Service Reserve Account.....	13,257,960
Underwriters' discount, costs of issuance and bond insurance policy premium.....	<u>2,952,502</u>
<b>Total Uses</b> .....	<b><u>\$195,424,833</u></b>

It is anticipated that the proceeds of the Series 2001B Bonds will be used as follows:

### Sources

Principal amount of the Series 2001B Bonds.....	\$ 19,180,000
Accrued interest.....	58,327
Funds released from 1982 Indenture.....	1,906,455
Original Issue Discount.....	<u>(66,917)</u>
<b>Total Sources</b> .....	<b><u>\$ 21,077,865</u></b>

### Uses

Deposit to Refunding Escrow.....	\$ 18,885,118
Deposit to Debt Service Reserve Account.....	1,918,000
Underwriters' discount, costs of issuance and bond insurance policy premium.....	<u>274,747</u>
<b>Total Uses</b> .....	<b><u>\$ 21,077,865</u></b>

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(1) Capitalized interest on a portion of the Series 2001A Bonds is funded to October 1, 2003. Amounts on deposit in the Funds established under the 2001 Indenture relating to the Series 2001A Bonds will be invested in an Investment Agreement with Trinity Plus Funding Company, LLC.

# DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth the annual debt service requirements for the Bonds and the outstanding 1992 Refunding Bonds:

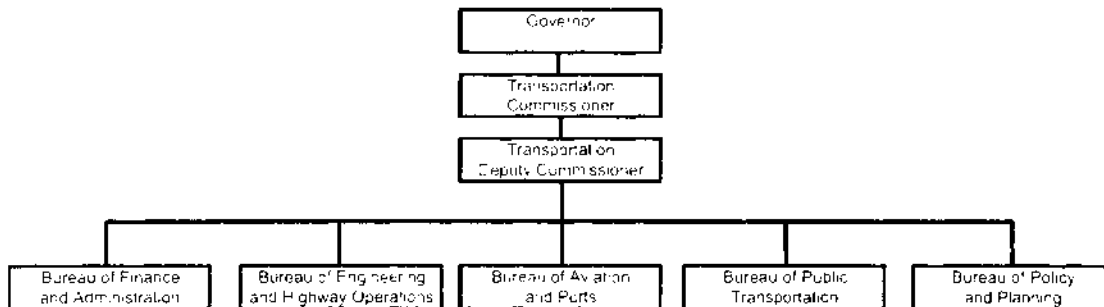
<u>Period Ending</u>	<u>The Series 2001A Bonds</u>			<u>The Series 2001B Bonds</u>			<u>Debt Service on Outstanding 1992 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>		<u>Total Debt Service</u>
June 30, 2001							\$2,066,496	\$2,066,496
June 30, 2002	\$0	\$10,490,274	\$10,490,274	\$0	\$874,901	\$874,901	\$7,851,138	\$19,216,313
June 30, 2003	\$1,390,000	\$9,659,005	\$11,049,005	\$235,000	\$803,783	\$1,038,783	\$7,845,733	\$19,933,520
June 30, 2004	\$1,440,000	\$9,609,480	\$11,049,480	\$245,000	\$795,799	\$1,040,799	\$7,832,348	\$19,922,626
June 30, 2005	\$3,740,000	\$9,516,960	\$13,256,960	\$255,000	\$787,171	\$1,042,171	\$7,820,468	\$22,119,599
June 30, 2006	\$3,880,000	\$9,376,890	\$13,256,890	\$260,000	\$778,029	\$1,038,029	\$7,801,818	\$22,096,736
June 30, 2007	\$4,045,000	\$9,208,535	\$13,253,535	\$270,000	\$768,286	\$1,038,286	\$7,783,690	\$22,075,511
June 30, 2008	\$4,225,000	\$9,028,430	\$13,253,430	\$285,000	\$757,702	\$1,042,702	\$7,769,389	\$22,065,521
June 30, 2009	\$4,400,000	\$8,853,730	\$13,253,730	\$295,000	\$746,280	\$1,041,280	\$7,746,619	\$22,041,629
June 30, 2010	\$4,600,000	\$8,650,550	\$13,250,550	\$305,000	\$734,128	\$1,039,128	\$7,732,703	\$22,022,380
June 30, 2011	\$4,835,000	\$8,417,515	\$13,252,515	\$320,000	\$721,155	\$1,041,155	\$7,714,580	\$22,008,250
June 30, 2012	\$5,090,000	\$8,167,960	\$13,257,960	\$8,190,000	\$540,398	\$8,730,398	\$5,191	\$21,993,549
June 30, 2013	\$5,355,000	\$7,902,691	\$13,257,691	\$8,520,000	\$183,180	\$8,703,180		\$21,960,871
June 30, 2014	\$5,635,000	\$7,619,004	\$13,254,004					\$13,254,004
June 30, 2015	\$5,935,000	\$7,315,291	\$13,250,291					\$13,250,291
June 30, 2016	\$6,260,000	\$6,995,173	\$13,255,173					\$13,255,173
June 30, 2017	\$6,595,000	\$6,657,729	\$13,252,729					\$13,252,729
June 30, 2018	\$6,955,000	\$6,302,041	\$13,257,041					\$13,257,041
June 30, 2019	\$7,315,000	\$5,936,598	\$13,251,598					\$13,251,598
June 30, 2020	\$7,690,000	\$5,559,550	\$13,249,550					\$13,249,550
June 30, 2021	\$8,095,000	\$5,157,943	\$13,252,943					\$13,252,943
June 30, 2022	\$8,525,000	\$4,730,990	\$13,255,990					\$13,255,990
June 30, 2023	\$6,910,000	\$4,333,539	\$11,243,539					\$11,243,539
June 30, 2024	\$7,275,000	\$3,969,184	\$11,244,184					\$11,244,184
June 30, 2025	\$7,660,000	\$3,586,475	\$11,246,475					\$11,246,475
June 30, 2026	\$8,060,000	\$3,183,650	\$11,243,650					\$11,243,650
June 30, 2027	\$8,485,000	\$2,759,684	\$11,244,684					\$11,244,684
June 30, 2028	\$8,930,000	\$2,313,425	\$11,243,425					\$11,243,425
June 30, 2029	\$9,400,000	\$1,843,719	\$11,243,719					\$11,243,719
June 30, 2030	\$9,895,000	\$1,349,284	\$11,244,284					\$11,244,284
June 30, 2031	\$10,415,000	\$828,841	\$11,243,841					\$11,243,841
June 30, 2032	\$10,965,000	\$280,978	\$11,245,978					\$11,245,978
Totals	\$194,000,000	\$189,605,118	\$383,605,118	\$19,180,000	\$8,490,811	\$27,670,811	\$79,970,170	\$491,246,099

## STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION

### The State Transportation System

The State's transportation system includes the Airport and five other smaller State-owned airports; approximately 19,800 miles of improved roads (of which approximately 3,740 miles are maintained by the Department of Transportation) and 5,400 state and local bridges; rail commuter service between New Haven and New York City and related points, provided by Metro-North Commuter Railroad Company which operates 250 trains daily; Shoreline East Rail Commuter Service between New London and New Haven which operates 18 trains daily; publicly and privately owned bus systems which operate 1,096 vehicles; two ferry services; and the State Pier in New London.

### Department of Transportation - Organization and Responsibilities



The Connecticut Department of Transportation ("DOT") was established in 1969 and replaced the Connecticut Highway Department. DOT's major responsibility is to provide transportation services and facilities to meet the State's mobility needs. DOT is headed by a Commissioner appointed by and directly responsible to the Governor.

The Commissioner exercises direct supervision of all DOT activities. As head of DOT, the Commissioner acts as the executive officer of the Governor for achieving the purposes, and supervising the activities, of DOT. The Commissioner, in order to provide economy and efficiency, may organize DOT and any agency therein into such divisions, bureaus, or other units as necessary and may from time to time abolish, transfer, or consolidate such divisions, bureaus, or other units within DOT. Among other functions, the Commissioner has the power, duty, and responsibility (i) to provide for the planning and construction of facilities that may be required for the development and operation of a safe and efficient transportation system, (ii) to study the operations of existing transportation facilities to determine the need for changes in such facilities, (iii) to formulate and implement plans and programs to improve transportation facilities and services, and (iv) to report annually to the Legislature regarding such matters.

Mr. James F. Sullivan has been serving as Commissioner of DOT since February 1, 1997. Prior to that time, Mr. Sullivan, who began his career with DOT in 1963, served in various executive positions, including Planning Director, Chief of Planning, Deputy Commissioner of



the Bureau of Planning, and Deputy Commissioner/Bureau Chief of the Bureau of Engineering and Highway Operations.

Mr. James A. Adams was appointed Deputy Transportation Commissioner of DOT on August 15, 1997 and previous to that served as Deputy Commissioner of the Bureau of Engineering and Highway Operations. Prior to joining DOT, Mr. Adams served in various executive positions in the heavy and highway construction industry, and the building construction industry. As Deputy Commissioner of Transportation he is responsible for the operation of its five bureaus.

DOT is currently composed of the Bureau of Engineering and Highway Operations, the Bureau of Finance and Administration, the Bureau of Policy and Planning, the Bureau of Public Transportation and the Bureau of Aviation and Ports.

### **Bureau of Aviation and Ports**

The Bureau of Aviation and Ports is responsible for the operation and management of the Airport and the five other State-owned airports, the regulation of the State's harbor masters and harbor pilots, the operation and management of the Connecticut River ferries and the operation of the State Pier in New London.

Mr. Louis S. Cutillo was appointed to the position of Deputy Commissioner of the Bureau in January, 1999. From October, 1997 to January, 1999, Mr. Cutillo served as Executive Assistant to the Commissioner of the Connecticut Department of Information Technology. For the previous 17 years, Mr. Cutillo was self-employed as a government consultant and legislative liaison for a variety of diversified clients active in the Connecticut business community. Prior to that, he served for 14 years as a member of the Connecticut Legislature, holding leadership positions in both the Senate and the House of Representatives. For 14 consecutive years he was chairman, ranking member or member of the Legislature's Finance Committee.

Mr. Robert F. Juliano served as Bureau Chief of the Bureau of Aviation and Ports from February 14, 1995 until his death on March 1, 2001. Prior to that time, Mr. Juliano, who began his career with DOT in 1958 in the engineering division, served as the Airport Administrator of Bradley International Airport from 1982-1995 and as the Airport Operations Manager for the six State-owned airports, including the Airport, from 1974 to 1982. Previous to this, Mr. Juliano served as special assistant to the Commissioner of Aeronautics. Mr. Juliano was an accredited Airport Executive and was past president of the Northeast Chapter of the American Association of Airport Executives. He also served on the National Board of Directors of the Washington-based American Association of Airport Executives.

Since Mr. Juliano's death, Mr. Kenneth J. Robert has been performing the functions of the Bureau Chief.

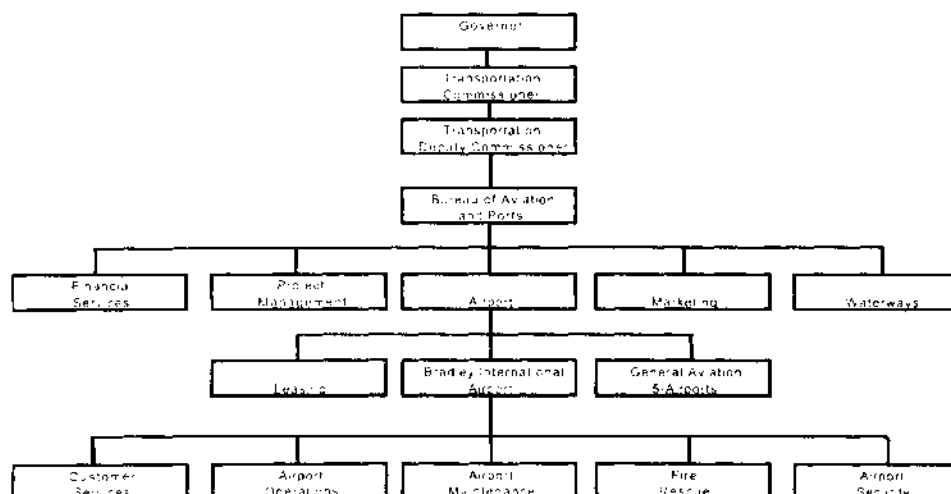
#### *Airport Operations*

Mr. Kenneth J. Robert has been the Bureau's Transportation Aviation Administrator since 1992. Prior to that time, Mr. Robert, who joined DOT in 1974, has served in various positions, including interim Bureau Chief of the Bureau of Aviation and Ports, Airport

Administrator of Bradley International Airport, and Assistant Airport Administrator of the Airport. Mr. Robert received a Bachelor of Science degree in Aviation Management from Embry-Riddle Aeronautical University. He attended New York University Graduate School graduating in Advanced Airport Management. In 1987, Mr. Robert became an accredited Airport Executive and is a licensed pilot. As Aviation Administrator, Mr. Robert participates in development and maintenance of the Airport Master Plan, the selection of Airport consultants, and contract negotiations with concessionaires, tenants, and service providers. He plays a leadership role in policy development and decision making with respect to personnel matters, environmental and ADA issues, planning and coordination among consultants, tenants, State agencies, and federal agencies.

Mr. Stephen E. Korta was named the Bureau's Airport Administrator (Acting) for the Airport on August 27, 1998. He is the manager in charge at the Airport. He is responsible for the day-to-day management of all aspects of the Airport's operations including overall airport operations; maintenance of runways, taxiways, ground aircraft directional signal systems and signing, terminals, parking facilities; Airport security; fire and rescue personnel and services; enforcement of all tenant and service provider contract terms and provisions; and directs special services; i.e. Presidential visits, visits by dignitaries, and other special operations. Mr. Korta is a member of American Association of Airport Executives; he serves as a founding member of the Association's Training Identification and Standardization Committee. He is a candidate for designation as an Accredited Airport Executive. Immediately prior to his appointment, Mr. Korta served as the Director of Leasing Revenue and Concessions for the Bureau, a position he held from 1997. As Director, he was responsible for managing contractual matters at all six State airports. In 1994 Mr. Korta was appointed Chairman of the Bradley International Airport Commission, a position he held until 1997. Prior to joining the Bureau, Mr. Korta was President and CEO of a privately held company providing extensive management services to governmental entities. Mr. Korta holds a Bachelor of Science degree and is a cum laude graduate of the Boston College School of Management Honors Program. He is also a licensed pilot.

The Bureau organization in fiscal year 2001 includes 122 authorized staff positions funded by the Airport. As of January, 2001, five positions were vacant: three in the Fire and Crash Rescue Unit, one in the Marketing Unit and one in the Leasing Unit. The Bureau's authorized staffing level has remained unchanged since July 1, 1993. Below is an organizational chart for the Airport:



## **AIRLINE INDUSTRY ISSUES**

In addition to other information contained in this Official Statement, key factors that may affect airline traffic at the Airport are described below.

### **General Issues Affecting Revenues**

The State's ability to derive Revenues from its operation of the Airport will depend on many factors, many of which are not subject to the control of the State or management of the Airport. Revenues could be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Agreements. The financial strength and stability of the airlines serving the Airport will be key determinants of future airline service and passenger traffic. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at the Airport.

Weak passenger demand, economic recessions, increases in fuel, security, and other operating costs and fare discounting, has in the past generated record financial losses in the United States airline industry. The industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and closures. Financially weak or highly indebted airlines could be susceptible to seeking protection from their creditors, selling productive assets, reducing service, or discontinuing operations.

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

Historically, airline passenger traffic nationwide has correlated closely with the state of the United States 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.

As international trade and air travel has increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect airline travel demand.

### **Airline Service and Routes**

While passenger demand at an airport depends on the population and the economy of the region served, airline service and the number of passengers enplaned also depend on the route networks of the airlines serving that airport. Domestic airlines are free to enter or leave individual air traffic markets, and to increase or decrease service, at will. Most major airlines have developed "hub-and-spoke" route networks as a means of increasing their service frequencies, passenger volumes, and profitability. Almost all of the passenger travel at the Airport is characterized as "origin-destination." This means that for most passengers, the Airport is either the origin or destination of their travel.

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but the price of aviation fuel continues to be an important and uncertain determinate of an airline's operating

economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and airline operating results. Although the average price of aviation fuel has been generally stable since 1992, future fluctuations could affect air service and passenger numbers at the Airport. Fuel prices have increased rapidly since 1999.

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

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and 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 and competition.

In particular, price competition is provided by new entrants and other airlines with lower cost structures. The start of service by Southwest Airlines at the Airport has provided such competition. While the nature and extent of such "low-fare" competition varies from airport to airport, most large origin-destination passenger markets have attracted low-fare airline service and passenger traffic has increased as a result. Continued increases in passenger traffic at the Airport will depend to some extent on the continued availability of competitive airfares.

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

Demands on the nation's 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. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

### **Additional Information**

Certain Signatory Airlines and Air Carriers (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, certain information, including financial information concerning such domestic airlines or their parent corporations, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, and the public may obtain certain information by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that makes available reports, proxy statements and other information regarding these companies. In addition, the principal domestic airlines serving the Airport file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates. Foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. The State makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the airlines.

## REVIEW OF AIRPORT GOVERNANCE, IMPROVEMENTS AND OPERATIONS

In 2000, the Connecticut Legislature's Program Review and Investigations Committee (the "Committee") undertook a study of the Airport to determine if the Airport is optimally meeting the economic development objectives of the State, and if not, to identify the reasons why and make recommendations for realizing the Airport's economic development potential. The Committee issued its report dated December 15, 2000. The report makes various findings and recommendations in the areas of planning, management and operations, and governance.

In May 2000, the Governor, through Executive Order No. 18, created the Bradley International Airport Executive Council (the "Council") which is comprised of six members appointed by the Governor and chaired by the Commissioner of DOT. The Council is to work with DOT to help the Airport establish a long-term strategic plan and to develop long-term goals to guide the Airport's future growth and development. The Council issued its Interim Report dated February 2, 2001. The Council has recommended that the management structure of the Airport be modified in a way that will allow it the flexibility to enhance its competitiveness. The Council believes that the management of the day to day operations of the Airport should remain fundamentally unchanged, but that a more entrepreneurial spirit should be introduced into the long range planning and goal setting.

The Governor has endorsed the concept of a more flexible management structure at the Airport. The Council has proposed the creation of a Board of Directors, consisting of nine members: the Commissioner of the Department of Transportation, the Commissioner of the Department of Economic and Community Development, the Co-Chairs of the Legislature's Transportation Committee, and five senior business leaders appointed by the Governor.

The current legislative session convened on January 3, 2001 and is scheduled to adjourn on June 6, 2001. It is expected that the Legislature will consider legislation concerning the Airport's governance during its current session. While it is reasonably expected that there will be changes made to the management structure of the Airport, the changes cannot be determined at this time.

## CONTINUING DISCLOSURE AGREEMENT

Sections 3-20 and 3-20c of the Connecticut General Statutes, as amended, give the State and political subdivisions of the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The State will enter into a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form included in **Appendix E – Continuing Disclosure Agreement** to this Official Statement (the "Continuing Disclosure Agreement"), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual operating data for the Airport and certain annual financial information, (ii) timely notice of certain material events relating to the Bonds and (iii) timely notice of a failure by the State to provide the required annual information on or before the date specified in the Continuing Disclosure Agreement.

A default by the State under the Continuing Disclosure Agreement will not be a default under the 2001 Indenture.

The State has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of other bonds to provide certain annual financial information and event notices with respect to those bonds pursuant to the Rule. The State has not defaulted in its obligations to provide the annual financial information pursuant to such continuing disclosure agreements.

The Underwriters' obligation to purchase the Bonds will be conditioned upon their receipt, at or prior to the delivery of the Bonds, of executed copies of the Continuing Disclosure Agreement.

### **TAX MATTERS**

In the opinion of Squire, Sanders & Dempsey L.L.P. and Shipman & Goodwin LLP, Co-Bond Counsel, under existing law, interest on the Bonds is (i) excluded from gross income for federal income tax purposes under Section 103 of the Code, except for interest on any Series 2001A Bond for any period during which it is held by a "substantial user" or a "related person", as those terms are used in Section 147(a) of the Code, and (ii) excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. The Series 2001A Bonds are "private activity bonds" within the meaning of Section 141(a) of the Code, and therefore the interest on the Series 2001A Bonds is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. The Series 2001B Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code, and therefore the interest on the Series 2001B Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. Co-Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds, such as, among others, the consequences of the existence of market discount to purchasers of the Bonds subsequent to their original issuance or at other than their prices or yields stated on the inside of the cover page of this Official Statement.

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

The Code prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance.

Noncompliance with these requirements by the State may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to their date of issuance. The State has covenanted in the 2001 Indenture to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under Code provisions applicable only to certain corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income that may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds or of book-entry interests. Co-Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices or yields indicated on the inside cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

From time to time, there are legislative proposals in Congress or regulatory actions that, if enacted, could alter or amend one or more of the federal tax matters described herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

### **Original Issue Discount and Premium**

Certain of the Bonds ("Discount Bonds") have been offered and sold to the public at an original issue discount ("OID"). OID is the excess of the "stated redemption price at maturity" (the principal amount) of a Discount Bond over the "issue price" of such Bond. The issue price of a Discount Bond is the initial offering price to the public (other than the bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same

considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Bond to maturity will realize no gain or loss upon the retirement of that Bond.

Certain of the Bonds ("Premium Bonds") have been offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by that owner for that Bond. A purchaser of a Premium Bond at its issue price in the initial public offering who holds that Bond to maturity (or, in the case of a callable Premium Bond, the earliest call date that results in the lowest yield on that Bond), will realize no gain or loss upon the retirement of that Bond.

Owners of Discount or Premium Bonds (or book-entry interests in them) should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for state and local tax purposes.

### **ABSENCE OF LITIGATION**

Upon delivery of the Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds.

### **RATINGS**

At the time of issuance, the Bonds are expected to be rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard & Poor's Ratings Services, and "AAA" by Fitch, Inc., with the understanding that upon delivery of the Bonds a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer. Such ratings reflect only the view of such organizations, and an explanation of the significance of such ratings can only be obtained from the rating agency 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 any such rating agency, if, in the judgment of such rating agency,



circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

McGladrey & Pullen LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the 1992 Refunding Bonds to be advance refunded, and (2) the computations of yield on the Bonds contained in the provided schedules used by Co-Bond Counsel in their determination that the interest on the Bonds is not included in gross income for federal income tax purposes. McGladrey & Pullen LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

### **CONSULTANT'S REPORT**

The economic feasibility of the Project is based upon certain forecasts prepared by the State with respect to the expected revenues and costs of the Project and by the Airport Financial Consultant with respect to enplanements at the Airport, all as of February 28, 2001. In addition, certain assumptions were made with respect to general business and economic conditions within the Airport's air service area and with the airline industry generally. These assumptions, as well as all other assumptions used in the forecasts, are inherently subject to significant uncertainty, and the actual results of the Airport's operations may differ, perhaps materially, from the forecasts. Therefore, no representation is made, or intended to be made, nor should any be inferred, with respect to the likely existence or occurrence of any particular set of future facts and circumstances. If actual results are less favorable than those projected or if the assumptions used in formulating the forecasts prove to be incorrect, the operation of the Project and its ability to generate sufficient revenues to pay debt service on the Bonds may be adversely affected. See **Appendix A – Feasibility Report**.

### **FINANCIAL ADVISORS**

Lamont Financial Services Corporation and Public Resources Advisory Group (collectively, the "Financial Advisors") have served as the Financial Advisors to the State with respect to the sale of the Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the Bonds and have assisted in the preparation of the Official Statement. Neither of the Financial Advisors has undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

### **UNDERWRITING**

The aggregate initial offering price of the Series 2001A Bonds to the public is \$194,725,480.95, plus accrued interest, and the Underwriters named on the cover of this Official Statement have agreed, subject to certain conditions precedent to closing, to purchase the Series 2001A Bonds from the State at an aggregate purchase price of \$193,207,101.58, plus accrued interest. The aggregate initial offering price of the Series 2001B Bonds to the public is

\$19,113,082.75, plus accrued interest, and the Underwriters named on the cover of this Official Statement have agreed, subject to certain conditions precedent to closing, to purchase the Series 2001B Bonds from the State at an aggregate purchase price of \$18,962,752.71, plus accrued interest. The Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

### **LEGAL MATTERS**

Legal matters incident to the issuance of the Bonds and with regard to the status of the interest thereon are subject to the legal opinions of Squire, Sanders & Dempsey L.L.P., New York, New York, and Shipman & Goodwin LLP, Hartford, Connecticut, Co-Bond Counsel. Signed copies of the opinions, dated and speaking only as of the date of original delivery of the Bonds, will be delivered to the Underwriters at the time of such original delivery and the form of the opinion is set forth as Appendix F to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, Hartford, Connecticut, and Rome McGuigan Sabanosh, P.C., Hartford, Connecticut as Co-Underwriters' counsel.

Squire, Sanders & Dempsey L.L.P., Co-Bond Counsel, also represents one or more of the Underwriters from time to time as its counsel on other unrelated transactions. Nixon Peabody LLP, Co-Underwriters' counsel, also serves as one of the State's bond counsel in certain other transactions.

## ADDITIONAL MATTERS

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, and laws of the State, the Act, and documents, agreements and court decisions, including but not limited to the 2001 Indenture, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

### STATE OF CONNECTICUT

By: /s/ Denise L. Nappier  
Hon. Denise L. Nappier  
Treasurer of the State of Connecticut

By: /s/ Marc S. Ryan  
Hon. Marc S. Ryan  
Secretary of the Office of Policy and  
Management

By: /s/ James F. Sullivan  
Hon. James F. Sullivan  
Commissioner of the Department  
of Transportation

Dated at Hartford, Connecticut  
this 15<sup>th</sup> day of March, 2001

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# ***Feasibility Report Bradley International Airport Terminal Improvement Project***

PREPARED FOR:

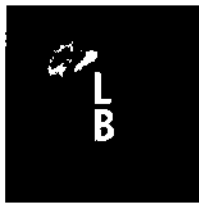
STATE OF CONNECTICUT  
DEPARTMENT OF TRANSPORTATION  
2800 BERLIN TURNPIKE  
NEWINGTON, CT 06111

PREPARED BY:



THE LOUIS BERGER GROUP, INC.  
100 HALSTED STREET  
EAST ORANGE, NEW JERSEY 07019

FINAL REPORT: FEBRUARY 28, 2001



February 28, 2001

Robert F. Juliano  
Bureau Chief  
Bureau of Aviation and Ports  
Connecticut Department of Transportation  
2800 Berlin Turnpike  
Newington, CT. 06111

Charles E. Canane, Jr.  
Bureau Chief  
Finance and Administration  
Connecticut Department of Transportation  
2800 Berlin Turnpike  
Newington, CT. 06111

Dear Sirs,

The Louis Berger Group, Inc. is pleased to enclose its final report concerning the Financial Feasibility of the Bradley International Airport Terminal Improvement Project. Berger's conclusions, documented and supported in the Report, are that the Terminal Improvement Project is financially feasible, economically justified by strong passenger demand and well timed to facilitate anticipated growth. These conclusions are based on analyses and assumptions concerning Airport demand forecasts and financial projections as presented in the Report which may or may not occur in the future but that are, in Berger's opinion, reasonable for the purposes indicated.

In order to reach these conclusions, Berger reviewed the underlying economics of the Airport service area and its base of passenger demand. A growing population, high income and employment are key indicators of the strength of the Airport Service Area and the base of Airport passenger traffic. Connecticut's population is highly educated, diverse and growing. The State has consistently enjoyed among the highest per capita income in the nation, and its unemployment is consistently lower than the regional and national rates. This strength is exhibited in growth of the Airport's enplaned passengers. Enplaned passengers have grown at an average annual rate of 3.8% from 1979 through 2000. In 2000, Bradley's enplaned passengers rose 16% to 3.7 million, virtually all of which are origin and destination (O&D) passengers. Today, the Airport offers diverse service to 38 non-stop destinations served by US Airways and Delta Airlines with 23% and 22% of total enplanements, respectively, followed by American and United with 12% and 10%, respectively. Southwest Airlines, which introduced its low fare service in late 1999, now accounts for 10% of enplanements. No other major carrier represented more than 10% of enplanements in 2000.

The strength of the service area economy, diversity of the air service offered and O&D nature of passenger demand indicate a secure foundation and provide the opportunity for growth in passenger

demand. While Berger's selected forecast of future passenger demand reflects these attributes, the forecast remains conservative in that it discounts the "Southwest Effect" experienced at the Airport over the past year. The passenger forecast, used extensively in the preparation of financial forecasts, represents an average annual growth rate of only 1.7% over the next 30 years, with higher growth rates expected in the more predictable early years in the forecast. Total enplaned passengers are forecast to increase from 3.4 million in 2001 to 5.2 million by 2030. By discounting the Southwest Effect, the forecast of passenger traffic in 2001 is 7.6% lower than actual 2000 enplaned passengers of 3.7 million.

Berger also reviewed the Airport's compensatory rate setting methodology and its historic financial performance. We found that the Airport's compensatory rate methodology has worked well, and has successfully positioned the Airport very strongly to undertake the Terminal Improvement Project. The Airport has been successful in reducing its charges to the airlines on a per passenger basis; while at the same time increasing non-airline revenues and operating income. In 1994, operating income was \$9 million. By 2000, actual operating income had increased to \$19.5 million, while total outstanding debt per enplaned passenger was only \$21.35. The FY 2001 Budget, with operating income of \$15.7 million, represents a conservative base year from which the Airport's financial performance has been projected.

The Airport's financial performance has been projected consistent with the compensatory rate setting approach. Operating expenses are projected to increase at annual rates of 2.0% to 3.7% and have been allocated, together with existing debt service and amortization expenses, to the airline cost centers including the Terminal Building, Landing Area and Apron Area consistent with the established methodology. Incremental operating expenses, debt service and amortization associated with the Terminal Improvement Project have also been assessed and allocated to the airline cost centers. Airline revenues are projected to increase from \$15.7 million in the FY 2001 Budget to \$38.9 million by 2030 including all incremental rents and fees associated with the Terminal Improvement Project. Non-airline revenues are projected to increase from \$24.6 million to \$52.6 million during this same period. The non-airline revenues are projected consistent with the terms and conditions of the leases and concession agreements governing use of the Airport by the non-airline users. Concessionaire gross receipts are projected consistent with the enplaned passenger forecast and inflation. The key terms and conditions observed in preparing the projection include the established percentage of gross receipts fees, minimum annual guarantees and other rental rates. Based on these analyses, the Airport's operating income is projected to increase from \$15.7 million in the FY 2001 Budget to \$22.6 million in 2012. Consistent with the Airport's compensatory rate setting approach, existing and new debt service reduction that occurs in FY 2012 and 2022, respectively, is reflected in airline revenues and operating income. Operating income is expected to fluctuate between \$18 million and \$21 million annually from 2014 through 2030. Operating income, together with non-PFC interest income and the Coverage Account established in the Airport's 1982 Revenue Bond Indenture, provide minimum coverage of 2.17, occurring in FY 2001, on the Airport's existing 1992 Bond debt service. This is well above the minimum of 1.25 required in the 1982 Indenture. Coverage increases steadily from FY 2002 to the final maturity date of October 1, 2012 for the 1992 Bonds.

The source of funds for the \$198.3 million Terminal Improvement Project include \$26.9 million in FAA and FHWA grants and Airport reserve funds, and \$171.4 million financed by the Airport's new Series 2001A General Airport Revenue Bonds, issued and secured with the new 2001 Indenture. The 2001 Bonds are payable only from a pledge of Airport revenues released by the 1982 Indenture Trustee after satisfaction of the 1982 Bond Indenture requirements, and from a pledge of a portion of the Airport's Passenger Facility Charges. The financing plan includes separate calculations of annual debt service attributable to the PFC eligible and non-eligible project costs. Non - eligible debt service is further segregated into airline and non-airline portions in order to facilitate the appropriate charge back of debt to the airlines. The airline portion of the debt service is capitalized through completion of construction in FY 2004.

The Airport's net revenue for 2001 Bond debt service, after payment of the 1992 Bond debt service, is projected to increase from \$8.9 million based on the FY 2001 Budget to \$13.5 million in FY 2005 after the period of capitalized interest. Net Airport revenue continues to increase steadily through 2030. PFC revenues are projected consistent with the enplaned passenger forecast, a net charge of \$4.42 per enplaned passenger, PFC-paying passengers equivalent to 95% of total enplanements, and a charge effective date of May 1, 2001. PFC revenues are projected to increase from \$14.5 million in FY 2002 to \$18.8 million in 2013, well above the pledged PFC revenues equivalent to 1.25 times debt service attributable to the PFC-eligible project costs. It is projected that all PFC-eligible debt service will be collected by March 30, 2013.

Coverage on the 2001 Bond debt service is determined by dividing the sum of net Airport revenue for 2001 Bond debt service, pledged PFC revenue and interest earnings on the non-PFC 2001 Bond reserve and construction funds by total 2001 Bond debt service. Coverage of 2.24 is achieved in FY 2002, which declines to a low of 1.64 in FY 2005, far above the requirements of the 2001 Indenture. Coverage then increases steadily through 2030.

Strong coverage, clearly demonstrated pursuant to the 1982 and 2001 indentures based on conservative assumptions for passenger traffic and Airport revenues, forms the basis for concluding that the Terminal Improvement Project is financially feasible. Economic prosperity, the advent of low fare service by Southwest Airlines, very strong passenger growth in the past several years, capacity issues presented by the age of the Murphy Terminal, and support of the project from the airlines also clearly demonstrate that the project is economically justified by passenger demand and well timed to facilitate anticipated growth.

It has been a pleasure working with you, the DOT management and staff on this project. I am confident the Airport will enjoy continued operational and financial success in the years to come.

Please do not hesitate to call me if you have any questions or comments.

Sincerely,

THE LOUIS BERGER GROUP, INC.

Mark T. Daley  
Manager, Airport Financial Services



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## **I. INTRODUCTION AND EXECUTIVE SUMMARY**

Bradley International Airport is a medium hub owned by the State of Connecticut and operated by its Bureau of Aviation and Ports. The Airport is situated on 2,358 acres of land 12 miles north of Hartford, Connecticut. The Airport primarily serves the State of Connecticut, a highly developed, urbanized State located between the financial centers of New York and Boston. The Airport enplaned 3.7 million passengers in 2000. The majority of Airport passengers (99.5%) are origin and destination passengers in contrast to transfer passengers associated with an airline hub.

The State is embarking upon a \$198.3 million terminal expansion and improvement program for the Airport referred to in this Report as the "Terminal Improvement Project". The Terminal Improvement Project includes constructing a new terminal building and 12-gate concourse, refurbishing the existing terminal complex, constructing and renovating the aircraft apron areas, constructing a new federal inspection service building, making roadway improvements, and purchasing and installing new jet bridges, baggage conveyor belts and other airline equipment. The project is the culmination of a thorough review and analysis of various development alternatives including consultations with the airlines and appropriate State officials over a multi-year planning, design and engineering review period. The purpose of this Report is to assess the financial feasibility of the Terminal Improvement Project. The Louis Berger Group, Inc. (Berger) has independently prepared this Report, in association with Trinity International Partners, Inc. Established in 1953, Berger is recognized globally as a leader in transportation consulting. Engineering News Record recently ranked Berger 3<sup>rd</sup> in transportation consulting and 5<sup>th</sup> in airport consulting. With a professional staff of 3,000 and more than 80 offices worldwide including 30 in the United States, Berger is one of the world's largest transportation consulting firms.

**Based on the analyses, assumptions and limiting conditions stated herein, Berger concludes that the Terminal Improvement Project is financially feasible, economically justified by strong passenger demand and well timed to facilitate anticipated growth.**

Bradley International Airport was established as an enterprise fund of the State in 1982. At that point in time, new airline agreements were signed and Airport revenue bonds were issued to fund a 1982 improvement program that included expansion of the Airport's main terminal building, then 31-years old and known as the "Murphy Terminal", to include a new Terminal A and Concourse C. Dedicated in 1986, the new Terminal A and Concourse C expansion facilitated over a 100% increase in enplaned passengers, including 47% growth over the last six years alone. In these six years, airline departures per aircraft gate position per day increased from 3.7 to 5.5. Consultant engineer evaluations indicate that current passenger demand levels have begun to exceed the design capacity of various components of the existing terminal complex. In addition, the Traffic Analysis and Projection included in Chapter II of this Report concludes that enplaned passengers will reach 4.3 million by 2010, which excludes the positive effects of the October 1999 initiation of air service at the Airport by Southwest Airlines. Including the "Southwest Effect" (i.e., extraordinary growth stimulated by lower fares and enhanced airline competition) results in the conclusion that enplaned passengers would reach 5 million by 2010. The evolution and age of the existing terminal complex, coupled with historic growth and a very positive outlook for future growth, clearly indicates the Terminal Improvement Project is economically justified by current passenger demand and well timed to facilitate anticipated growth.

Berger also concludes that the Terminal Improvement Project is financially feasible. This means that Bradley International Airport is projected to fully fund its operating, maintenance and capital improvement costs, including debt service on its 1992 Refunding Bonds and debt service on the new Series 2001 A Bonds being issued to undertake the Terminal Improvement Project, through Airport user charges and the capital financing mechanisms available to the Airport. The Terminal Improvement Project financing plan and the financial

projections supporting this conclusion are summarized in this Introduction and Executive Summary and addressed in detail in the balance of this Report.

## **┐ Financing Plan**

The Terminal Improvement Project is estimated to cost a total of \$198.3 million including design (\$19.2 million), engineering (\$12.0 million), construction (\$148.2 million) and construction contingency (\$18.9 million). The source of funds for the project includes \$26.9 million in cash available through Airport Improvement Program Grants, Federal Highway Administration Grants and the Airport's reserve funds, and \$171.4 million financed with the Series 2001 A General Airport Revenue Bonds. The 2001 Bonds are payable only from a pledge of Airport revenues transferred by the 1982 Indenture Trustee after satisfaction of the 1982 Bond Indenture requirements, and from a pledge of a portion of the Airport's Passenger Facility Charges.

In structuring the financing plan, the State first sought to maximize the use and leveraging of the Airport's PFC revenues based on a charge of \$4.50 per enplaned passenger and applicable project eligibility criteria, and to support the non PFC eligible project costs through General Airport Revenues. Based on the applicable project eligibility criteria, the Terminal Improvement Project includes \$101.2 million in PFC - eligible project costs and \$70.1 million in non-eligible project costs. The financing plan includes separate calculations of annual debt service attributable to the PFC eligible and non-eligible project costs. PFC - eligible debt service is based on a 30-year bond term, wrapped around a 20-year bond term for the non-eligible debt service. The pledge of PFC revenues has been established at 1.25 times PFC-eligible debt service, subject to the total PFCs to be collected for the project of \$231.9 million included in the Airport's PFC Application. Non - eligible debt service is further segregated into airline and non-airline portions in order to facilitate the appropriate charge back of debt to the airlines. The airline portion includes capitalized interest through completion of construction, at which point in time debt service is charged back. Table III.3 in Chapter III of this Report includes the full schedule of PFC - eligible and non-eligible debt service.

## **┐ Pledged PFC Revenues**

Passenger Facility Charges are collected by airlines from their passengers on behalf of the airports that charge them pursuant to rules adopted and enforced by the Federal Aviation Administration. These rules prescribe the application process required to impose and use PFC revenue including the definition of allowable costs and approved projects. Allowable costs include the reasonable and necessary costs of carrying out an approved project including costs incurred prior to and subsequent to the approval to impose a PFC, and making payments for debt service on bonds and other indebtedness incurred to carry out such projects. PFC revenues and interest earned on PFC revenues may only be spent on the allowable costs of an approved project. Eligible projects specifically include construction of gates and related areas at which passengers enplane or deplane excluding restaurants, rental car, parking and other concessions. The Aviation Investment and Reform Act for the 21<sup>st</sup> Century (Air 21) permits airports to impose PFCs of up to \$4.50 provided the project will make a significant contribution to improving safety and security, increasing airline competition, reducing current or anticipated congestion, or reducing noise. The Connecticut Department of Transportation has worked closely with the FAA in order to document the components of the Terminal Improvement Project that are eligible for PFC financing based on a charge of \$4.50 per passenger. Based on these consultations, the PFC Application submitted to the FAA for the Terminal Improvement Project on October 30, 2000 was for the authority to impose and use \$231.9 million including eligible project costs of \$101.2 million plus associated financing costs of \$130.7 million (reserve funds, cost of issuance and interest, etc.).

It should be noted that the debt service schedules included with the PFC Application were updated on February 22, 2001. The updated calculation of net debt service associated with PFC - eligible project costs (PFC gross

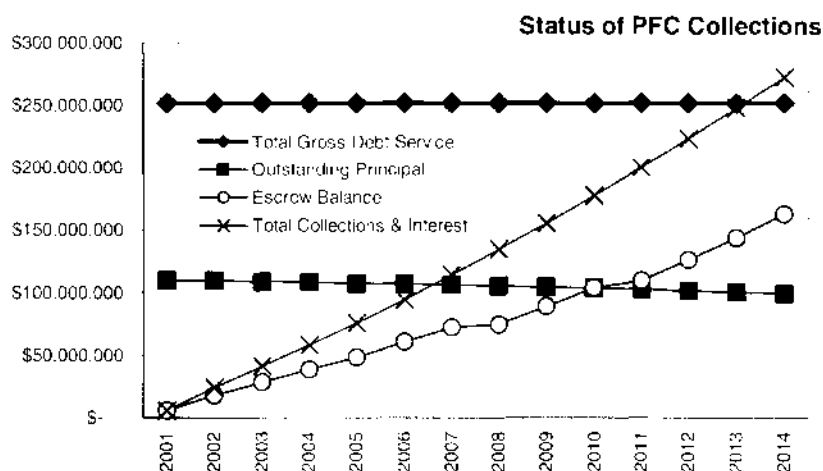
debt less PFC interest earnings and reserve) is \$230.7 million. The Airport's authority to impose and use PFCs for the Terminal Improvement Project will ultimately reflect the final debt service schedules.

The PFC revenue projection is presented in Chapter IV.6 of this Report. It is based on a net charge after airline collection fees of \$4.42 per enplaned passenger. The projection uses the Base Case enplaned passenger forecast presented in Chapter II, a collection rate of 95% of total enplaned passengers, a charge effective date of May 1, 2001 and excess PFC collections for prior projects to be transferred to the Terminal Improvement Project of \$3,557,718. The key determinant of PFC revenues, aside from the level of the charge, is the passenger forecast. Use of the Base Case forecast results in enplaned passengers that are forecast to increase from 3.4 million in 2001 to 5.2 million by 2030. By discounting the Southwest Effect, the forecast of passenger traffic in 2001 is 7.6% lower than actual 2000 enplaned passengers of 3.7 million.

In FY 2002, the Base Case forecast includes 3.5% passenger growth, which declines steadily to less than 2.5% growth by FY 2008, less than 2% by FY 2011 and less than 1% by FY 2017. This produces the forecast that enplaned passengers will increase from 3.33 million in FY 2001 to 5.19 million by FY 2030. The enplaned passenger forecast is summarized below along with total PFC revenue, PFC eligible debt service and the pledged PFC revenue.

Fiscal Year Ending 6/30	Enplaned Passengers	Total PFC Revenue	PFC - Eligible Debt Service	Pledged PFCs
2001	3,331,301	\$ 5,889,073	\$ -	\$ -
2005	3,769,617	\$ 15,828,622	\$ 6,604,383	\$ 8,255,479
2010	4,268,897	\$ 17,925,099	\$ 6,605,508	\$ 8,256,885
2015	4,592,160	\$ 19,282,480	\$ 6,637,595	\$ 8,296,994
2020	4,768,699	\$ 20,023,765	\$ 6,702,058	\$ 8,377,573
2025	4,936,282	\$ 20,727,448	\$ 11,281,785	\$ 14,102,231
2030	5,189,182	\$ 21,789,373	\$ 11,280,813	\$ 14,101,016

PFCs and interest earned on PFCs may only be collected for, and spent on eligible, approved projects. The Airport's annual PFC revenue will far exceed the Terminal Improvement Project's PFC eligible debt service. Accordingly, a PFC escrow account is being established. PFCs and PFC interest not used to pay annual PFC-eligible debt service will be deposited into the PFC escrow account. When sufficiently funded, the PFC escrow account will be used to



pay the principal balance of PFC-eligible debt service. It may also be used to finance additional PFC-eligible projects subject to further PFC Application requirements and additional authority to use PFCs as governed by applicable FAA regulations. Two runway reconstruction projects are presently identified as candidates for future PFC spending in the event that FAA discretionary grant funding is not available for those projects. It is estimated later in this Report that the PFC escrow account would be sufficient to pay the principal balance of

PFC eligible debt service in FY 2010 after also funding the two additional runway projects. It is also estimated that, in the event the 30-year PFC-eligible debt service schedule was followed to completion in 2031, total PFC collections and interest earnings would reach total gross PFC-eligible debt service by 2014.

**The conservative nature of the Base Case Traffic Forecast and the extent to which PFC revenues exceed PFC-eligible debt service provides the basis for concluding that the PFC component of the Terminal Improvement Project is financially feasible.**

Bradley International Airport has collected PFCs since October 1, 1993. Collections at the prior rate of \$3.00 per enplaned passenger, made pursuant to five prior approved applications, have provided PFC revenues and interest of \$44.4 million from FY 1994 through 2000.

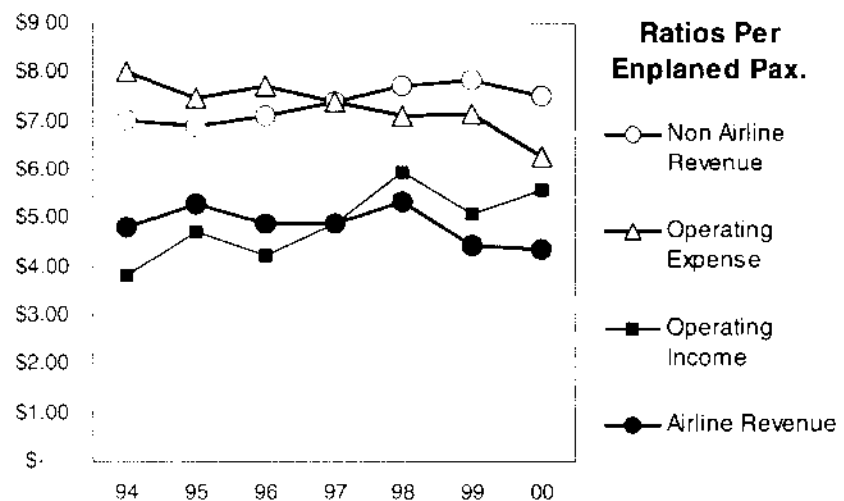
### □ Airport Net Revenues

In addition to its PFCs, Bradley International Airport generates net revenues from airline and non-airline sources that strongly support the non-eligible portions of the Terminal Improvement Project's debt service. The Airport has adopted the compensatory rate setting methodology with its signatory airlines (those that are a party to the signatory airline agreement including American, Continental, Delta, Northwest, TWA, United and US Airways). The signatory airline agreements signed in 1982 will continue in effect through June 30, 2011, as amended to incorporate various business terms required for PFC funding of the Terminal Improvement Project.

The compensatory rate setting methodology has enabled the Airport to position itself very strongly to undertake the Terminal Improvement Project. In the compensatory approach to airport rate setting, airlines' agree to fund only their allocated share of airport costs, but the airport reserves all concession and other revenues unto itself to use for any authorized purpose. This contrasts with the residual rate setting approach where the airlines agree to fund all airport costs net of concession and other revenues. The non-signatory airlines at Bradley operate pursuant to a short term agreement, pay higher landing fees and have no "Majority in - Interest" approval rights over the Airport's operating budget and capital projects.

The Connecticut DOT has been very successful in reducing operating expenses and airline costs on a per passenger basis while at the same time increasing non-airline revenues, operating income and the net income available for capital investment in the Airport. As indicated in Section IV.4.B of this Report, Growth in airline revenues has been relatively moderate and, consistent with the compensatory rate setting approach, reflective of the Airport's ability to control costs.

The rate of growth in non-airline revenues has exceeded that of the airline revenues. All of these factors have contributed to very strong growth in the Airport's operating income. In 1994, operating income was \$9 million. In 2000, operating income stood at \$19.5 million. This has all occurred during a time of strong growth in the Airport's enplaned passengers. In FY 1994, total enplaned passengers were 2.4 million. In FY 2000, total enplaned passengers were 3.5 million. As a consequence of these trends, the Airport expenses passed on



to the airlines have actually declined by 10% on a per passenger basis from 1994 through 2000. Outstanding debt has been reduced significantly to the point of only \$21.35 per enplaned passenger in FY 2000, and the combined balance of indenture funds and accounts increased from \$39 million to \$54 million in the last 10 years.

Airline and non airline revenues, expenses, existing and future debt service and coverage are summarized below:

### **Airline Revenues**

The FY 2001 Budget includes \$15.7 million in airline revenue. The compensatory rate setting methodology in effect for Bradley International Airport includes three airline cost centers (the Terminal Area, Apron Area and Landing Area) and one non-airline cost center (Other). Operating expenses, debt service and amortization expenses are allocated to each cost center. Allocated costs are then charged back to the airlines through Terminal Building rent, Apron and Landing fees as discussed in Chapter IV.4 of this Report. Since airline revenues are a function of Airport costs, projected airline revenues are a function of the operating and non-operating expense projections made later in this Report. Airline revenues are projected to increase from \$15.7 million in 2001 to \$38.9 million by 2030 based on the projections summarized below:

Operating Expenses – Operating expenses are projected to increase at rates of 2.0% to 3.7% annually based on a review of prior rates of change experienced at the Airport considering comparisons to consumer and producer price indices. Operating expenses are projected from the FY 2001 Budget as the base year. Cost center allocation ratios established in the FY 2001 Budget were held constant during the forecast period. Based on the applied rates of inflation, operating expenses are projected to increase from a total of \$24.6 million in FY 2001 to \$72.9 million by FY 2030. This projection includes incremental Terminal Building operating expenses of approximately \$2 million beginning in FY 2004 associated with the Terminal Improvement Project.

Non-Operating Expenses – Projected non-operating expenses primarily include General Airport Fund contributions to the Airport's additional capital improvement program. Over the next 30 years, it is anticipated that the General Airport Fund will contribute \$71 million to a total additional capital program of \$173 million. The balance of funding for the program will be attained through Federal entitlement grants received annually pursuant to the FAA's Airport Improvement Program, and possible discretionary FAA grants or PFCs in excess of the Terminal Improvement Project's debt service requirements. The additional capital program is addressed in detail in section IV.3 of this Report.

Debt Service – Debt service (other than PFC-eligible) is also allocated to the airline cost centers and included in projected airline revenue. Existing debt service allocations established for the 1992 Refunding Bonds are continued for the remaining term of those bonds through 2012 except as modified based on a partial advance refunding to occur in 2001 as discussed later in this Report. Non – eligible debt service associated with the Terminal Improvement Project is also allocated to the airline cost centers based on an analysis of the areas benefiting from the debt presented in Section IV.4.F. The airline share of non-eligible debt is capitalized through completion of the Terminal Improvement Project. By FY 2005, total non-eligible debt service is \$6.6 million, \$5.0 million of which is allocated to the airline cost centers.

### **Non Airline Revenue**

The FY 2001 Budget also includes \$24.6 million in non-airline revenue. The non-airline revenue sources include auto parking, rental car, restaurants and other concessions, land and building rent, fixed base

operations, other operating revenue and hotel commissions. Projected concession revenues, addressed in Chapter IV.5 of this Report, are based on the minimum annual guarantees and percentage of gross receipts fees established in agreements awarded through the competitive bidding process. The restaurant concession has typically yielded the minimum guarantee stated in the concession agreement. This is expected to continue through expiration of the current agreement. In addition, no assumption has been made for revenues above the minimum annual guarantees stated in the Construction, Financing and Operating Special Facility Lease Agreement effective April 7, 2000, providing for the construction (presently ongoing) and operation of an approximately 3,450 space parking garage at the Airport. This is because parking garage gross receipts are pledged to the Airport's Parking Garage Trustee for payment of debt service on the Airport's Special Obligation Parking Revenue Bonds, Series 2000 A and B. There is a separate and distinct guaranty from APCOA/Standard Parking, Inc. to make those minimum payments to the State should the revenue stream of both the garage and surface parking operations be insufficient to make such payments. The minimum guarantee, and any additional profit sharing pursuant to the parking agreement, is treated as gross operating revenue pursuant to the Airport's 1982 Bond Indenture. With the exception of auto parking, the projection of concession revenues is based on escalating concessionaire gross receipts consistent with the Base Case passenger forecast and 2% annual inflation, and calculating Airport revenue consistent with applicable percentage of gross receipts fees and minimum annual guarantees. In 1994, the Airport's actual concession revenues totaled \$14.0 million. In 2000, concessions yielded total revenues to the Airport of \$22.8 million, an increase of 63%. The FY 2001 budget includes \$21.4 million in concession revenue. Concession revenues are projected to increase to \$46.8 million by FY 2030 consistent with the above stated assumptions and methodologies.

Fixed base operator fees, land and building rent and other operating revenues are primarily based on comparable rates and negotiations. In 1994, this other non-airline revenue totaled \$2.6 million. It increased to \$3.3 million in 2000 and was budgeted at \$3.2 million in FY 2001. These revenues are projected to increase to \$5.8 million by 2030. Chapter IV.5 of this Report also includes the detail descriptions of all non-airline charges and revenue projections.

### **Net Airport Revenue**

Airline and non-airline revenues, together with interest earnings on the non-PFC accounts, produce total revenues that increase from \$43.7 million in the FY 2001 Budget to \$116.4 million by 2030. After deducting operating expenses and required deposits to the Operation and Maintenance Reserve, that increase from \$25.0 million in FY 2001 to \$73.5 million by 2030, Airport net revenues for debt service increase from \$18.7 in 2001 million to \$42.8 million in 2030.

### **┐ Application of Revenues**

The application of revenues and calculation of debt service coverage is presented in Section IV.7. To summarize briefly, the Airport's 1992 Refunding Bonds represent a prior lien on the Airport's gross operating revenues, as defined in the 1982 Indenture. As long as the 1992 Refunding Bonds are outstanding, all deposit requirements of the 1982 Indenture must be fulfilled before the State directs the 1982 Indenture Trustee to transfer funds for the purpose of the 2001 Bond Indenture. When the 1992 Refunding Bonds are paid or otherwise defeased, the 1982 Indenture will no longer be in effect. PFCs are not considered to be part of the Airport's gross operating revenues under the 1982 Indenture. PFCs are considered as such under the 2001 Indenture and are "Pledged Revenues" to the extent of 1.25 times the annual PFC-eligible debt service. Two debt service coverage tests are required based on this application of revenues, one for the 1982 Indenture and one for the 2001 Indenture.



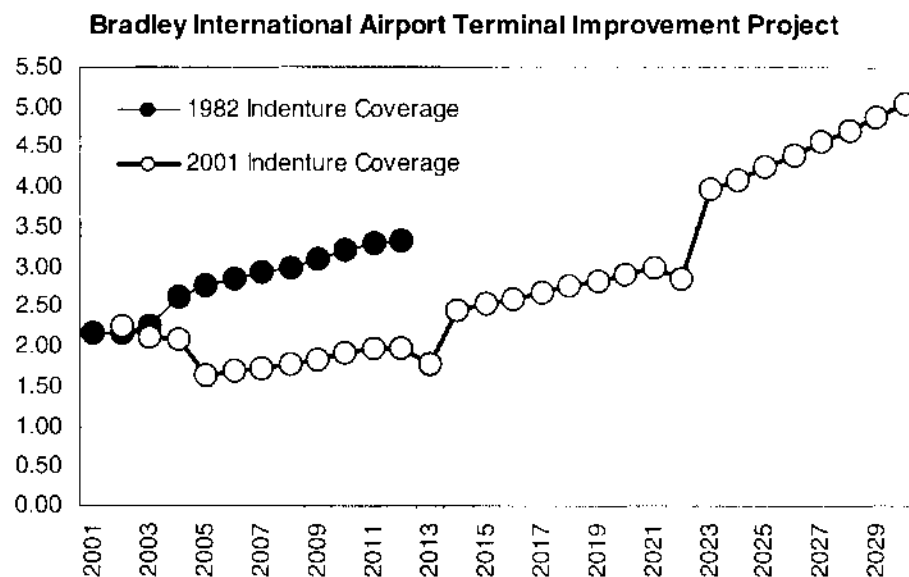
### **1982 Indenture**

Coverage pursuant to the 1982 Indenture is determined by dividing the Airport's gross operating revenues, including funds in the Airport Coverage Account, less current expenses, by 1992 Refunding Bond debt service.

Based on the financial projections presented later in this Report, minimum coverage of 2.17 is realized in FY 2002, well above the 1.25 required in the 1982 Indenture. Coverage increases steadily through maturity of the 1992 Refunding Bonds in 2012.

### **2001 Indenture**

Coverage pursuant to the 2001 Indenture is determined by dividing 1982 Indenture Funds transferred after satisfaction of the 1982 Indenture deposit requirements, together with pledged PFC revenues and interest earnings on the non-PFC 2001 Bond reserve and construction funds, by the 2001 Bond debt service. Based on the financial projections presented later in this Report, minimum coverage of 1.64 is realized in FY 2005, well above the requirements of the 2001 Indenture. Coverage increases steadily through maturity of the 2001 Bonds in 2031.



Strong coverage, clearly demonstrated pursuant to the 1982 and 2001 indentures based on conservative assumptions for passenger traffic and Airport revenues, forms the basis for concluding that the Terminal Improvement Project is financially feasible. Economic prosperity, the advent of low fare service by Southwest Airlines, very strong passenger growth in the past several years, capacity issues presented by the age of the Murphy Terminal, and support of the project from the airlines also clearly demonstrate that the project is economically justified by passenger demand and well timed to facilitate anticipated growth.

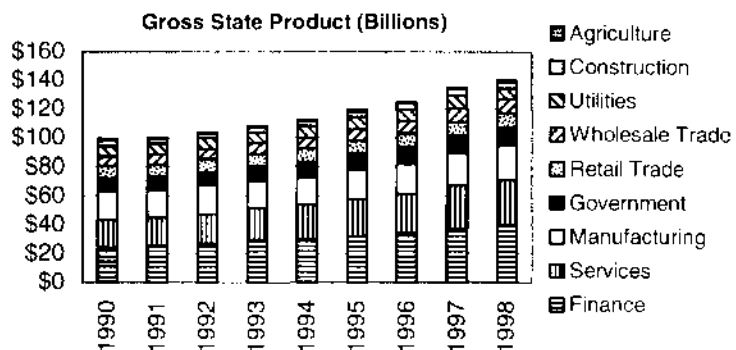
Projected Terminal Building rental rates before and after the Terminal Improvement Project are shown below. The projected rental rates have been developed in accordance with the Airport's compensatory rate setting methodology and applicable PFC regulations. To summarize briefly, project costs financed by PFCs may not be included in the airline rate bases and the State may not charge less for a PFC-financed terminal than it does for a comparable non-PFC-financed terminal. Accordingly, the State has agreed with the airlines to blend non PFC-eligible debt service allocated to Terminal A, Concourse C and the new terminal and concourse into a single "Unified Terminal" rental rate. As indicated, use of the Unified Rate actually lowers the rental rate charge for Terminal A and Concourse C.

**Total Terminal Building Rental Rates**

<b>Terminal Rental Rate</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Conc A Delta	\$ 21.00	\$ -	\$ -	\$ -	\$ -
Conc A American	\$ 21.00	\$ 22.65	\$ -	\$ -	\$ -
Conc A Other	\$ 21.00	\$ 22.65	\$ -	\$ -	\$ -
Conc. B	\$ 21.00	\$ 22.53	\$ 25.88	\$ 27.89	\$ 28.55
Murphy Terminal	\$ 30.88	\$ 33.24	\$ 33.12	\$ 34.27	\$ 34.94
Intl. Terminal	\$ 28.22	\$ 29.72	\$ 29.05	\$ 29.81	\$ 30.47
Terminal A	\$ 44.38	\$ 45.92	\$ 45.68	\$ 47.12	\$ 47.78
New Terminal	\$ 20.03	\$ 21.71	\$ 37.31	\$ 41.84	\$ 42.52
Unified Terminal	\$ 20.03	\$ 36.86	\$ 40.73	\$ 44.01	\$ 44.68

## II. TRAFFIC ANALYSIS & PROJECTION

Bradley International Airport primarily serves the State of Connecticut, a highly developed, urbanized State located between the financial centers of New York and Boston. The State economy is strong, diverse and resilient, providing both a secure foundation and the opportunity for growth in Airport passenger traffic. Personal income has been and is expected to remain among the highest in the nation. At \$39,300 in 1999, the State's per capita income was 37.6% greater than the US per capita income. The Gross State Product has increased steadily since the early 1990s. In 1998, the latest year for which information is available from the United States Department of Commerce, Bureau of Economic Analysis (BEA), the gross state product was over \$142 billion, representing 5.4% growth from 1997. In 1999, population increased for the fourth-consecutive year to approximately 3.3 million. Employment in the State has increased steadily since the early 1990s, and the unemployment rate has declined steadily. At 1.9% in December of 2000, the State is experiencing its lowest unemployment in a decade, lower than both the regional and national rates. Employment and the gross state product offer diverse representation from the manufacturing, construction, agriculture, utilities, wholesale and retail trade, finance, services and government industries.



Three traffic projections have been produced for specific analytical purposes. These include Berger's selected forecast referred to as the Base Case, Berger's aggressive forecast including the impact upon the Base Case of low fare service initiated by Southwest Airlines at the Airport on October 31, 1999, and the ConnDOT conservative forecast of flat 1.5% growth. The Base Case Forecast, presented herein, includes enplaned passengers by market segment (air carrier, commuter and charter), and cargo tonnage by market segment (freight and mail). The Southwest Effect Forecast, also presented herein, determines the incremental enplaned passengers over the Base Case with no impact upon the Base Case cargo forecast. In addition, general aviation activity is expected to grow slowly - about 1.5% annually, similar to recent FAA national forecast rates, and Military operations are expected to remain relatively constant or decrease in the future. In any case, general aviation and Military activity will not significantly affect terminal use.

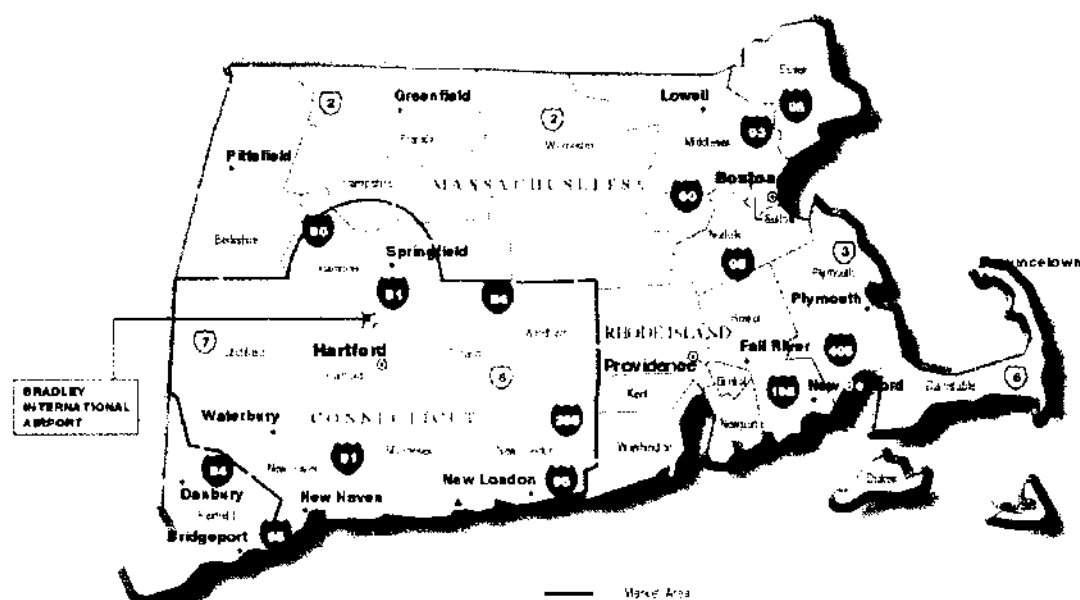
The purpose of the Traffic Analysis and Projection is to document the geographic area served by the Airport (including its economic base and demographics) to quantify the Airport's historic traffic levels and to project this traffic for a thirty year planning period. The Traffic Analysis and Projection directly affects revenues forecast from such sources as the Airport Improvement Program, Passenger Facility Charges and concessions and is a critical element in determining the financial feasibility of the proposed Terminal Improvement Project.

## 1. AIR SERVICE AREA

Bradley International Airport is situated on approximately 2,358 acres of land located mainly in the town of Windsor Locks, Connecticut, approximately 12 miles north of Hartford Connecticut, and 12 miles south of Springfield, Massachusetts, adjacent to Interstate 91. Airport passenger surveys from previous studies indicate that the Airport service area is centered on Hartford County, the ground travel origin of 44 percent of enplaned air carrier passengers. Beyond Hartford County, the air service area is primarily defined by most of the State of Connecticut as well as southwestern Massachusetts.

Survey findings have historically shown that roughly 89 percent of passengers enplaning at the Airport originated in an area comprising the entire State of Connecticut minus Fairfield County, plus the two Massachusetts counties of Hampden and Hampshire. For the purposes of forecasting activity at the Airport, this area (outlined in Figure II.1) is defined as the Primary Airport Service Area. Other than Massachusetts, additional passengers drawn from beyond the Primary Airport Service Area come from eastern New York, southern Vermont and western New Hampshire. These non-Massachusetts out-of-state passengers make up only a small proportion of total passenger volume, accounting for barely over one percent of enplanements. It is anticipated that the Primary Airport Service Area outlined in Figure II.1 may expand with the introduction of low fare service by Southwest Airlines and stepped up marketing efforts by the State. The service area could expand to include Fairfield County, central Massachusetts and the Interstate 84 corridor deeper into eastern New York State. Recent survey findings released by the State indicated success in increasing use of the Airport by Fairfield County residents. Service area expansion into further outlying regions may also occur dependent on the route structures and fares available at the airports serving such regions. However, the existing service by Southwest at Providence and Manchester, and the recently initiated service at Albany, may preclude service area expansion in those directions.

Figure II.1 – Bradley International Airport: Primary Airport Service Area



It should also be noted that the Southwest strategy of low fare service has tended to increase the number of passengers derived from an existing service area more than expand the service area. This occurs because passengers are attracted from alternate modes of transportation, and are attracted to travel when they otherwise would not have traveled in the absence of the low fare service.

## 2. POPULATION, INCOME AND EMPLOYMENT

A growing population, high income and employment are key indicators of the strength of the Airport Service Area and the base of Airport passenger traffic.

**Table II.1**  
**Population Trends in Bradley Air Service Area**

Year	Primary Service Area Population	Connecticut Population
1995	3,026,181	3,261,812
1996	3,023,394	3,263,910
1997	3,023,121	3,267,240
1998	3,024,700	3,274,069
1999	3,029,868	3,282,031

Sources: US Bureau of the Census; The Louis Berger Group, 1999

The United States Bureau of the Census estimated the population of the State of Connecticut to be 3,274,069 persons in 1998. This increased slightly to 3,282,031 in 1999 and to 3,405,565 in 2000 representing the fifth-consecutive annual increase. The State has a relatively high population density of 677 persons per square mile as compared to the national rate of 77. The Primary Airport Service Area is somewhat lower at 3,024,700 in 1998 and 3,029,868 in 1999. Table II.1 shows population trends in the Air Service Area since 1995. Due to the exclusion of fast-growing Fairfield County, population trends in the air service area do not exactly mirror those of the State of Connecticut. It should be noted that total annual enplanements in 2000 were 3,676,973.

Income in the Air Service Area is also largely determined by trends in the State of Connecticut. United States Bureau of the Census estimates for 1998 place Connecticut first among the fifty states in terms of per capita personal income at \$37,600, 11 percent higher than New Jersey, the second-ranking state, and a full 42 percent above the national average<sup>1</sup>. Data from the BEA indicates that per capita income in Connecticut rose to \$39,300 in 1999, which was 37.6% greater than the United States per capita income.

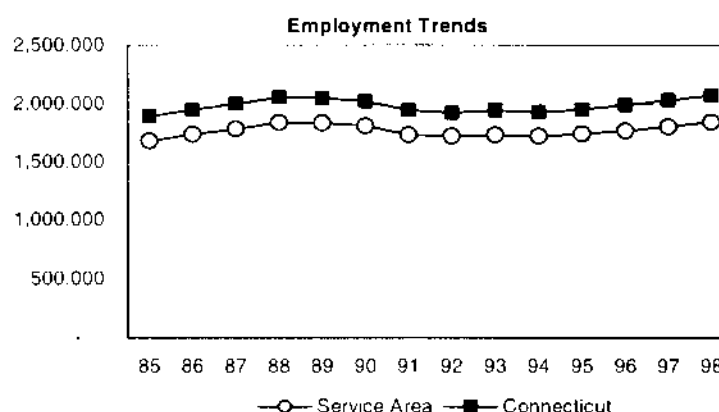
Total employment in the State has also risen consistently since 1992. As indicated in Table II.2, 1992 employment of 1,921,402 rose to 2,070,064 by 1998. Data available from the US Department of Labor, Bureau of Labor Statistics, demonstrates continued growth in non-agricultural employment of 1.74% in 1999. The State's unemployment rate has declined steadily, and at just 1.9% in December 2000, was less than half the National rate of 4.0%.

Increased employment reflects improvement in the finance, insurance and real estate (FIRE) industries, with 1998 job growth in that sector of 3.4 percent. Other fast-growing sectors include services, which increased employment by 3 percent, and construction, which increased by 3.4 percent. Connecticut's manufacturing sector has essentially stabilized and still accounts for over 17 percent of the State's employment.

<sup>1</sup> Personal income is comprised of net earnings by place of residence, dividends, interest, rent and transfer payments.

**Table II.2**  
**Bradley International Airport**  
**Employment Trends in the Bradley Air Service Area**

Year	Service Area	Connecticut
85	1,676,632	1,889,470
86	1,733,261	1,948,058
87	1,780,763	1,996,817
88	1,837,107	2,056,636
89	1,835,830	2,050,464
90	1,806,967	2,017,466
91	1,732,884	1,940,067
92	1,717,476	1,921,402
93	1,728,441	1,942,458
94	1,719,613	1,927,261
95	1,739,518	1,951,603
96	1,768,423	1,987,022
97	1,804,906	2,029,415
98	1,844,486	2,070,064



Source: Connecticut Department of Labor; Massachusetts Department of Employment and Training; The Louis Berger Group, Inc., 1999

### 3. ECONOMIC PROSPECTS

Significant employers in both the Air Service Area and the State of Connecticut include retail, government, health services, and construction. The industries in which Connecticut has an above-average presence include business services, FIRE, transportation equipment, machinery and computer equipment, electronic and electrical equipment, printing & publishing and chemicals – all industries that tend to generate above average wages per employee.

The general consensus is that the prospects for the economies of both Connecticut and the Air Service Area are good. State unemployment at 3.4 percent in 1998, 3.2 percent in 1999 and 1.9% as of December 2000 are all well below the historic national rates.

A key reason for optimism regarding the area's prospects is the high skill levels of the workforce. As discussed in a recent study by the University of Connecticut's Center for Economic Analysis, the State of Connecticut ranks third, and Massachusetts first in the proportion of state populations that have obtained college degrees. Such a highly educated workforce is usually indicative of productivity in the workplace as well as adaptability to new technologies and management practices – all factors that bode well for the area's economic prospects.

Table II.3 outlines the forecasted annual growth in employment for the Air Service Area, both for total employment and service employment. The growth trends are based on forecasts for the Connecticut economy that are produced by the BEA. These

**Table II.3**  
**Employment Growth**  
**in the Bradley Air Service Area**

Period	Total Employment	Service Sector
1998 - 2000	1.50%	2.40%
2001 - 2005	1.20%	2.00%
2006 - 2010	1.00%	1.50%
2011 - 2015	0.70%	1.10%
2016 - 2025	0.30%	0.60%
2026 - 2030	0.50%	0.70%

Sources: US Department of Commerce, BEA  
The Louis Berger Group, 1999

forecasts are particularly important since they play a vital role in the passenger forecasts produced by Berger. While the BEA's forecasts are undoubtedly conservative over the long term, they were used for the sake of producing fairly conservative enplanement and operations forecasts.

#### **4. AIR SERVICE HISTORY**

The Airport opened in 1941, when it was developed as a military airport. In 1947, the airport inaugurated its first commercial flight, and the following year the conversion to commercial use was formalized when the federal government deeded the facility to the State of Connecticut. A major increase in terminal capacity occurred with the completion of the Murphy Terminal in 1952. By the 1980's, as annual enplanements were well over one million, and capacity constraints necessitated a series of additional improvements, the most notable being the completion of a new Terminal A and Concourse C. Recent or ongoing improvements at the Airport have included expanded cargo facilities, runway reconstruction, access roadways, a new control tower, and a new 3,500 space parking garage (now under construction).

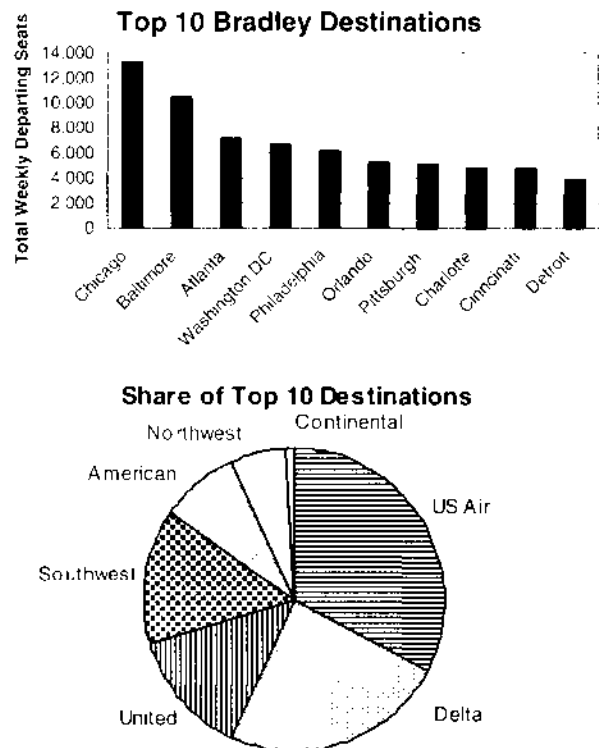
Air service activity at the Airport includes air carriers, commuters, charter operators, some military flights and a significant amount of all-cargo service. Major passenger markets during the 1990 to 1998 period consisted of various Florida destinations (which by 1998 accounted for 20% percent of enplaned passengers), California, Chicago, Washington, DC, Texas, Atlanta, Pennsylvania and Ohio destinations. By 2000, the air carriers represented approximately 94% of total enplaned passengers. The dominant air carriers were US Airways and Delta with approximately 23% and 22%, respectively, of total enplanements each, followed by American and United with 12% and 10%, respectively. Southwest Airlines, which introduced service in late 1999, accounted for 10% of annual 2000 enplanements. No other major carrier represented more than 10% of enplanements. America West, Continental, Midway, Midwest Express, Northwest and TWA all combined for 17% of total enplanements. It is expected that competition within the airline industry will continue to be closely monitored by the US Department of Transportation with the goal of maintaining continued downward pressure on fares. The airlines are becoming increasingly sensitive to the US DOT concerns over airline competition as demonstrated by the structuring of the United / US Airways merger and the TWA bankruptcy and takeover by American. For example, the agreement between United and US Airways includes the spin off of DC Air with American Airlines as its partner. United and American will also share the US Airways Boston, New York, Washington shuttle service. These airline mergers and takeovers are not expected to have a significant effect on the services provided at the Airport.

A review of the January 2001 Official Airline Guide indicates that the Airport currently serves 38 non-stop destinations with 1,087 weekly departing flights. These flights provide total capacity of 107,163 weekly departing seats (5,572,246 seats annually). The breakdown of flight offerings is as follows:

Mainline carriers with jet service:	67.0%
Commuter/propjet flights:	10.5%
Low fare carrier flights:	22.5%

The distribution of mainline jet flights at Bradley is: US Airways (18%), Delta (11%), American (11%), United (10%), Northwest (6%), TWA (3%) and Continental (2%), with others (Midwest Express, L.B. Limited, America West, Midway) providing 6% of the total service. Commuter services are provided by US Airways Express, Continental Express, American Eagle, America West Express, the Midwest Express Connection, Air Ontario, and Shuttle America. Low-fare carrier service is split amongst Southwest (11%), Delta Express (7%) and MetroJet by US Airways (4.5%).

The top ten destinations presently being served, based on the number of weekly departing flights, are Chicago (O'Hare and Midway airports), Baltimore/Washington, Philadelphia, Newark, Washington DC (Dulles and National airports), Syracuse, Buffalo, Rochester, Orlando and Atlanta. The flights to Newark (with a single exception), Syracuse, Buffalo and Rochester, although frequent, are commuter express flights provided by Continental and US Airways using turbo prop aircraft and regional jets with lower seating capacities. The Delta flights to Atlanta, in contrast, utilize equipment with relatively high seating capacities. Accordingly, the top ten destinations based on the number of weekly departing seats are different than the flight frequency ranking. The top ten destinations based on departing seats are Chicago (O'Hare and Midway airports), Baltimore/Washington, Atlanta, Washington DC (Dulles and National airports), Philadelphia, Orlando, Pittsburgh, Charlotte, Cincinnati and Detroit as show graphically above.



The top 10 destinations represent 63% of the total departing seats. The number one destination, Chicago, is served by United, with 45% of that market, and American with 43%, each flying to O'Hare, and Southwest with 12% of the Chicago market flying to Midway. The number two destination, Baltimore/Washington, is served by Southwest Airlines, with 68% of the market, and US Airways with the remaining 32%. Delta exclusively serves Atlanta, the number three market. Delta, with 79% of the market, also serves Orlando. Southwest Airlines also serves Orlando and has the remaining 21% of that route. The Washington market is shared equally between United Airlines, flying to Dulles, and US Airways flying to Reagan National. Philadelphia, Pittsburgh and Charlotte are served exclusively by US Airways. Cincinnati and Detroit are served exclusively by Delta and Northwest Airlines, respectively.

The other 28 destinations served out of Bradley represent 37% of the total departing seats. In addition to the carriers serving the top 10 destinations, and their respective express operations in these markets, other Bradley carriers include Shuttle America, America West, Midwest Express, Air Canada and Midway Airlines. A variety of destinations throughout the US and Canada are served by these carriers including Toronto, Montreal, Las Vegas, Los Angeles, San Francisco, San Juan, Phoenix, Dallas, Houston, Denver, Milwaukee, St. Louis, Palm Beach and additional east-coast cities.



## 5. AIR PASSENGER ACTIVITY HISTORY

The Airport has experienced 3.8% average annual growth in enplaned passengers from 1979 through 2000. Total enplaned passengers at the Airport in 1998 were 2,816,640 making Bradley the nation's 56th busiest airport in terms of 1998 passenger volumes. In 1999, Bradley's enplaned passengers rose 13% to 3,177,478 moving Bradley up to the nation's 55<sup>th</sup> busiest airport in terms of 1999 passenger volumes. In 2000, Bradley's enplaned passengers rose 16% to 3,676,973.

Total 2000 enplaned passengers included 3,413,303 major air carrier passengers, 183,115 domestic commuter passengers, 40,518 international commuter passengers, 2,852 domestic charter passengers and 19,185 international charter passengers. Bradley passengers are overwhelmingly origin-destination (99.5 percent), and approximately half are leisure travelers. Air carrier activity is entirely domestic, while commuter airlines provide international flights to Canada. Charter flights have been mostly international, with service to Mexico and the Caribbean being the typical offering.

Figure II.2 and Table II.4 details the growth of passenger volumes between air carriers, commuters and charters between 1979 and 1999. It also includes the total passenger counts and the actual growth rates experienced from year to year in each segment. Figure II.3 shows that these different segments exhibited very different growth trends<sup>1</sup>. In particular, the commuter passenger segment has tended to grow more rapidly than air carrier passengers, with commuter growth extremely pronounced during two periods, 1979 to 1981 and 1990 to 1998.

The air carrier passenger segment, which accounts for 90 percent of total enplanements, has grown more slowly, if more predictably than commuter passengers. Charter passengers, who account for less than one percent of total enplanements, have been generally declining since the early 1980s, reflecting the national trend generated by falling fares in the air carrier segment.

Figure II.4 shows that total air carrier and commuter enplaned passenger growth at Bradley exceeded the national rate of growth in domestic, scheduled airline enplaned passengers reported by the Air Transport Association immediately following the dedication of Terminal A and Concourse C in 1986. The national rate of growth then exceeded the Airport's growth rate between 1988 and 1993. From 1994 through 1998, Bradley and US growth were equalized based on the 1983 index shown in Figure II.4. The Airport is once again entering a period of growth above what is being experienced nationally. The slower growth that occurred at Bradley between 1988 and 1993 is largely attributable to two factors. First, as can be seen in Figure II.5, the price of air travel for passengers using the Airport<sup>2</sup> has been slightly higher than the national average. As discussed later in this Report, the introduction of Southwest Airlines has significantly reduced this difference. Second, while the income levels in the Airport Service Area are among the highest in the nation, the economic growth patterns for the market area had been, in the early 1990's, slower than the nation's. As is discussed below, it is economic growth, rather than the level of income, which drives growth in enplanements. The correlation between economic growth in the Air Service Area and passenger enplanements at the Airport is significant, and this relationship is a primary aspect of the forecasting model developed for the Airport.

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<sup>1</sup> As in Figure II.2, various figures in the Report are presented as an index. The data is converted from absolute numbers to an index (so that the value in the base year equals 1). This allows the comparison of growth trends for variables of different magnitudes.

<sup>2</sup> Price of air travel is approximated by using *airline yield per passenger mile* (also known as *revenue per passenger mile*). The numbers represented in Figure II.4 are in real terms, adjusted for inflation.

Figure II.2 - BDL Historic Enplaned Passengers

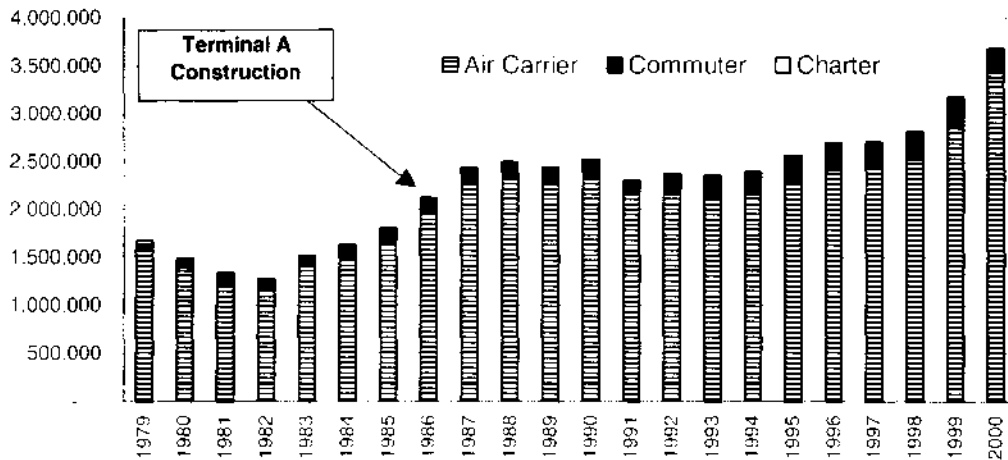
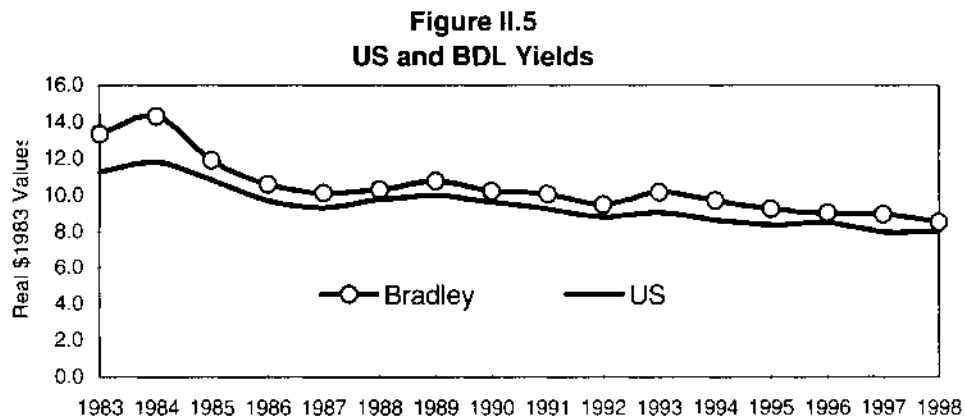
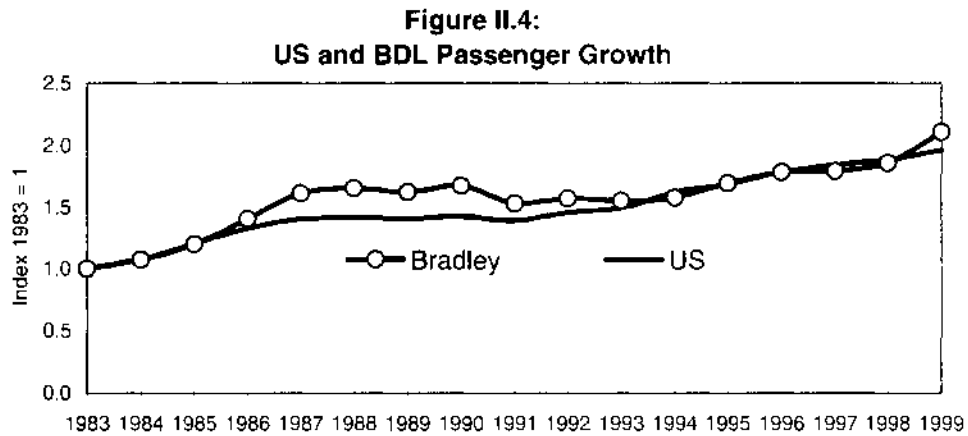
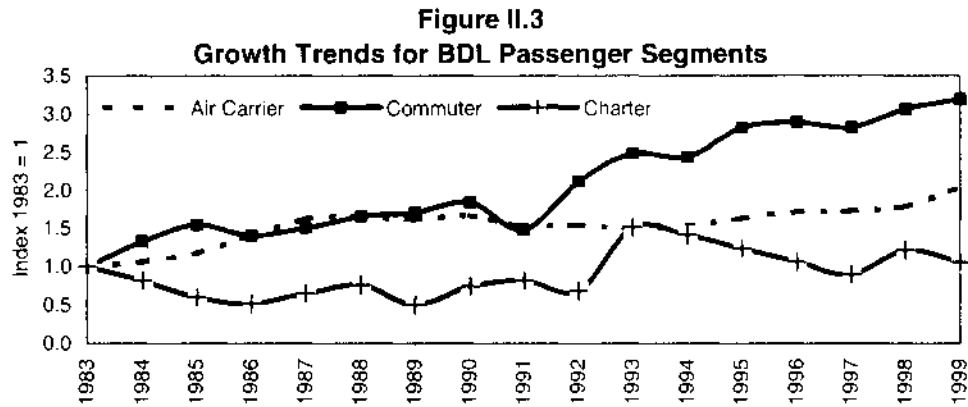


Table II.4  
Bradley International Airport  
Historic Enplaned Passengers

Year	Historic Enplaned Passengers				Historic Year to Year Growth			
	Air Carrier	Commuter	Charter	Total	Air Carrier	Commuter	Charter	Total
1979	1,606,516	29,176	34,553	1,670,245	n/a	n/a	n/a	n/a
1980	1,400,874	63,582	26,763	1,491,219	-12.80%	117.93%	-22.55%	-10.72%
1981	1,213,036	93,458	31,051	1,337,545	-13.41%	46.99%	16.02%	-10.31%
1982	1,152,156	97,886	23,552	1,273,594	-5.02%	4.74%	-24.15%	-4.78%
1983	1,410,887	87,232	22,766	1,520,885	22.46%	-10.88%	-3.34%	19.42%
1984	1,494,233	115,676	18,620	1,628,529	5.91%	32.61%	-18.21%	7.08%
1985	1,660,041	134,958	13,643	1,808,642	11.10%	16.67%	-26.73%	11.06%
1986	1,983,159	122,756	11,787	2,117,702	19.46%	-9.04%	-13.60%	17.09%
1987	2,284,862	130,893	14,751	2,430,506	15.21%	6.63%	25.15%	14.77%
1988	2,335,327	144,451	17,284	2,497,062	2.21%	10.36%	17.17%	2.74%
1989	2,277,893	148,978	11,400	2,438,271	-2.46%	3.13%	-34.04%	-2.35%
1990	2,345,422	159,995	16,985	2,522,402	2.96%	7.40%	48.99%	3.45%
1991	2,159,369	128,997	18,623	2,306,989	-7.93%	-19.37%	9.64%	-8.54%
1992	2,170,544	184,599	15,590	2,370,733	0.52%	43.10%	-16.29%	2.76%
1993	2,104,219	216,189	34,420	2,354,828	-3.06%	17.11%	120.78%	-0.67%
1994	2,151,779	211,899	32,186	2,395,864	2.26%	-1.98%	-6.49%	1.74%
1995	2,294,974	246,126	28,236	2,569,336	6.65%	16.15%	-12.27%	7.24%
1996	2,415,837	252,035	24,196	2,692,068	5.27%	2.40%	-14.31%	4.78%
1997	2,442,167	246,535	20,367	2,709,069	1.09%	-2.18%	-15.82%	0.63%
1998	2,521,526	267,365	27,749	2,816,640	3.25%	8.45%	36.24%	3.97%
1999	2,874,632	278,711	24,135	3,177,478	14.00%	4.24%	-13.02%	12.81%
2000	3,431,303	223,633	22,037	3,676,973	19.36%	-19.76%	-8.69%	15.72%
Average Annual Growth (1979 to 2000)					3.679%	10.184%	-2.119%	3.829%



Source: The Louis Berger Group, Inc., Connecticut Department of Transportation, Air Transport Association

## 6. AIR CARGO ACTIVITY HISTORY

All of the major cargo operators are represented at the Airport. The primary contributors to the Airport's cargo tonnage are listed below:

United Parcel Service	Emery Worldwide
Federal Express	Arrow Air
Burlington Air	Airborne Express
Kitty Hawk	DHL Airways
Tradewinds International	

The Airport experienced 6.7% average annual growth in cargo activity from 1979 through 2000. The Airport's total cargo activity in 1999 was 193,441 tons representing 6.6% growth from 1998 and making the Airport the nation's 36<sup>th</sup> busiest in terms of cargo activity. A 5.6% decline in freight activity in 2000 was offset by 9% increase in mail activity. As with passengers, different market segments within cargo exhibited significant differences in growth trends. As illustrated in Table II.5, freight components of cargo far outpaced the mail component in terms of growth, with freight averaging annual growth (in terms of tons passing through the Airport) of 5.2 percent from 1985 to 1999, and mail 4.0 percent. In total, air cargo at the Airport grew by 4.5 percent during this period. In comparison, total growth in cargo activity by U.S. Airlines, both domestic and international, between 1988 and 1997 was 5.5 percent a year<sup>3</sup>.

The fast growth in freight is tied to the growth in trade generally, as well as the declining real price of cargo shipping, which Boeing estimates to have decreased in real terms by 34 percent since the early 1980's. At Bradley, rapid growth has also reflected the development of substantial all-cargo activity. All-cargo aircraft presently carry 97 percent of freight passing through the Airport. In comparison, passenger aircraft carry 50 percent of mail.

**Table II.5**  
**BDL Cargo in Annual Tons**

Year	Freight	Mail	Total
1979	31,900	16,130	48,030
1980	25,611	18,694	44,305
1981	16,714	14,397	31,112
1982	14,480	18,831	33,311
1983	15,210	19,463	34,673
1984	73,759	23,151	96,910
1985	79,335	25,223	104,558
1986	47,681	28,266	75,947
1987	69,201	31,419	100,620
1988	74,841	32,109	106,950
1989	88,018	33,075	121,093
1990	91,243	36,235	127,478
1991	104,416	38,274	142,690
1992	110,508	38,107	148,615
1993	117,930	39,797	157,727
1994	127,454	31,994	159,448
1995	115,040	39,437	154,477
1996	130,536	36,520	167,056
1997	135,294	37,293	172,587
1998	141,824	39,560	181,384
1999	149,934	43,507	193,441
2000	141,481	47,548	189,029
Average Annual Growth (1979 - 2000)			6.742%

Source: Connecticut Department of Transportation

<sup>3</sup> The national figures represent growth in ton kilometers, a slightly different measure.

## 7. ALTERNATIVE PASSENGER DEMAND FORECASTS

Three alternative passenger demand forecasts have been developed for the purposes of assessing the Airport's financing capacity and the financial feasibility of the proposed Terminal Improvement Project:

- **Base Case** – The “Base Case” represents Berger’s expected future demand forecast in the absence of low fare passenger service started by Southwest Airlines on October 31, 1999. The Base Case is the selected forecast used for the purpose of assessing the financial feasibility of the Terminal Improvement Project.
- **Southwest Effect** – The “Southwest Effect” includes the impact of Southwest Airlines upon the Base Case. It was developed and used for the purpose of assessing the Airport’s financing capacity for further expansion of Airport terminal facilities.
- **Conservative Forecast** – The “Conservative Forecast” represents a flat 1.5% growth rate applied to actual 1999 demand levels. This projection was developed at the direction of the Connecticut Department of Transportation and used for the purpose of preparing the financing plan and other financial documentation included with the Airport’s Passenger Facility Charge Application submitted to the FAA for the Terminal Improvement Project. The Conservative Forecast has also been used to test the financial viability of the Terminal Improvement Project pursuant to passenger demand levels that are, in the early years, forecast to be considerably lower than the Base Case forecast.

## 8. BASE CASE DEMAND FORECAST

The methodology used for the Base Case forecast is based on standard econometric modeling techniques. The process involves building a model, based on regression analysis of historical economic and passenger data, which can then be used to project future demand for air passengers. The projections of future demand are themselves based on projections concerning the future state of the economy (in this case, the regional economy encompassing the Primary Airport Service Area) and future trends in air travel. The historic factors that are considered in building the passenger demand model include population, income, employment and airfares experienced in relation to the Airport’s enplaned passengers, all of which were previously discussed in this Report. Separate forecasting models were constructed and evaluated for each of the market segments (air carrier and commuter). Additional information concerning the passenger demand models used in the Base Case Demand Forecast is on file with the Connecticut Department of Transportation.

Once the appropriate forecast models were identified, future enplanements were forecast. This involves selecting a forecast for the various economic variables that drive the model. After a thorough review of available economic forecasts for the Primary Airport Service Area, it was decided to rely upon the long-term economic forecast produced by the BEA for Connecticut, which was described in Section II.3. The forecasts used for growth in Primary Airport Service Area for employment were previously outlined in Table II.3. For the assumptions regarding future trends in airline ticket prices (or revenues per passenger mile), the FAA’s long-term assumptions on national ticket price trends were used. As previously noted, it is expected that competition within the airline industry will continue to be closely monitored by the US Department of Transportation with the goal of maintaining continued downward pressure on fares.

Table II.8 summarizes the past trends in ticket prices (revenue per passenger mile) between 1985 and 1998, with the prices adjusted for inflation and valued in constant 1983 dollars. The table also includes the forecasts for prices at the Airport. Consistent with FAA's national forecasts, prices at Bradley are assumed to decrease by approximately 0.1% annually until 2010, and remain constant thereafter.

With respect to the assumed trend in airline prices, the FAA assumptions that were used are consistent, if not more conservative, than those produced

by Boeing, the Air Transport Association and the International Air Transport Association. The prevailing view is that competition in the industry will not abate, and will continue to put constant downward pressure on fares (or yields which are used to approximate fares). In addition, newer aircraft continue to improve on fuel efficiency, resulting in continued decreasing consumption for the aircraft fleet over time.

The Base Case enplaned passenger forecast produced through the process of econometric modeling is shown on Table II.11. As indicated, the Base Case Forecast results in enplaned passengers increasing from 3.12 to 5.22 million from 1999 to 2030 with rates of growth significantly tapering off in the less predictable out years of the forecast. Average annual growth in enplanements for the Base Case is 1.7 percent.

## 9. THE SOUTHWEST EFFECT

A special analysis was carried out to estimate the effect on enplanement levels of Southwest Airlines service at the Airport. As has been seen at airports where Southwest has introduced its low-fare service, the increase in enplanements has usually been dramatic. The average fare charged on routes served by Southwest has usually fallen significantly, and fares on routes *not* served by Southwest Airlines have often declined as well.

Southwest introduced service at the Airport on October 31, 1999. The initial service consisted of 12 daily flights, including 8 flights to Baltimore's BWI, 2 daily flights to Chicago Midway and one each to Nashville and Orlando. Southwest has since added a flight to Las Vegas. All Southwest destinations are currently being served by existing airlines at Bradley. The questions that are raised by the new service are the following: To what degree will Southwest service add to existing service or simply substitute for existing service? In other words, what might be the effect on fares (and enplanement levels) on routes served by Southwest? Further, what might be the effect of Southwest service on other routes not served by the airline? The answers to such questions are important, and certainly necessary to form assumptions regarding future enplanements at the Airport.

**Table II.8**

**Historic and Forecast Air Carrier Revenues per Passenger Mile**

Historic		Forecast	
Year	Revenue (Cents)	Year	Revenue (Cents)
1985	11.94	1999	8.36
1986	10.59	2000	8.17
1987	10.11	2001	7.99
1988	10.30	2002	7.92
1989	10.79	2003	7.86
1990	10.25	2004	7.80
1991	10.06	2005	7.74
1992	9.48	2006	7.68
1993	10.17	2007	7.62
1994	9.70	2008	7.56
1995	9.24	2009	7.50
1996	9.03	2010	7.44
1997	8.95	2011	7.44
1998	8.52	> 2011	7.44

Source: The Louis Berger Group, 1999

Results are rounded

The magnitude of the "Southwest Effect" at the Airport is difficult to forecast using the econometric model developed for the Base Case Forecast, since no long-term historic data exists on Southwest activity at the Airport. Therefore, the Southwest Effect Forecast was developed by:

- ┐ Considering what the effect has been at other airports with Southwest Service;
- ┐ Estimating the number of Southwest enplanements based on its service schedule and load factor;
- ┐ Estimating the number of Southwest passengers that were drawn from other carriers at the Airport; and
- ┐ Estimating the decline in airfares that can be expected at the Airport and introducing that decline into the Base Case econometric model.

### **Other Southwest Airports**

The first step in estimating the Southwest Effect is to examine the growth patterns at other airports. As shown in Table II.9, the observed pattern is usually for fairly dramatic increases in enplanements following the introduction of service, with the increase taking place in the first two to three years following the arrival of Southwest.

**Table II.9**  
**Enplanement Patterns: New Southwest Service**

<b>Airport</b> <b>(1<sup>st</sup> year of Southwest Service)</b>	<b>Increase in Enplanements Following Southwest Service:</b>		
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Providence - T.F. Green (1996)	+15%	+63%	N/A
Omaha - Eppley Field (1994)	+25%	+13%	-1%
Fort Lauderdale - FLI (1996)	+16%	+10%	N/A
Tampa Bay - TBI (1994)	+14%	+10%	N/A
Salt Lake City - SLCI (1994)	+11%	+6%	+0%
Spokane - SI (1994)	+15%	+11%	+9%
Boise - Gowen Field (1994)	+22%	+27%	+5%
Jackson - Jackson Int'l (1997)	-3%	+6%	+11%
Baltimore - BWI (1993)	+35%	+2%	+3%
Nashville - Nashville Int'l (1995)	-14%	-7%	+9%
<b>Bradley Forecast with Southwest Effect (See Below)</b>	<b>+21%</b>	<b>+4%</b>	<b>+3%</b>

Source: Federal Aviation Administration (Historical Data), The Louis Berger Group (Bradley Forecast), 1999

From demographic, geographic and overall service level standpoints, Fort Lauderdale and Baltimore are considered more comparable markets to Bradley than the other markets listed above. However, neither of the markets is served by more than one airport with service by Southwest. In addition to its new service at the Airport, Southwest presently serves T.F. Green Airport (65 miles east of Bradley) and Manchester Airport (105 miles northeast of Bradley), and recently began service at Albany International. This concentration of airports served would indicate that the Southwest effect would be more dramatic at the comparable airports than Bradley.

As indicated above, the most dramatic effect was observed at Providence's T.F. Green Airport (65 miles east of Bradley). Fares on routes served by Southwest dropped an average of 47 percent in the first two years of service, and fares on routes not served by Southwest dropped by 14 percent as well. Overall, fares at T.F. Green declined by 37 percent on average for all routes. In terms of enplanements, the effect was also dramatic, with total enplanements rising by 87 percent over the same two year period<sup>4</sup>.

Of particular interest in examining the T.F. Green experience is to determine to what degree Southwest caused a net increase in enplanements, as opposed to simply driving out existing service. It appears that at T.F. Green, Southwest service substantially increased the total number of enplanements only on the routes it served. While fares on these routes decreased by 47 percent, total enplanements increased by over 260 percent, for a demand elasticity in the markets of 5.5. Elasticity measures over 1 are described as "elastic", meaning that a given percent decrease in price brings about a greater percent increase in demand. The elasticity measure implied for T.F. Green enplanements on Southwest routes is very high, which may indicate that a fairly important market for air travel exists which is generated at the low fares offered by Southwest. In the absence of low fares, it is believed these travelers use a different mode (or a different airport such as BOS) or simply do not make the trip.

One should temper the findings regarding the "Southwest Effect" at T.F. Green with the observation that average fares at the airport prior to the arrival of the airline were quite high. In early 1996, the average yields (which are essentially a measure of fares) at the airport were over 19 cents per mile, one of the highest levels of any US airport. Following the arrival of Southwest, T.F. Green became, in two years, one of the airports offering the *lowest* fares in the US.

It is unlikely that the "Southwest Effect" will be as dramatic at Bradley as it was at T.F. Green, and possibly at the comparable airports (Baltimore and Fort Lauderdale). First, the planned service to be offered by the airline is a much smaller proportion of total Bradley service than T.F. Green's. Further, current levels of fares (or yields) found at Bradley are not as high as was the case at T.F. Green. Finally, Southwest service is already available at three of the region's airports (Albany, T.F. Green and Manchester), reducing the scope for attracting travelers from these markets.

### **Southwest Enplanements**

The number of passengers boarding Southwest flights can be estimated by determining the number of seats being offered based on the service schedule and aircraft equipment type, and applying an estimated load factor to the seats being offered. This analysis assumes that each of the 12 daily Southwest Airlines flights scheduled for the Airport will have an initial load factor of 66 percent (the system - wide average for the airline as reported in the Airline Quarterly Financial Review, 4<sup>th</sup> Quarter, 1998). Based on the experience of other airports, this load factor is assumed 50% captured in year 1 and 100% captured in year 2. The load factor declines to 65.2% based on relevant declines anticipated in FAA forecasts nationally. In this analysis, by the year 2002, after load factors are stabilized, Southwest Airlines is estimated to enplane 380,000 to 400,000 passengers per year. However, this analysis assumes that all of Southwest passengers are new passengers rather than passengers drawn from other carriers at the Airport.

<sup>4</sup> All Providence T.F. Green data reported is contained in US Department of Transportation's *Domestic Airline Fares Consumer Report*, January, 1998



### **Passenger Capture**

In order to estimate the number of Southwest passengers that are net new to the Airport, enplanement trends for all of the carriers and commuters serving the Airport for two periods of time relative to such an assessment have been analyzed. Southwest commenced service at Bradley on October 31, 1999. The two periods analyzed are June 1998 through February 1999 (trends prior to Southwest) and June 1999 through February 2000 (trends in the midst of service commencement). The detail analysis is on file with the Connecticut Department of Transportation and summarized below:

The data clearly indicates that prior to the commencement of service, the total enplaned passenger market was 9% to 13% greater than the prior year. After a very competitive first full month of the new service in November 1999, the total enplaned passenger market was 14% to 19% greater than the prior year. Therefore, it can be concluded that Southwest added approximately 5% to 6% to an already increasing enplaned passenger market. Since Southwest captured 10% of the total market, it can also be concluded that not all of its passengers are "new". Analysis of the data indicates that some airlines actually achieved greater growth after Southwest than they did before Southwest. Other airlines were not influenced, but some experienced less favorable trends. Therefore, it has been estimated that for every two Southwest enplanements, other carrier enplanements are reduced by one.

It is important to stress that this analysis does not imply that Southwest will cause a decrease in total enplanements for all of the other airlines. On the contrary, the introduction of Southwest has spurred competition and resulted in a greater expanding market for all the airlines. Indeed, there are indications that several airlines (such as Continental) are increasing their service to Bradley, while new entrants (such as America West) have appeared.

### **Airfare Analysis: Change in Yields**

Southwest historically has an effect on airfares. The "Southwest Effect" typically causes lower fares thereby increasing demand. Since change in yield is a major input into the Base Case model, a careful review of the impact of Southwest on the Airport's fares was conducted.

Airfare data was collected from Fare Audit, Inc., a firm that specializes in monitoring airfares for specific 'city pair' markets across the northeast. Fare Audit monitors two different types of fares, restricted and unrestricted. In the case of Fare Audit's data collection, restricted or excursion fares are considered to be the cheapest fares with the most restrictions. (e.g. 7-day advance purchase, Saturday night stay, non-refundable, etc.). Unrestricted fares are collected under the presumption of a minimal restriction walk-up fare. All fares collected by Fare Audit are gathered on a 30-day conforming schedule.

The airfare data collected from Fare Audit consisted of twenty (20) Bradley 'city pair' markets and the restricted and unrestricted airfare for each market for each month from June 1998 to January 2000. This data did not include information on aircraft equipment type, number of seats available and daily frequency of flights. In order to obtain the remaining data, the Official Airline Guide (OAG) schedules were accessed through the Airport's web site. These schedules provided all flights including connecting flights to the twenty destinations reviewed. For this analysis, only direct flights or flights with no connections were used. From each specific 'city pair' market schedule, the aircraft equipment type and frequency were obtained.

As part of the analysis to determine the Yield per Seat Mile, it was necessary to determine the total seats available for each 'city pair' market. Realizing that the number of seats available on an equivalent aircraft

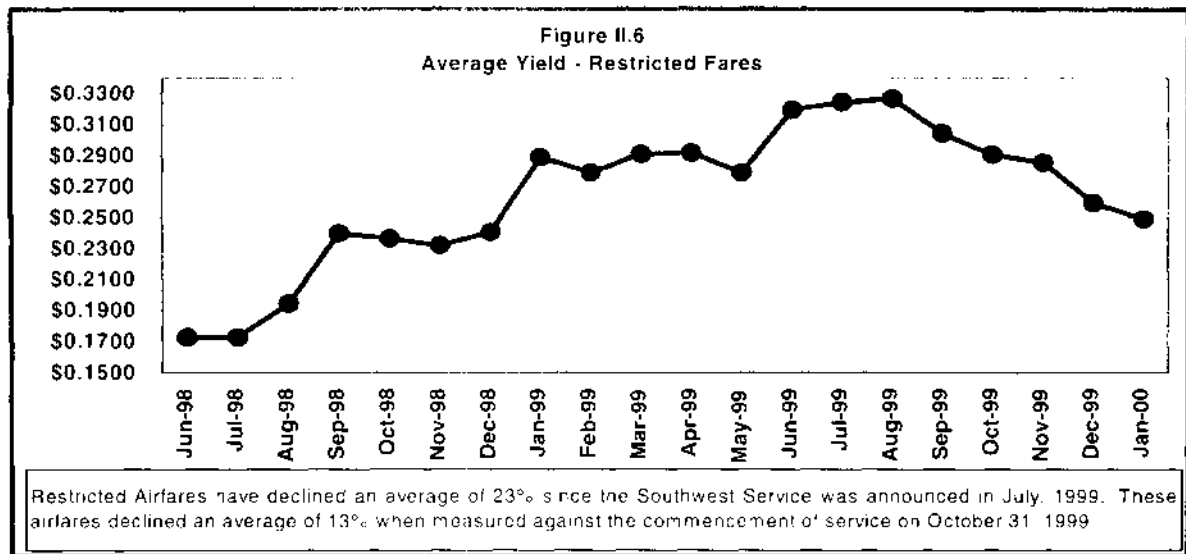
between two different airlines can vary, an average was deemed necessary for consistent outputs. The Average Seats was derived by taking the number of seats available on each type of plane and weighting that number accordingly by the frequency of flights that the airline has for that 'city pair'. This provided the estimated Total Seats Available for each 'city pair' reviewed. (E.g. Average Seats x Number of Flights). The product of Total Seats and Airfare is the Gross Revenue for the 'city pair' for each month analyzed.

Next, total seat miles for each 'city pair' market was defined (Market Distance x Total Seats Available). The market distance was determined by applying straight-line distances determined from longitude and latitude coordinates for each City. To develop the average Yield per Seat Mile for the twenty (20) 'city pairs' analyzed, gross revenue is divided by total seat miles. This was completed for each month analyzed from June 1998 to January 2000.

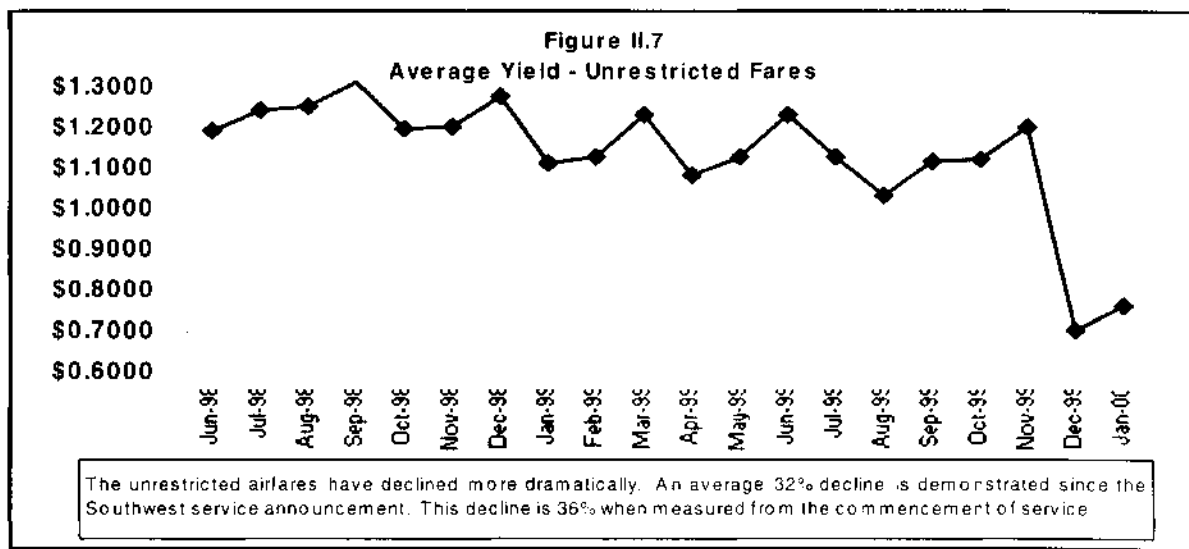
The total average yield per seat mile at the Airport for all City pairs for each month was also estimated, on the basis of the sum of Gross Revenues and Total Seat Miles of all City Pairs. The effect of Southwest Airlines, if any, on average airfares at the Airport was estimated on this basis. Figures II.6 and II.7 display the results for both restricted and unrestricted fares.

As indicated, decreases can be demonstrated in both restricted and unrestricted airfares. From the date that Southwest actually started airline service at the Airport (October 31, 1999), Yields per Seat Mile have fallen 13% for restricted fares and 36% for unrestricted fares. From the date that Southwest announced airline service to Bradley (July 13, 1999), Yields per Seat Mile declined 23% for restricted and 32% for unrestricted fares.

**Restricted Fares:** It can be assumed that most leisure travelers will fly with some fare restriction to gain the associated savings in ticket price. Thus, only one segment of the travel population is likely to consistently use restricted fares. In addition, the airfare analysis indicates that the decline in restricted fares at the Airport after the Southwest service announcement followed a sustained period of increasing fares. In fact, the estimated average January 2000 yield is 44% higher than that of June 1998. From the available data it is not clear that Southwest will have a long-term impact on the yields of restricted fares.



**Unrestricted Fares:** Business travelers, who either have fewer cost restrictions or more rigid travel time requirements, will use unrestricted fares. As seen by Figure II.7, the substantial decline in unrestricted fares followed a sustained period of more moderate decline. Clearly, Southwest has had a significant impact on this category of fare. ConnDOT estimates that business travelers comprise about 49% of the airport's passengers.



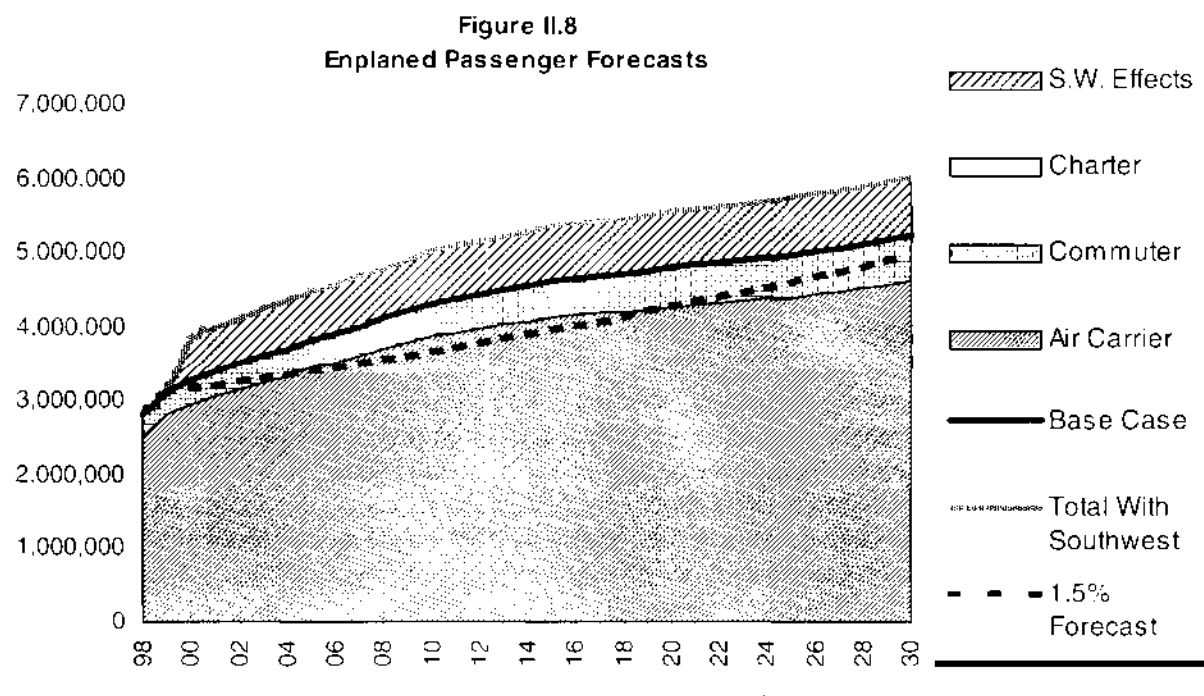
Considering these factors, Berger has introduced a one-time decline in average yields at Bradley of 15% into the Base Case forecast model for the purpose of estimating the Southwest Effect forecast. This percentage drop was estimated assuming (1) that the yields of restricted fares will not significantly change; (2) unrestricted fares have dropped 32% since the service was introduced; and (3) for planning purposes, the percent of unrestricted fares should roughly equal the percent of business travelers (49%). Thus, a little less than half of the Airport's fares have experienced a 32% drop in yield. Therefore, a 15% drop in average yield represents a conservative estimate of the impact of Southwest Airlines on fares.

The Southwest Effect forecast is presented in Table II.11 and Figure II.8. The Southwest Effect forecast is generated by combining incremental passengers boarding Southwest flights with the incremental passengers (above the Base Case) generated by introducing the 15% decline in yield to the Base Case model. These incremental passengers are referred to as the Southwest Effects. As indicated, the Southwest Effect forecast results in enplaned passengers increasing from 3.12 million in 1999 to 6.03 million by 2030. The "Southwest Effect" included in this forecast increases from approximately 0.6 million in 2000 to 0.8 million in 2030. Southwest enplanements at Bradley in 2000 were 380,587.

## 10. SELECTED FORECAST

Figure II.8 presented below depicts the Base Case, Southwest Effect and ConnDOT Conservative forecasts of enplaned passenger demand. The Base Case Forecast has been selected for the purpose of determining the financial feasibility of the Terminal Improvement Project. While Southwest Airlines has now successfully served the Airport for over a year, and the Southwest Effects have been realized, it is appropriate that the financial projections used to determine feasibility are built upon conservative estimates of demand. The enplaned passenger forecast has a significant impact on projected Airport concession revenues and Passenger Facility Charges.

It is of interest to evaluate these forecasts in light of other available forecasts. It appears that the forecasts for Bradley are relatively conservative in comparison to others. For example, the FAA forecasts for national enplanement growth call for increases of 3.4 percent a year to 2010. Forecasts produced by Boeing for the North American domestic market are even more optimistic than the FAA, with revenue passenger miles<sup>1</sup> forecast to grow by 4.2 percent annually between 1996 and 2006. A forecast produced by the International Air Transport Association was also relatively optimistic, seeing growth in the North American domestic passenger market as averaging 3.7 percent a year to 2010. In comparison, Berger's Base Case forecast for 1999 through 2010 reflects average annual growth of 2.99%, and the Southwest Effect forecast reflects average annual growth of 4.28%, each with higher rates of growth in the early years of the forecast as indicated in Table II.11.



<sup>1</sup> As the average flight is increasing in length, a forecast for revenue passenger miles will tend to be higher than one for enplanements. Nevertheless, the Boeing forecast for the nation is still considerably more optimistic than the one produced here for BDL.

**Table II.11**  
**Enplaned Passenger Forecast by Market Segment**

Year	Calendar Year Enplanements			Selected		Annual Growth	Total With Southwest		Annual Growth
	Air Carrier	Commuter	Charter	Base Case	Base Case		SW Effects	Forecast	
				C.Y. Total	F.Y. Total				
98	2,521,526	267,365	27,749	2,816,640	2,727,407	n/a	-	2,816,640	n/a
99	2,819,059	278,711	24,135	3,121,905	2,968,267	8.8%	55,573	3,177,478	12.8%
00	2,853,930	223,633	22,037	3,099,600	3,193,584	7.6%	577,373	3,670,973	15.7%
01	3,068,263	304,940	24,135	3,397,338	3,331,301	4.3%	607,230	4,004,569	8.9%
02	3,158,357	317,946	24,135	3,500,438	3,448,888	3.5%	619,564	4,120,002	2.9%
03	3,249,352	331,506	24,135	3,604,993	3,552,716	3.0%	631,734	4,236,727	2.8%
04	3,343,119	345,645	24,135	3,712,899	3,658,946	3.0%	644,274	4,367,173	2.8%
05	3,441,813	360,387	24,135	3,826,335	3,769,617	3.0%	657,474	4,483,809	2.9%
06	3,524,421	372,039	24,135	3,920,595	3,873,465	2.8%	668,522	4,589,116	2.3%
07	3,609,182	384,068	24,135	4,017,385	3,968,950	2.5%	679,858	4,697,242	2.4%
08	3,693,890	396,485	24,135	4,114,510	4,065,948	2.4%	691,187	4,805,697	2.3%
09	3,783,075	409,304	24,135	4,216,515	4,165,513	2.4%	703,114	4,919,629	2.4%
10	3,874,606	422,538	24,135	4,321,279	4,268,897	2.5%	715,356	5,036,634	2.4%
11	3,923,269	432,543	24,135	4,379,946	4,350,613	1.9%	721,864	5,101,810	1.3%
12	3,972,542	442,784	24,135	4,439,462	4,409,704	1.4%	728,454	5,167,915	1.3%
13	4,022,435	453,269	24,135	4,499,838	4,469,650	1.4%	736,126	5,234,965	1.3%
14	4,072,954	464,001	24,135	4,561,090	4,530,464	1.4%	741,883	5,302,973	1.3%
15	4,124,106	474,988	24,135	4,623,230	4,592,160	1.4%	748,724	5,371,954	1.3%
16	4,149,580	481,405	24,135	4,655,120	4,639,175	1.0%	752,131	5,407,250	0.7%
17	4,175,209	487,909	24,135	4,687,253	4,671,187	0.7%	755,558	5,442,811	0.7%
18	4,200,996	494,501	24,135	4,719,632	4,703,443	0.7%	759,007	5,478,639	0.7%
19	4,226,943	501,181	24,135	4,752,259	4,735,946	0.7%	762,477	5,514,737	0.7%
20	4,253,050	507,952	24,135	4,785,138	4,768,699	0.7%	765,969	5,551,106	0.7%
21	4,279,319	514,815	24,135	4,818,268	4,801,703	0.7%	769,482	5,587,750	0.7%
22	4,305,749	521,770	24,135	4,851,654	4,834,951	0.7%	773,017	5,624,671	0.7%
23	4,332,343	528,819	24,135	4,885,297	4,868,476	0.7%	776,573	5,661,871	0.7%
24	4,359,101	535,964	24,135	4,919,200	4,902,249	0.7%	780,152	5,699,352	0.7%
25	4,386,024	543,205	24,135	4,953,364	4,935,262	0.7%	783,753	5,737,117	0.7%
26	4,429,816	550,840	24,135	5,004,791	4,979,078	0.9%	789,610	5,794,400	1.0%
27	4,474,045	558,582	24,135	5,056,762	5,030,777	1.0%	795,525	5,852,287	1.0%
28	4,518,715	566,433	24,135	5,109,283	5,083,023	1.0%	801,499	5,910,782	1.0%
29	4,563,832	574,394	24,135	5,162,361	5,135,822	1.0%	807,533	5,969,894	1.0%
30	4,609,399	582,468	24,135	5,216,002	5,189,182	1.0%	813,627	6,029,629	1.0%
Average Annual Growth (1999 - 2030)						1.7%			2.1%

1998 through 2000 reflects actual enplaned passengers

Note: CY - Calendar Year FY - Fiscal Year

## 11. CARGO DEMAND FORECASTS

In a manner similar to the passenger segments, separate econometric models were built for freight and air mail cargo segments. As with passengers, cargo growth has been to a large extent encouraged by a considerable decline in the real price of air cargo shipping. Since 1973, cargo yields have decreased at an even faster rate than passenger yields, averaging -2.4 percent annual growth (and -1.1 percent a year since 1990). The assumptions regarding future decreases used here are more conservative than for passenger yields as this faster rate of decline appears difficult to maintain. Other variables that have contributed to the rapid increase in cargo volumes at the Airport include the growth in business activity and incomes in the Airport Service Area.

As with the passenger forecasts, the separate forecasting models constructed exhibit very good statistical results and are able to replicate past cargo growth at the Airport with high degrees of accuracy (see Section II.13 for details). Here too, the forecasts are based on the BEA economic growth assumptions and an assumed annual decrease in cargo shipping prices of 1 percent to 2010. The results are outlined in Table II.12 and Figure II.9 in terms of total tons shipped. Total cargo is forecast to grow from 189,029 tons in 2000 to 391,953 tons in 2030, with an average annual growth rate of 2.46 percent.

In comparison to other forecasts, these forecasts are highly conservative. Boeing's forecast for cargo growth in the North American market average 4.9 percent annually between 1998 and 2007, and 5.1 percent between 1998 and 2017. In comparison, the Bradley forecast for annual growth in cargo tonnage of 3.8 percent between 1998 and 2007, and 3.4 percent between 1998 and 2017. These results imply relatively conservative assumptions in the Bradley cargo forecasts, particularly over the medium- and long-term.

The cargo forecasts shown in Table II.12 do

**Table II.12**  
**Forecast of Cargo by Market Segment**  
**Total US Tons**

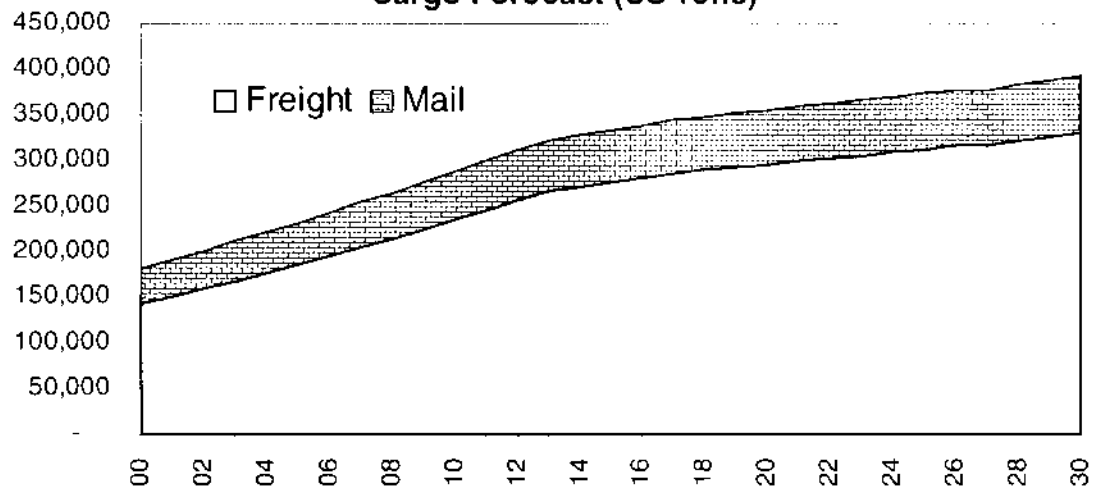
Year	Market Segment		Total	Growth
	Freight	Mail		Rate
00	141,481	47,548	189,029	
01	150,121	40,855	190,976	1.0%
02	158,905	42,196	201,101	5.3%
03	167,343	43,424	210,767	4.8%
04	176,228	44,690	220,918	4.8%
05	185,585	45,994	231,579	4.8%
06	195,439	47,335	242,774	4.8%
07	205,816	48,715	254,531	4.8%
08	215,027	49,978	265,005	4.1%
09	224,649	51,274	275,923	4.1%
10	234,702	52,603	287,305	4.1%
11	245,205	53,967	299,172	4.1%
12	256,178	55,366	311,544	4.1%
13	265,845	56,608	322,453	3.5%
14	270,870	57,072	327,942	1.7%
15	275,990	57,539	333,529	1.7%
16	281,207	58,010	339,217	1.7%
17	286,522	58,485	345,007	1.7%
18	289,615	58,720	348,335	1.0%
19	292,742	58,957	351,699	1.0%
20	295,902	59,195	355,097	1.0%
21	299,097	59,433	358,530	1.0%
22	302,326	59,673	361,999	1.0%
23	305,590	59,913	365,503	1.0%
24	308,889	60,155	369,044	1.0%
25	312,224	60,397	372,621	1.0%
26	315,595	60,641	376,236	1.0%
27	316,002	60,885	376,887	0.2%
28	322,585	61,281	383,866	1.9%
29	326,208	61,680	387,888	1.0%
30	329,871	62,082	391,953	1.0%

Average Growth Rate: **2.46%**

Source: The Louis Berger Group, 1999

not vary between the alternate passenger forecasts (Base Case and Southwest Effect) discussed in the previous section of the Report.

**Figure II.9**  
**Cargo Forecast (US Tons)**



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### **III. TERMINAL IMPROVEMENT PROJECT**

The proposed Terminal Improvement Project is designed to phase out use of the Murphy Terminal Building, providing the terminal, airside and landside infrastructure needed to ease current congestion and facilitate anticipated growth. The project is the result of a multi-year planning and design effort conducted by HNTB Corporation at the direction of the Connecticut Department of Transportation including extensive coordination with the airlines and State-appointed officials. The existing terminal complex and design of the Terminal Improvement Project are summarized below along with estimated project costs and the plan to finance the project.

#### **1. PROJECT DESCRIPTION**

The existing terminal complex consists of three terminal buildings: Terminal A, Terminal B (the Murphy Terminal), and an International Arrivals Building (IAB). Interior walkways, covering more than 1,600 linear feet, connect the three buildings.

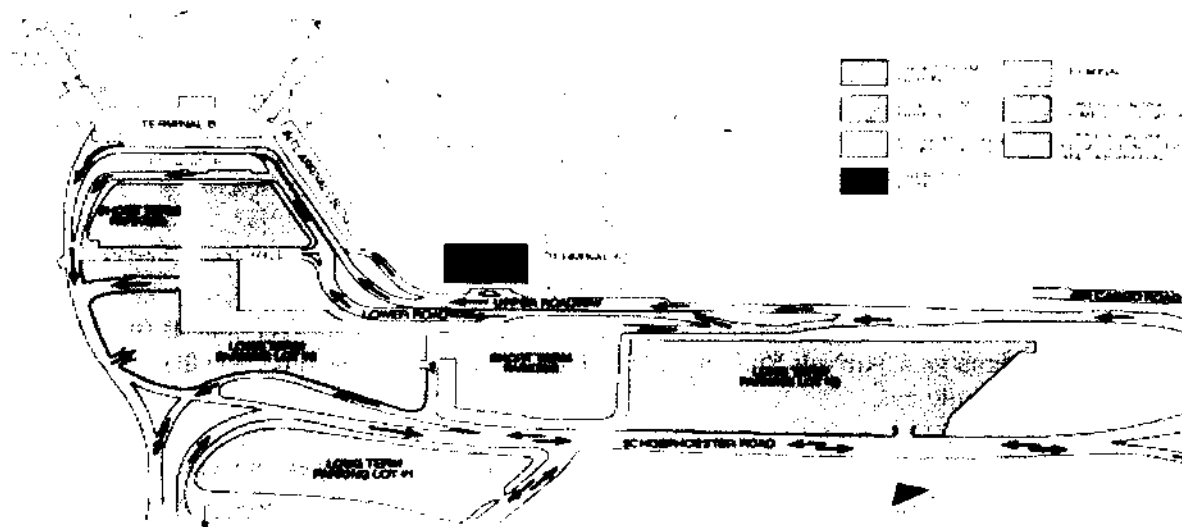
Approached from the southeast on the existing roadway network, the first building encountered is Terminal A. Terminal A is the newest of the three terminals. Dedicated in May 1986, Terminal A is a two level facility containing three primary functional elements: passenger processing and service, baggage handling and processing, and aircraft servicing. Terminal A includes a single pier, designated as Concourse C. US Airways, Continental Airlines, and United Airlines are the major carriers occupying Terminal A. Concourse C is capable of supporting ten aircraft parking positions, accessed from the concourse by passenger loading bridges. Between Terminal A and the IAB is an existing Sheraton Hotel that connects through non-secure walkways to the lobbies of the three terminals.

The IAB is the second facility encountered on the roadway. It is presently being used by Southwest and Continental Airlines. Southwest also has space in the Murphy Terminal, for the service it initiated in October 1999. The IAB represents a linear concept, housing both terminal and concourse elements in a single structure. The IAB has also accommodated small commuter airlines and the charter airlines. It also functions as a connector linking Terminals A and B.

The last of the three buildings is Terminal B (the Murphy Terminal). Dedicated in 1951, it is the oldest continuously in-use airport passenger terminal in the United States today. Originally built as a single level terminal reflecting a simple linear concept, it has been added to and expanded over the years with the addition of two piers, designated as Concourses A and B, and three additional floors. It is now a multi-level facility with departures and arrivals separated on the second and first floors, respectively. Airport administration is on the third floor, and the main mechanical and electrical rooms are in the basement. The fourth floor is vacant except for a security office. The terminal supports both apron level and concourse level holdrooms.

American, Delta, Northwest, TWA, Midway/Midwest, Shuttle America and Air Canada airlines operate from the Murphy Terminal. The Murphy Terminal has reached its maximum passenger capacity level due to increased aircraft passenger loads. The limitations of the original designs, for a smaller facility, have resulted in spatial conflicts and passenger congestion in almost all of the public areas of the building. Additionally, the mechanical systems are antiquated and ad hoc, with two of three boilers dating from 1951 and second floor air conditioning provided by window units.

**Bradley International Airport - Existing Terminal Facilities**



HNTB Corporation initially developed four basic terminal expansion alternatives that would meet the short-term passenger demand requirements at the Airport, plus a no build alternative. The alternatives ranged in cost from \$70 to \$210 million, with the no build alternative being the \$70 million project due to the age of the Murphy Terminal. The alternatives developed are briefly highlighted below. The proposed Terminal Improvement Project evolved from Alternatives D and D1 based upon cost considerations, consultations with the airlines and the need to accommodate additional air service initiated by Southwest Airlines at the Airport during the course of the terminal planning and design stage.

**Alternative A/B** - The conceptual design for Alternative A/B was a three unit terminal concept with two new unit terminals, A1 and B, similar to existing Terminal A. They would be linked to Terminal A via a 500-600 foot long non-secure corridor on the departure level. Concourse C would be extended by approximately 80-90 feet.

**Alternative C** - Terminal Alternative C included one new unit terminal A1 that would be built to the east of existing Terminal A identical to that proposed in Alternative A/B above. Concourse C would be extended approximately 80-90 feet. Alternative C retained existing Terminal A, the Sheraton Hotel and the connector to the IAB.

**Alternative D** - This alternative, and Alternative D1 described below, was a significant departure from Alternatives A/B and C described above. While existing Terminal A would be retained, its processor element would be expanded, improved and modified so that the overall impression will be a consolidated terminal component. The airside component consists of three (3) concourses, two of which are angled at 45 degrees totaling about 35 contact gates.

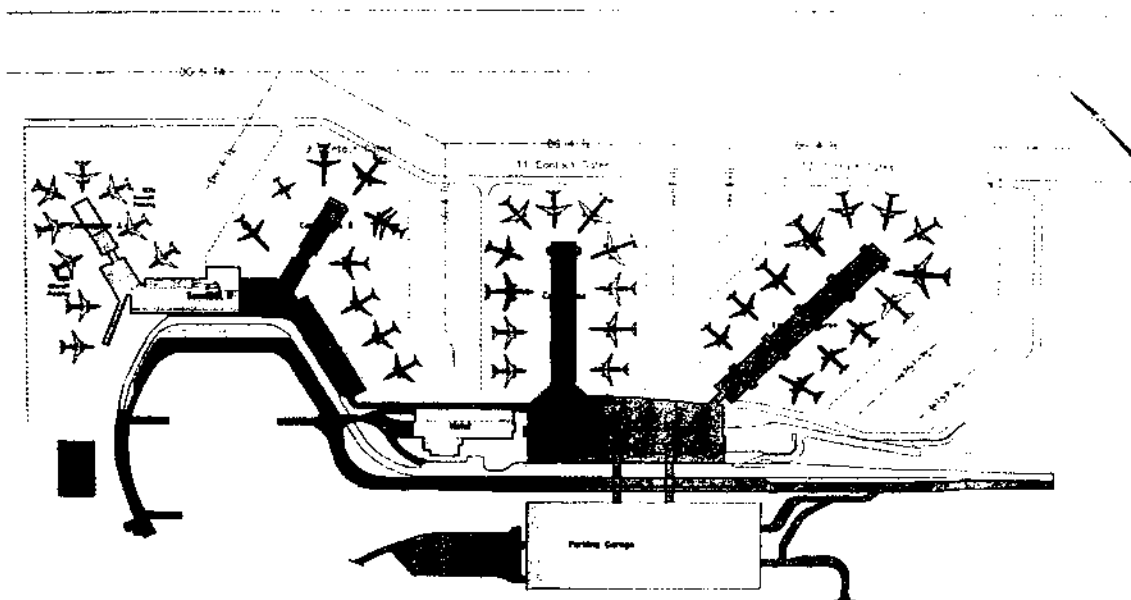
**Alternative D1** - The processor element for this Alternative is identical to Terminal Alternative D described above. Both Alternatives D and D1 involve the expansion of existing Terminal A to the east. The concepts involve the retention of existing Terminal A and the Sheraton Hotel, which remain in the same location as they are today. Conceptually, the new terminal expansion to the east would reflect the design of Terminal A, thus

creating a simplicity and symmetry of space within the terminal complex. The difference in the two alternatives is in the configuration of the airside or concourse element. Terminal Alternative D1 contains concourses that are parallel to existing Concourse C and connected to the terminal element by perpendicular connecting corridors.

**No Build** - The No Build Alternative evaluated the situation which would occur if no new terminal is built. The absence of a new terminal construction project would result in the need to rehabilitate the Murphy Terminal. Elements of the required rehabilitation would include replacement of the upper level roadway, expansion of the lower level roadway, ticket lobby expansion, upgraded vertical circulation, mechanical system replacement and asbestos mitigation.

**Proposed Project** - The proposed Terminal Improvement Project is based on a thorough analysis of the development alternatives, including consultations with the airlines and appropriate State officials over a multi-year planning, design and engineering review period. Concourse A and a significant portion of the Murphy Terminal will be decommissioned. The project includes constructing a new terminal and 12-gate concourse, constructing and renovating the aircraft apron areas, renovating the existing Terminal A, Concourse C and IAB, constructing a new federal inspection building, making roadway improvements, and purchasing and installing new jet bridges, baggage belts and other airline equipment. The Project, depicted graphically below, is estimated to cost approximately \$198.3 million.

#### **Bradley International Airport – Proposed Terminal Facilities**



The new "Terminal Extension" and 12-gate "East Concourse" will be constructed immediately adjacent to the east side of Terminal A and Concourse C, which were opened in May, 1986. This will create a unified terminal complex with 23 gates to be used by US Airways, Delta, American, United, Continental and

Northwest Airlines. Approximately 75% of passenger traffic will use this unified complex. Terminal A and Concourse C will be renovated to blend architecturally with the new facility.

The interior of the unified terminal complex will consist of new ticket counters and airline offices. New inbound and outbound baggage claim devices will be installed in Terminal A and the new terminal, and new passenger waiting areas will be added to Concourse C. Public restrooms, airline club space and other amenities will be provided. The new terminal and renovated Terminal A will include a new centralized security checkpoint serving both concourses. New signage, security system and a multiple use flight information display system (MUFIDS) will be provided. Exterior improvements will include new signage, curbside baggage check-in positions, exterior lighting, apron lighting, new passenger loading bridges including fixed ground power systems and pre-conditioned air systems.

A mall-like concession area will be included in the new terminal. This will include a food court and news, gifts, clothing, variety, and specialty vendor concessions. A professional airport management firm is proposed to run the retail operation in order to maximize Airport revenues, passenger convenience and customer satisfaction.

The existing Terminal B will remain, but only Concourse B adjacent to the IAB and a small section of the east end of Terminal B will remain open. The remaining gates will be occupied by the regional carriers and TWA Airlines. Renovations to the floors and walls will be undertaken and a new elevator and escalator installed. The IAB will be exclusively occupied by Southwest Airlines. The floors and walls of the public corridor area of the IAB will be cosmetically upgraded.

The aircraft apron will be reconstructed and an at-gate deicing fluid runoff collection system will be installed around the new concourse and Concourse C.

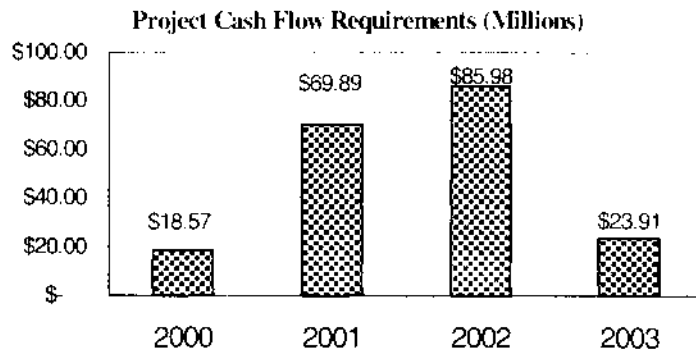
The existing FIS offices will be relocated to a new two-gate, 25,000 square foot facility to the south of existing Concourse A. Future development plans will incorporate this building into a new concourse proposed for this area of the Airport.

The Airport access roadway system will be reconstructed to accommodate the new terminal, including extending the existing upper level viaduct to the east, adding an additional traffic lane on the lower level and installing new signage. Canopies will be installed above the arrival roadway to connect with the two pedestrian bridges from the new 3,450 space-parking garage, which is currently under construction adjacent to the new unified terminal complex.

When completed, a total of 34 aircraft gates will be available at the Airport including 12 at the new East Concourse, 11 at Concourse C, four at the IAB, five at Concourse B, and two international gates at the new FIS facility.

## 2. PROJECT COST ESTIMATE

As noted above, the Terminal Improvement Project is estimated to cost a total of \$198.3 million. This includes design, engineering, construction, construction contingency, construction management and other services. The period of construction commenced in calendar year 2000 and will be completed in 2003 with most of the spending occurring in 2001 and 2002 as shown here.



The project cost estimate has also been broken down between the primary components of the project as shown below. This breakdown is necessary in order to administer the Airport's compensatory rate setting methodology including the Terminal Building, Apron and Landing Area cost centers used in setting airline rates and charges.

- Terminal – Including construction of the terminal and concourse expansion and the renovation of existing Terminal A, Concourse C, Terminal B and the IAB at a total cost of \$136.8 million as shown below:

▪ Terminal and Concourse Expansion -	\$99,773,685
▪ Terminal A-	\$ 7,912,139
▪ Concourse C-	\$ 6,184,407
▪ Murphy Terminal-	\$ 2,058,844
▪ Concourse B-	\$ 2,058,844
▪ IAB-	\$ 454,457
▪ Airline Additions (equipment)	\$18,384,814
▪ Total Terminal-	\$136,827,190

- Apron – Including aircraft apron construction at Concourse C and the new concourse at a total cost of \$26.8 million as shown below:

▪ Concourse C Apron-	\$ 2,092,422
▪ New Concourse Apron-	\$24,687,728
▪ Total Apron	\$26,780,150

- Roadway- The total cost of the roadway projects is estimated at \$13,298,405
- Jet Bridges- Acquisition and installation of jet bridges at a total cost of \$10,890,000
- FIS -- Construction of the new FIS building estimated at \$6,500,000
- Parking Lot- Construction of a commercial vehicle parking lot estimated at \$628,300
- Other- Construction management and public relations services estimated at \$3,419,900

### **3. FINANCING PLAN**

The financing plan is designed to maximize the use of available Federal grants and Airport reserves, and thus minimize the amount of the project to be bond financed. In addition, the amount of the project to be bond financed is designed to maximize use of the Airport's Passenger Facility Charges (PFCs). The source of funds for the Terminal Improvement Project includes \$26.9 million in cash available through Airport Improvement Program Grants, Federal Highway Administration Grants and Airport funds, and \$171.4 million financed through a pledge of General Airport Revenues (GAR) and a portion of the Airport's PFCs. The eligibility of the various components of the Terminal Improvement Project for these funding sources is discussed below.

**AIP Grants** – Bradley International Airport is eligible for and receives entitlement grants through the Airport Improvement Program administered by the FAA. The Airport's actual entitlement for the year 2000 was \$1.9 million, which reflected entitlement grant reductions associated with the Airport's previous \$3.00 PFC program. The PFC program reduction was not in place for Federal Fiscal Year 2001 and the Airport entitlement was \$6.8 million. The future annual entitlement based on the funding formula established in the Aviation Investment and Reform Act for the 21<sup>st</sup> Century (AIR 21), assuming 3.2 million enplaned passengers and a \$4.50 PFC program reduction, is \$2.4 million. Annual entitlements may be rolled over and accumulated for up to three years before being spent on approved projects. Based on past and anticipated funding levels, the status of the Airport's grant spending and project eligibility, \$11.2 million in AIP entitlement grants are being dedicated to the portion of the Terminal Improvement Project representing apron construction at the new concourse. This includes \$8.5 million in 2001 from current and prior year funds rolled over, and \$2.7 million in current year 2002 funds. The remaining costs of the Apron projects will be bond financed, \$13.2 million of which is PFC – eligible.

**FHWA Grants** – The components of the Terminal Improvement Project representing reconstruction and extension of the Airport access roadway system are eligible for grant funding by the Federal Highway Administration. The State has executed a Federal Aid Agreement providing \$8.7 million for the roadway projects. The remaining costs of the roadway projects will be bond financed, \$3.4 million of which is PFC – eligible.

**Airport Funds** – To date, the State Bond Commission has authorized the use of \$24.8 million to fund various elements of the Terminal Improvement Project including design and engineering costs, demolition of the maintenance facility, utility relocation and foundation work, roadway construction and public relations. With partial reimbursement of these advanced authorizations through project bond proceeds, the net cash financing from the General Airport Fund will be reduced to \$7.1 million which will cover the cost of design and construction of the FIS Building (\$6.5 million) and the construction of the commercial vehicle lot (\$0.6 million).

**Financed Projects** – The \$171.4 million of the Terminal Improvement Project costs to be bond financed include terminal building and concourse expansion and renovation totaling \$136.8 million, acquisition and installation of jet bridges totaling \$10.9 million, construction management and public relations services totaling \$3.4 million and the portion of apron and roadway project costs remaining after allocation of grants as discussed above (\$20.2 million). A single 30 – year bond issue has been structured in support of the project's financing requirements, backed by a pledge of GAR and a portion of the Airport's PFCs. In structuring the financing plan, the Connecticut Department of Transportation has sought to maximize the use and leveraging of PFCs at the \$4.50 level based on applicable project eligibility criteria, and to support the ineligible components of the project through its GAR. The financing plan provides annual debt service based upon a 30-year GARB bond. For administrative and payment purposes, the bond will be treated as a 30-year PFC-eligible bond component wrapped around a 20-year non-eligible GARB component. Further, the non-eligible

component will be divided into a portion chargeable to the airlines, and a portion chargeable to the general Airport revenues. This configuration maximizes the use of PFC revenue, appropriately charges the airlines, and minimizes general Airport debt service requirements.

**PFC – Supported Projects:** PFCs are collected by airlines from their passengers on behalf of the airports that charge them pursuant to rules adopted and enforced by the Federal Aviation Administration. These rules prescribe the application process required to impose and use PFC revenue including the definition of allowable costs and approved projects. Allowable costs means the reasonable and necessary costs of carrying out an approved project including costs incurred prior to and subsequent to the approval to impose a PFC, and making payments for debt service on bonds and other indebtedness incurred to carry out such projects. PFC revenues and interest earned on PFC revenues may only be spent on the allowable costs of an approved project. To be eligible, a project funded by a \$3.00 PFC must be adequately justified and must preserve or enhance safety, security or capacity, reduce noise or furnish opportunities for enhanced competition among air carriers. Eligible projects specifically include construction of gates and related areas at which passengers enplane or deplane and other areas related to the movement of passengers and baggage excluding restaurants, rental car facilities, parking and other concessions. The Aviation Investment and Reform Act for the 21<sup>st</sup> Century (Air 21) permits airports to impose PFCs of up to \$4.50 provided the project will make a significant contribution to improving air safety and security, increasing airline competition, reducing current or anticipated congestion, or reducing noise for people living near the Airport.

The Connecticut Department of Transportation has worked closely with the FAA in order to document the components of the Terminal Improvement Project that are eligible for PFC financing based on a charge of \$4.50 per passenger. Based on these consultations, the PFC Application submitted to the FAA for the Terminal Improvement Project on October 30, 2000 includes PFC funding of the following components of the project:

**PFC – Eligible Project Costs**

┐ Terminal Expansion and Renovation -	\$ 74,237,659
┐ Apron Construction -	\$ 13,244,062
┐ Roadway Reconstruction and Expansion -	\$ 3,386,716
┐ Jet Bridges -	<u>\$ 10,395,000</u>
┐ Total PFC Project Costs -	\$101,263,437
┐ PFC Financing Cost* -	<u>\$130,683,991</u>
┐ Total PFC Application -	<u>\$231,947,428</u>

\* Represents total 30 year PFC bond debt service of \$231,947,428 on Par amount of \$115,150,000, less construction fund deposits of \$101,263,437 as reflected in the October 30, 2000 PFC Application for the project. It should be noted that the debt service schedules included with the PFC Application were updated on February 22, 2000. The updated calculation of net debt service associated with PFC – eligible project costs (PFC gross debt less PFC interest earnings and reserve) is \$230.7 million. The Airport's authority to impose and use PFCs for the Terminal Improvement Project will ultimately reflect the final debt service schedules.

**Airport Revenue – Supported Projects:** The components of the Terminal Improvement Project not eligible for grants or PFCs are summarized below:

□ Terminal Expansion and Renovation -	\$ 62,589,531
□ Apron Construction -	\$ 2,337,823
┘ Roadway Reconstruction and Expansion -	\$ 1,255,849
┘ Jet Bridges -	\$ 495,000
┘ Other -	\$ 3,419,900
□ Total GARB Project Costs -	\$ 70,098,103

Table III.1 summarizes the source and use of funds among the various components of the Terminal Improvement Project.

<b>Table III.1 Bradley International Airport Summary Source and Use of Funds</b>						
Project	AIP Grants	FHWA Grants	Airport Funds	Revenue Bond Financing		Total
				PFC - Eligible	Non - Eligible	
Terminal	\$ -	\$ -	\$ -	\$ 74,237,659	\$ 62,589,531	\$ 136,827,190
Apron	\$ 11,198,265	\$ -	\$ -	\$ 13,244,062	\$ 2,337,823	\$ 26,780,150
Roadway	\$ -	\$ 8,655,840	\$ -	\$ 3,386,716	\$ 1,255,849	\$ 13,298,405
Jet Bridges	\$ -	\$ -	\$ -	\$ 10,395,000	\$ 495,000	\$ 10,890,000
FIS	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -	\$ 6,500,000
Parking Lot	\$ -	\$ -	\$ 628,300	\$ -	\$ -	\$ 628,300
Other	\$ -	\$ -	\$ -	\$ -	\$ 3,419,900	\$ 3,419,900
<b>Total</b>	<b>\$ 11,198,265</b>	<b>\$ 8,655,840</b>	<b>\$ 7,128,300</b>	<b>\$ 101,263,437</b>	<b>\$ 70,098,103</b>	<b>\$ 198,343,945</b>

The chart illustrates the percentage contribution of different funding sources to the total cost of each project component. For the Terminal, PFC-Eligible and Non-Eligible components are the primary funding sources. For the Apron, AIP Grants and PFC-Eligible are significant. Roadway and Jet Bridges are primarily funded by FHWA Grants and PFC-Eligible. FIS and Parking Lot are entirely funded by Airport Funds. Other is entirely funded by Non-Eligible components.

As discussed above, the revenue bond financing structure provides annual debt service based on a 30-year GARB which is administratively treated as a 30-year PFC eligible component wrapped around a 20-year non-eligible component. Applicable PFC regulations and the Airport's compensatory rate setting methodology require that this structure be administered in three components including the PFC – eligible component, Airport and airline related non-eligible components.



The collection and use of PFC revenues and interest on PFC revenues must be separately accounted for pursuant to applicable PFC regulations. As indicated in Table III.2 below, the PFC – eligible component includes total proceeds of \$110.5 million that provide funding for all PFC eligible project costs, debt service reserve requirements, cost of issuance, underwriter's discount and insurance costs.

The portions of the project that are not eligible for PFC or grant funding primarily include the non-public areas of the terminal. Both airline and non-airline users benefit from the non-public areas. The airlines at Bradley International Airport pay Terminal Building rental rates that include a debt service component. In addition, the Terminal Improvement Project will be completed over a three-year construction period. Accordingly, the non-eligible component has been separated into airline and airport components. The airline portion includes capitalized interest through completion of construction, at which point in time debt service is included in the airline rate bases. The Airport portion does not include capitalized interest. As indicated in Table III.2 below, the non-eligible component includes total proceeds of \$70.0 million and funds all non-eligible project costs, reserve requirements, cost of issuance, underwriter's discount, insurance and capitalized interest on the airline portion. The methodology used to establish the airline and Airport portions is discussed later in this Report.

**Table III.2**  
**Bradley International Airport**  
**Terminal Improvement Project Bond Structure**

	PFC Eligible	Non - Eligible (Airline)	Non - Eligible (Airport)	Total
<b>Bond Proceeds</b>				
Par Amount	109,865,000	60,380,000	21,190,000	191,435,000
Accrued Interest	430,319	229,147	79,715	739,181
Premium	57,390	1,255,485	432,222	1,745,097
Total	110,352,709	61,864,632	21,701,937	193,919,278
<b>Proceed Uses</b>				
Construction Fund	101,263,436	50,715,977	19,382,126	171,361,539
Debt Service Reserve	6,700,000	5,217,180	1,721,115	13,638,295
Cost of Issuance	250,000	250,000	250,000	750,000
Underwriter's Discount	878,920	483,040	169,520	1,531,480
Bond Insurance	1,259,959	518,289	177,878	1,956,126
Additional Proceeds	394	2,990	1,298	4,682
Capitalized Interest	-	4,677,156	-	4,677,156
Total	110,352,709	61,864,632	21,701,937	193,919,278

Table III.3 summarizes the annual debt service associated with the PFC – eligible and non-eligible portions of the project.

**Table III.3**  
**Bradley International Airport**  
**Summary Gross Debt Service (Excluding Airline Capitalized Interest)**

Fiscal Year	Non - PFC Eligible			PFC Eligible	Total Debt Service
	Airline	Non - Airline	Total		
2001	\$ -	\$ -	\$ -	\$ -	\$ -
2002	\$ -	\$ 1,195,725	\$ 1,195,725	\$ 6,454,779	\$ 7,650,504
2003	\$ -	\$ 1,719,571	\$ 1,719,571	\$ 6,593,633	\$ 8,313,204
2004	\$ 1,586,399	\$ 1,720,546	\$ 3,306,946	\$ 6,613,258	\$ 9,920,203
2005	\$ 5,215,424	\$ 1,718,446	\$ 6,933,870	\$ 6,604,383	\$ 13,538,253
2006	\$ 5,213,049	\$ 1,718,071	\$ 6,931,120	\$ 6,592,508	\$ 13,523,628
2007	\$ 5,215,174	\$ 1,720,821	\$ 6,935,995	\$ 6,603,758	\$ 13,539,753
2008	\$ 5,216,424	\$ 1,716,696	\$ 6,933,120	\$ 6,593,008	\$ 13,526,128
2009	\$ 5,216,549	\$ 1,720,571	\$ 6,937,120	\$ 6,590,508	\$ 13,527,628
2010	\$ 5,215,299	\$ 1,717,321	\$ 6,932,620	\$ 6,605,508	\$ 13,538,128
2011	\$ 5,212,424	\$ 1,716,946	\$ 6,929,370	\$ 6,627,258	\$ 13,556,628
2012	\$ 5,212,549	\$ 1,719,196	\$ 6,931,745	\$ 6,626,008	\$ 13,557,753
2013	\$ 5,213,221	\$ 1,718,303	\$ 6,931,523	\$ 6,631,314	\$ 13,562,837
2014	\$ 5,216,649	\$ 1,718,428	\$ 6,935,076	\$ 6,641,895	\$ 13,576,971
2015	\$ 5,216,764	\$ 1,719,174	\$ 6,935,939	\$ 6,637,595	\$ 13,573,534
2016	\$ 5,214,877	\$ 1,720,884	\$ 6,935,761	\$ 6,639,064	\$ 13,574,824
2017	\$ 5,214,955	\$ 1,718,303	\$ 6,933,258	\$ 6,655,358	\$ 13,588,615
2018	\$ 5,216,055	\$ 1,721,115	\$ 6,937,170	\$ 6,675,608	\$ 13,612,778
2019	\$ 5,216,940	\$ 1,720,515	\$ 6,937,455	\$ 6,691,158	\$ 13,628,613
2020	\$ 5,217,180	\$ 1,716,540	\$ 6,933,720	\$ 6,702,058	\$ 13,635,778
2021	\$ 5,214,190	\$ 1,718,245	\$ 6,932,435	\$ 6,707,558	\$ 13,639,993
2022	\$ 5,217,160	\$ 1,720,225	\$ 6,937,385	\$ 6,697,928	\$ 13,635,313
2023	\$ -	\$ -	\$ -	\$ 11,279,186	\$ 11,279,186
2024	\$ -	\$ -	\$ -	\$ 11,278,545	\$ 11,278,545
2025	\$ -	\$ -	\$ -	\$ 11,281,785	\$ 11,281,785
2026	\$ -	\$ -	\$ -	\$ 11,282,680	\$ 11,282,680
2027	\$ -	\$ -	\$ -	\$ 11,280,140	\$ 11,280,140
2028	\$ -	\$ -	\$ -	\$ 11,280,600	\$ 11,280,600
2029	\$ -	\$ -	\$ -	\$ 11,282,300	\$ 11,282,300
2030	\$ -	\$ -	\$ -	\$ 11,280,813	\$ 11,280,813
2031	\$ -	\$ -	\$ -	\$ 11,279,625	\$ 11,279,625
2032	\$ -	\$ -	\$ -	\$ 11,281,950	\$ 11,281,950
Total	\$ 95,461,280	\$ 35,575,643	\$ 131,036,923	\$ 251,991,760	\$ 383,028,683

## **IV. FINANCIAL ANALYSIS**

### **I. FINANCIAL STRUCTURE**

Bradley International Airport is owned by the State of Connecticut and operated by the State's Department of Transportation, Bureau of Aviation and Ports. The Airport is operated pursuant to the Enterprise Fund system of governmental accounting. Enterprise Funds are used when it is the intent of the governing body to recover the cost of facilities and services provided primarily through user charges. The State established the Bradley Enterprise Fund on November 18, 1982. The Fund was established in order to fulfill certain requirements of the State's 1982 Indenture of Trust pursuant to which the State issued \$100 million of Airport Revenue Bonds. Prior to the issuance of the 1982 Airport Revenue Bonds and execution of the Air Carrier Operating Agreements, the Airport's books and records were included with other units of the Connecticut Department of Transportation and other departments of the State. The issuance of the 1982 Airport Revenue Bonds and concurrent execution of new Air Carrier Operating Agreements marked the commencement of separate, stand alone, accounting and financial management procedures for Bradley International Airport. These instruments, together with the concessions and other agreements discussed later in this Report, provide the foundation upon which the Airport's current financial practices are based and upon which the financial feasibility of the Terminal Improvement Project has been assessed.

#### **A) Existing Fund Structure and Debt Service**

Bradley International Airport has undertaken three prior General Airport Revenue Bond issues including its 1982 Revenue Bonds, 1989 Subordinated Bonds and 1992 Refunding Bonds. The 1982 Bonds provided for the financing of an existing terminal building and associated improvements. The 1989 Subordinated Bonds and 1992 Refunding Bonds refinanced the 1982 Bonds. The 1989 Subordinated Bonds were repaid in 2001. The 1992 Refunding Bonds remain outstanding and will be partially advance refunded by the 2001B Bonds. Additional information concerning the prior bond issues is contained in Chapter 4 of the Financial Feasibility Analysis for the Terminal Improvement Project on file with the Connecticut Department of Transportation. The existing fund structure, balances and debt service schedules associated with the prior issues are highlighted below:

- **Debt Service Fund** - The debt service fund is held in Trust and used by the Trustee for the payment of debt service. It consists of the four accounts including the Bond Service, Redemption, General and Reserve accounts required for the 1992 Refunding Bonds.
- **Interim Reserve Account** - This account was established for transfers to the Revenue Fund in the event that it was insufficient to fund the Bond Service Account, the Redemption Account and for the payment of Current Expenses. Monthly disbursements to this account from the Revenue Fund are \$150,000 per month for 24 months and \$100,000 per month for the next 12 months until the balance equals \$4,800,000. If the Airport Consultant concluded that the State would not be able to meet its rate covenant in fiscal years ending June 30, 1989 through June 30, 1991, the deposits to this account would be increased. The monies in this account were transferred to the Revenue Fund at the end of FY 1991 and the account was subsequently closed.
- **Current Expenses** - Disbursement of funds from the Trustee to the State for payment of current expenses is made monthly after all required disbursements to the Debt Service Fund and the Interim Reserve Account when it was active. The amount of the current expense disbursement is calculated so as to maintain a balance of such funds held by the State equivalent to the next two months current expenses in accordance with the annual operating budget.

- **Operation and Maintenance Reserve Account** - This account, which was established as a separate account in the Revenue Fund, is to be used for the payment of current expenses whenever the Revenue Fund is insufficient for such purpose. Disbursements to this account are calculated so as to maintain a balance in the reserve equivalent to 25 percent of the current annual operating budget.
- **Airport Coverage Account** - Established in the General Airport Fund, this account can be used for any purpose permitted for moneys in the General Airport Fund. Money held in this account is considered gross revenue for the purposes of the coverage requirement, as is money held in the Interim Reserve Account described above. Disbursements to this account from the Revenue Fund are calculated so as to maintain a balance equivalent to 25 percent of (a) the sum required in such fiscal year to pay interest on the Notes and Bonds, excluding capitalized interest, and (b) the amount required in such fiscal year to pay the principal of the Bonds.
- **Note Repayment Fund** - This fund was established for the payment of principal and interest on notes issued in anticipation of the bonds.
- **Improvement Fund** - The Improvement Fund is used for additions, expansions or improvements to the Airport other than the Improvements originally funded by the 1982 Revenue Bonds. The moneys held to the credit of the Improvement Fund are held in trust and disbursed by the Trustee at the direction of the State Bond Commission.
- **General Airport Fund** - The balance of all gross operating revenues remaining after monthly disbursements to the above funds and accounts have been made is disbursed to the General Airport Fund. These funds are held on deposit until utilized in accordance with applicable provisions of the Indenture. Transfers from the General Airport Fund may be made by the Trustee to the Redemption Account, Bond Service Account, Improvement Fund, Note Repayment Fund or for any authorized Airport purposes.

Table IV.1 depicts the balance of debt service due on 1992 Refunding Bonds from Bond Year 2000 through 2012, and the current ratio of debt per enplaned passenger based on audited Bonds Payable less Current Maturities as of June 30 1998, 1999 and 2000, and associated enplaned passengers. The 1992 Refunding Bonds are the only outstanding bond issues secured with Airport revenue at this time. The 1989 Subordinated Bonds were retired by the State with Airport revenues as of February 1, 2001. Table IV.2 presents the fund structure and audited balances as of June 30, 1991 through 2000 maintained in accordance with the provisions of the 1982 indenture discussed above. The Airport presently enjoys very low debt per enplaned passenger (\$21.35 for FY 2000), and has experienced strong growth in its total fund balances (from \$39 to \$54 million).

**Table IV.1**  
**Bradley International Airport**  
**Balance of Existing Revenue Bond Debt Service**

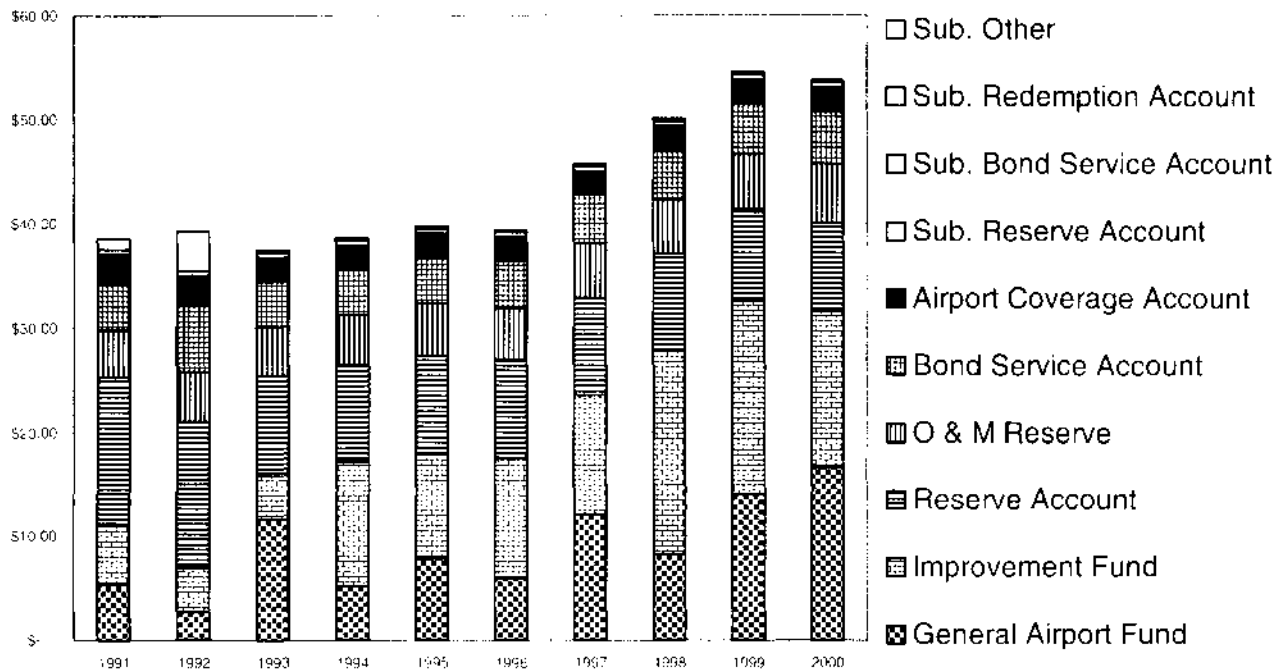
	6/30/98	6/30/99	6/30/00
Total Bonds Payable Less Current Maturities	\$ 81,450,000	\$ 77,970,000	\$ 74,235,000
Fiscal Year Enplaned Passengers	2,727,407	2,968,267	3,476,803
Existing Debt Per Enplaned Passenger	\$ 29.86	\$ 26.27	\$ 21.35

Bond Year	1989 Subordinated*			1992 Refunding			Total
	Principal	Interest	Total	Principal	Interest	Total	
2000	\$ 140,000	\$ 288,350	\$ 428,350	\$ 3,595,000	\$ 5,667,125	\$ 9,262,125	\$ 9,690,475
2001	\$ 150,000	\$ 275,575	\$ 425,575	\$ 3,860,000	\$ 5,402,893	\$ 9,262,893	\$ 9,688,468
2002				\$ 4,150,000	\$ 5,119,183	\$ 9,269,183	\$ 9,269,183
2003				\$ 4,455,000	\$ 4,812,083	\$ 9,267,083	\$ 9,267,083
2004				\$ 4,785,000	\$ 4,482,413	\$ 9,267,413	\$ 9,267,413
2005				\$ 5,140,000	\$ 4,128,323	\$ 9,268,323	\$ 9,268,323
2006				\$ 5,530,000	\$ 3,735,113	\$ 9,265,113	\$ 9,265,113
2007				\$ 5,955,000	\$ 3,312,068	\$ 9,267,068	\$ 9,267,068
2008				\$ 6,405,000	\$ 2,856,510	\$ 9,261,510	\$ 9,261,510
2009				\$ 6,900,000	\$ 2,366,528	\$ 9,266,528	\$ 9,266,528
2010				\$ 7,430,000	\$ 1,838,678	\$ 9,268,678	\$ 9,268,678
2011				\$ 8,000,000	\$ 1,270,283	\$ 9,270,283	\$ 9,270,283
2012				\$ 8,605,000	\$ 658,283	\$ 9,263,283	\$ 9,263,283
Total	\$ 290,000	\$ 563,925	\$ 853,925	\$ 74,810,000	\$ 45,649,483	\$ 120,459,483	\$ 121,313,408

\* Retired by the State on February 1, 2001

**Table IV.2**  
**Bradley International Airport**  
**Existing Bond Indenture Fund Structure and Account Balances**

Indenture Funds & Accounts (millions)	Fiscal Year Ending June 30									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
General Airport Fund	\$ 5.31	\$ 2.69	\$ 11.60	\$ 5.18	\$ 7.82	\$ 5.92	\$ 12.07	\$ 8.23	\$ 13.98	\$ 16.69
Improvement Fund	\$ 5.86	\$ 4.27	\$ 4.53	\$ 12.05	\$ 10.24	\$ 11.70	\$ 11.50	\$ 19.57	\$ 18.55	\$ 14.82
Reserve Account	\$ 14.10	\$ 14.10	\$ 9.27	\$ 9.27	\$ 9.27	\$ 9.29	\$ 9.27	\$ 9.25	\$ 8.81	\$ 8.51
O & M Reserve	\$ 4.56	\$ 4.76	\$ 4.72	\$ 4.74	\$ 4.93	\$ 4.96	\$ 5.24	\$ 5.25	\$ 5.36	\$ 5.76
Bond Service Account	\$ 4.43	\$ 6.38	\$ 4.32	\$ 4.35	\$ 4.47	\$ 4.56	\$ 4.66	\$ 4.76	\$ 4.85	\$ 4.98
Airport Coverage Account	\$ 2.84	\$ 2.84	\$ 2.30	\$ 2.30	\$ 2.29	\$ 2.29	\$ 2.29	\$ 2.29	\$ 2.29	\$ 2.28
Sub. Reserve Account	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43
Sub. Bond Service Account	\$ -	\$ -	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.15
Sub. Redemption Account	\$ -	\$ -	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.14
Sub. Other	\$ 1.05	\$ 3.77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
<b>Total Funds &amp; Accounts</b>	<b>\$ 38.58</b>	<b>\$ 39.24</b>	<b>\$ 37.43</b>	<b>\$ 38.57</b>	<b>\$ 39.71</b>	<b>\$ 39.42</b>	<b>\$ 45.73</b>	<b>\$ 50.06</b>	<b>\$ 54.54</b>	<b>\$ 53.76</b>



Note: 1989 Subordinated Bonds retired by the State on February 1, 2001

## **B) Airline Compensatory Rate Structure**

The existing Signatory Air Carrier Operating Agreement was initially drafted and negotiated in 1982 with the intent of securing the 1982 Revenue Bonds. Each air carrier operating at the Airport pursuant to this Agreement is referred to as a Signatory Airline. There are presently seven Signatory Airlines at the Airport including American, Continental, Delta, Northwest, TWA, United and US Airways. The Air Carrier Operating Agreements are for a 30-year term expiring on June 30, 2011. The last principal payment on the 1992 Refunding Bonds is October 1, 2012, one year and three months after expiration of the signatory airline agreement. If 50 percent of all Signatory Airlines account for more than 50 percent of aggregate revenue aircraft arrival weights at the Airport during the preceding calendar year, these Signatory Airlines possess a "Majority-in-Interest". The security provided by the Signatory Airlines is founded in the Agreement's procedures governing the establishment of Airport rates and charges and in the approval and undertaking of capital improvements both of which are contingent upon varying degrees of Majority-In-Interest approvals. These procedures and the rates and charges and resulting revenue streams applicable to the Signatory Airlines, and other air carriers are discussed further below.

### **Rates and Charges Procedures**

The Signatory Airlines pay rates and charges designed to recover costs, including debt service on bonds, allocated to them pursuant to the Airport's cost accounting system. This is generally referred to as a compensatory rate structure. The procedure required to establish rates and charges on this basis begins with the submission of a proposed Airport Operating Budget to the Signatory Airlines by the Airport. The proposed Airport Operating Budget is to be submitted 90 days prior to the beginning of each fiscal year. As the Airport's fiscal year begins July 1, the proposed Airport Operating Budget is to be submitted annually before April 1 and it includes an Operating Expense Budget, a Capital Improvement Budget, cost center allocations to the Airlines and a proposed schedule of supporting rates and charges. The Signatory Airlines have the next 30 days, until May 1, to review and comment on the proposed budget during which time the Airport is to respond to questions and provide detailed supporting documentation as requested. If unresolved questions remain as of May 15, the Signatory Airlines may meet with the Connecticut Commissioner of Transportation to discuss any disagreements. If this meeting does not resolve the disagreements by May 25, the State may either adjust its proposed rates and charges to the point where a Majority-In-Interest approve of them, or assess its originally proposed rates and charges and hold the incremental revenues in escrow pending the outcome of an associated action or proceeding brought by the Signatory Airlines. The Agreement includes provisions that permit the Airport Operating Budget to be exceeded, and such excesses to be included in the next year's operating budget for rates and charges calculations. It also includes provisions for crediting the Signatory Airlines in the event that actual expenditures are less than budgeted. The components of the Operating Expense and Capital Improvement budgets are summarized below.

### **Operating Expense Budget**

The Operating Expense Budget is to include all current expenses associated with the administration, operation, maintenance and repair of the Airport. These expenses specifically include the cost of collecting revenues, professional services, salaries and wages, routine maintenance and repairs, taxes and assessments, utilities, management services and overhead, equipment, materials and supplies, costs associated with carrying out the terms of the Indenture and annual debt service on bonds. Operating expenses specifically exclude bond interest expenses greater than those dictated by actual bond issues, depreciation on facilities financed with bonds and any charge representing a return on capital investment. The Majority-in-Interest approval over the Operating Expense Budget is limited to any resulting incremental revenues in disagreement being held in escrow pending adjudication.

Additionally, the signatory agreement allows for annual carry forward of budget versus actual airline expense allocations. If the State fails through the imposition of airline rates and charges to recover the full amount of the costs properly allocable to the Airlines, the State will carry forward the amount of the deficit as an additional item of allocable cost in computing the rates and charges. Conversely, if actual expense allocations are less than the budget, then the State credits the excess against the following year's budget allocation in computing the airline rates and charges.

### **Capital Improvement Budget**

The Capital Improvement Budget represents the portion of capital improvement costs to be expensed during an Airport fiscal year. The cost of capital improvements is to be capitalized and amortized over the useful life of the items purchased or constructed. In accordance with the terms of Air Carrier Operating Agreement, expenses are considered capital improvement costs depending on the cost center to which the expense is charged, and the anticipated useful life, or extension thereof, of the item purchased. There are three final cost centers used in the development of airline rates including the Airfield (Landing) Area, Apron Area and Terminal Building. Airfield and Apron Area items are considered capital if the useful life or extension thereof is five years or more, and Terminal Building items are considered capital if the useful life or extension thereof is three years or more.

The capital improvements undertaken by the Airport are subject to a higher degree of Majority-in-Interest approval than the operating expenses. The Airport may not consider capital improvement costs in determining the annual schedule of rates and charges unless a Majority-in-Interest approves the cost within fifty days of formally being notified of the proposed capital improvement. This notification may be via distribution of the Capital Improvement Budget or otherwise and must include a description of the capital project, preliminary drawings and cost estimates, a statement of need for the project, an allocation of project costs among cost centers and an assessment of the impact of the project on airport rates and charges. Majority-in-Interest approval is not required for capital improvements that are:

- Part of the 1982 Approved Capital Improvement Program;
- Improvements required by law;
- To repair casualty damage in certain circumstances;
- For special facilities to be fully funded by the Lessee thereof;
- Capital improvements to the Airfield and Apron cost centers that do not exceed \$250,000 each subject to a \$500,000 annual limit;
- Capital improvements to the Terminal cost center that do not exceed \$75,000 each subject to an annual limit of \$150,000; and,
- Passenger terminal and HVAC facilities needed to accommodate additional air carriers if certain requirements are met.

### **Signatory Airline Rates and Charges**

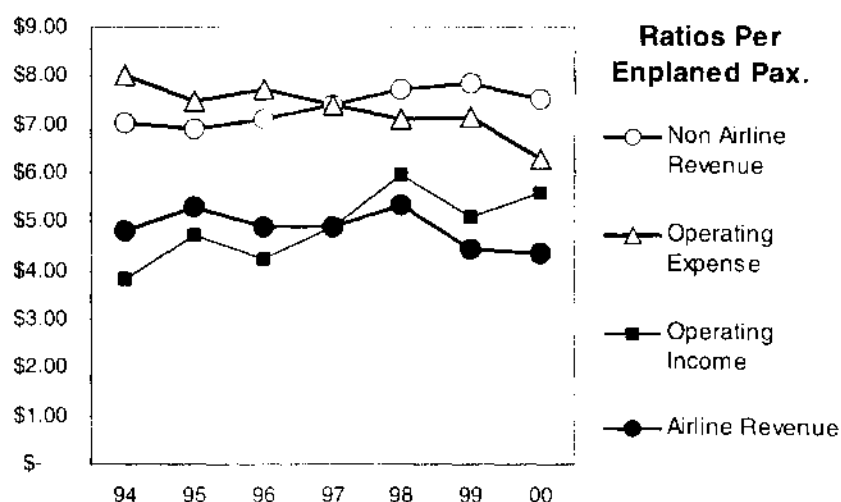
The Signatory Airlines and other air carriers pay Terminal Building Rent, Landing Fees, Baggage Claim Area Charges and Apron Area Rental based upon the costs properly allocable to the Terminal Building, Airfield Area and Apron Area cost centers as included and approved in the Airport Operating Expense and Capital Improvement budgets. The term properly allocable means that the cost was allocated pursuant to the Airport Cost Accounting System required to be developed pursuant to the terms of the Operating Agreement and of the



Indenture. The specific composition and calculation of the rates and charges applicable to the Signatory Airlines is discussed in Chapter IV.4 of this Report. The airlines pay Terminal Building Rent, Landing Fees and Apron Rent that accounted for 38.69% of total operating revenue from 1996 through 2000. The remaining 61.31% of operating revenue was generated by concession fees and other leases discussed later in this Report.

Analysis of the Airport's financial performance from 1994 through 2000 indicates that the Airport's compensatory rate setting methodology has worked well and positioned the Airport strongly to undertake the Terminal Improvement Project. All historic data presented in this Report is based on the Airport's financial statements, including balance sheets, statements of operations and retained earnings, and statements of cash flows prepared and audited by the CPA and consulting firm of DiSanto Bertoline & Company, P.C., and supplemented by the Connecticut Department of Transportation. Audited financial statements were examined for the seven years ended June 30, 2000. The FY 2001 budget adopted pursuant to air carrier lease procedures, has also been provided by the Connecticut Department of Transportation and represents a conservative base year for the financial projections also included in this Report.

Table IV.2.1 indicates strong growth in the Airport's operating income. The Connecticut DOT has been very successful in reducing operating expenses and airline costs on a per passenger basis while at the same time increasing non-airline revenues, operating income and the net income available for capital investment in the Airport. Growth in airline revenues has been relatively moderate and reflective of the Airport's ability to control costs. The rate



of growth in non-airline revenues has exceeded that of the airline revenues. All of these factors have contributed to very strong growth in the Airport's operating income. In 1994, operating income was \$9.0 million. In 2000, operating income stood at \$19.5 million. This has all occurred during a time of strong growth in the Airport's enplaned passengers. In FY 1994, total enplaned passengers were 2,361,572. In 2000, total enplaned passengers were 3,476,803. As a consequence of these trends, the Airport expenses passed on to the airlines have actually declined by 10% on a per passenger basis from 1994 through 2000.

All of the Airport's revenues and expenses are discussed in detail later in this Report.

**Table IV.2.1**  
**Bradley International Airport**  
**Historic Operating Income**

	1994	1995	1996	1997	1998	1999	2000
Terminal Building	\$ 3,778,224	\$ 3,805,192	\$ 4,149,135	\$ 3,878,266	\$ 3,752,223	\$ 3,959,825	\$ 4,127,718
Baggage Claim	\$ 876,124	\$ 867,303	\$ 897,652	\$ 879,963	\$ 864,474	\$ 881,579	\$ 948,198
Apron Area	\$ 915,768	\$ 1,244,117	\$ 1,476,658	\$ 1,588,346	\$ 1,974,486	\$ 1,576,880	\$ 1,936,625
Landing Fees	\$ 5,578,556	\$ 7,184,184	\$ 6,159,240	\$ 6,439,810	\$ 7,963,794	\$ 6,424,882	\$ 7,895,650
Ramp Parking	\$ 218,187	\$ 205,859	\$ 259,112	\$ 264,266	\$ 31,728	\$ 271,625	\$ 211,167
<b>Total Airline</b>	<b>\$ 11,366,859</b>	<b>\$ 13,306,655</b>	<b>\$ 12,941,797</b>	<b>\$ 13,050,651</b>	<b>\$ 14,586,705</b>	<b>\$ 13,114,791</b>	<b>\$ 15,119,358</b>
Auto Parking	\$ 5,769,506	\$ 6,262,805	\$ 6,897,191	\$ 7,408,538	\$ 7,974,156	\$ 9,073,162	\$ 10,029,716
Rental Cars	\$ 4,091,848	\$ 3,665,918	\$ 4,114,640	\$ 4,511,155	\$ 4,973,101	\$ 5,663,030	\$ 6,790,804
Restaurants	\$ 1,856,590	\$ 2,068,459	\$ 2,231,491	\$ 2,228,651	\$ 2,265,588	\$ 2,313,132	\$ 2,599,846
Other Concessions	\$ 1,745,420	\$ 1,953,975	\$ 2,086,609	\$ 2,171,674	\$ 2,192,443	\$ 2,453,951	\$ 2,918,834
Land & Building	\$ 1,501,737	\$ 1,865,003	\$ 1,867,444	\$ 1,907,371	\$ 1,942,985	\$ 1,990,143	\$ 2,152,759
Fixed Base Ops	\$ 508,458	\$ 583,728	\$ 659,715	\$ 397,678	\$ 614,331	\$ 650,539	\$ 668,475
Other Operating	\$ 581,101	\$ 455,679	\$ 438,598	\$ 473,542	\$ 512,326	\$ 505,403	\$ 484,220
Hotel Commission	\$ 400,000	\$ 265,654	\$ 400,000	\$ 400,000	\$ 400,538	\$ 406,017	\$ 453,772
Other Terminal Rent	\$ 164,525	\$ 171,693	\$ 181,980	\$ 181,783	\$ 183,804	\$ 188,270	\$ 89,407
<b>Total Non Airline</b>	<b>\$ 16,619,155</b>	<b>\$ 17,292,914</b>	<b>\$ 18,877,668</b>	<b>\$ 19,680,392</b>	<b>\$ 21,059,272</b>	<b>\$ 23,243,647</b>	<b>\$ 26,187,833</b>
<b>Total Revenue</b>	<b>\$ 27,986,014</b>	<b>\$ 30,599,569</b>	<b>\$ 31,819,465</b>	<b>\$ 32,731,043</b>	<b>\$ 35,645,977</b>	<b>\$ 36,358,438</b>	<b>\$ 41,307,191</b>
<b>Operating Expense</b>	<b>\$ 18,965,598</b>	<b>\$ 18,756,400</b>	<b>\$ 20,575,487</b>	<b>\$ 19,745,668</b>	<b>\$ 19,395,270</b>	<b>\$ 21,242,482</b>	<b>\$ 21,815,207</b>
<b>Operating Income</b>	<b>\$ 9,020,416</b>	<b>\$ 11,843,169</b>	<b>\$ 11,243,978</b>	<b>\$ 12,985,375</b>	<b>\$ 16,250,707</b>	<b>\$ 15,115,956</b>	<b>\$ 19,491,984</b>
Enplaned Passengers	2,361,572	2,502,797	2,657,393	2,665,376	2,727,407	2,968,267	3,476,803
Ratios / Passenger							
Airline Revenue	\$ 4.81	\$ 5.32	\$ 4.87	\$ 4.90	\$ 5.35	\$ 4.42	\$ 4.35
Non Airline Revenue	\$ 7.04	\$ 6.91	\$ 7.10	\$ 7.38	\$ 7.72	\$ 7.83	\$ 7.53
Operating Expense	\$ 8.03	\$ 7.49	\$ 7.74	\$ 7.41	\$ 7.11	\$ 7.16	\$ 6.27
Operating Income	\$ 3.82	\$ 4.73	\$ 4.23	\$ 4.87	\$ 5.96	\$ 5.09	\$ 5.61

## **2. OPERATING AND MAINTENANCE EXPENSES**

### **A) Historic Expenses**

Historic operating and maintenance expenses are reflected on the Bradley International Airport Statements of Operations and Retained Earnings in the categories of Salaries and Wages, Overtime, Shift Differential, Other Pay, Fringe Benefits, Indirect Cost Allocation, Other Personal Services, Contractual Services, Commodities, Energy and Utilities, and Allocated Expenses. Audited total expenses for Fiscal Year 2000 were \$21.8 million, up 34% from 1991 when expenses totaled \$16.3 million. The major line items of expense included in the Statement of Operations and Retained Earnings are summarized below.

**Salaries and Wages** – Consist of the base salary and wages of all staff assigned to the Airport. A total of 122 positions are presently funded and reflected in the FY 2000 and 2001 budgets.

**Overtime** – Salaries and wages in excess of the base levels discussed above. Overtime is funded for snow removal and other regular activities for buildings and grounds maintenance purposes and shift coverage for the Fire Crash Rescue Unit, which provides 24-hour coverage.

**Fringe Benefits** – Consist of medical and retirement plan, life insurance and unemployment compensation expenses.

**Contractual Services** – Consist of the State Police services provided to the Airport, Payments in Lieu of Taxes to surrounding communities, the schedule of Class 261 and 264 contracted work (certain building, equipment and grounds maintenance), insurance, marketing, consultants and other expenses.

**Commodities** – Consist of Airport operating and maintenance supplies including such items as office and cleaning supplies, lumber, hardware, building electrical, plumbing and heating supplies, runway lighting supplies, gasoline, diesel and other auto supplies, tires, antifreeze, fertilizer, sand, paint and other commodities.

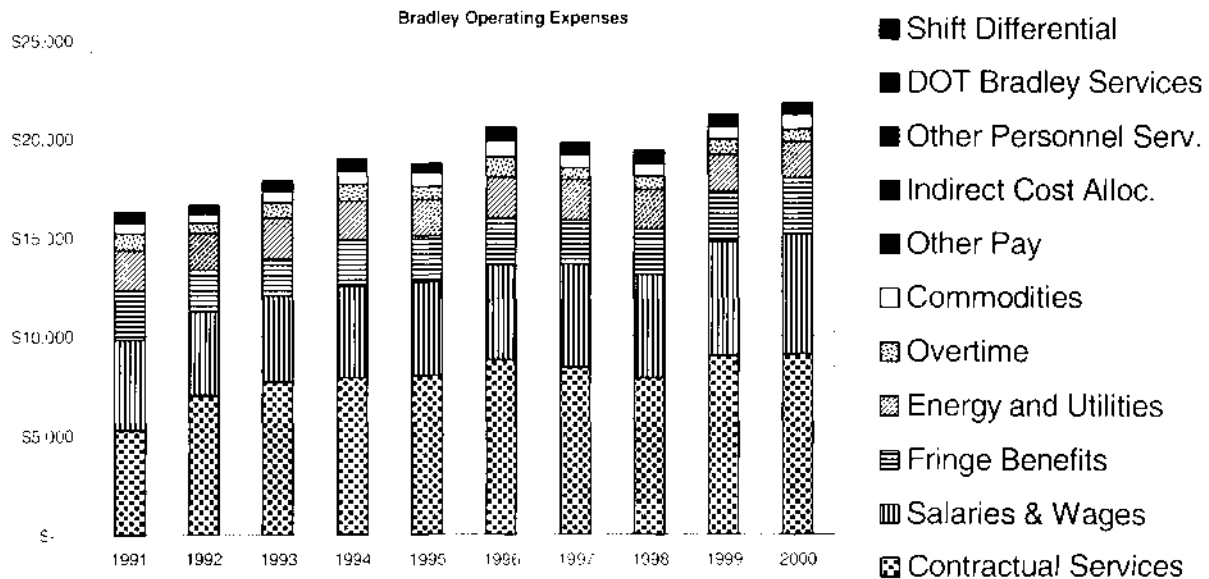
**Energy and Utilities** – Consist of electricity, natural gas, water, sewer, fuel oil and telephone services.

The Airport's actual annual audited operating and maintenance expenses for the period 1991 through 2000 are presented on Table IV.3 below. Also presented are the total annual rates of increase or decrease actually experienced in each line item for this period of time. As indicated on Table IV.3, total expenses have increased at the annual rate of 3.28%. Contractual Services increased at the greatest rate of 6.18% annually, followed by Salaries & Wages, Indirect Cost Allocations and Commodities which all increased between 3.13% and 3.29% annually. Other Payroll and Fringe Benefits increased moderately at the rate of 2.76% and 1.42% respectively with the remaining categories of expense experiencing decline.

It should be noted that the 3.29% annual rate of increase in the actual salaries and wages line item reflects a reduction in staffing levels from 1991 to date. In 1991, 148 positions were budgeted for \$5,104,790. This is equivalent to \$34,494.82 per position. In 2000, 122 positions were budgeted for \$6,270,593. This is equivalent to \$51,398.30 per position. Therefore, the annual rate of increase indicated per position budgeted is 4.53%.

**Table IV.3**  
**Bradley International Airport**  
**Historic Operating and Maintenance Expenses**

Category	Actual Annual Expenses (\$000)										Annual Rate
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
Salaries & Wages	\$ 4,528	\$ 4,227	\$ 4,389	\$ 4,653	\$ 4,705	\$ 4,798	\$ 5,218	\$ 5,256	\$ 5,809	\$ 6,058	3.29%
Overtime	\$ 826	\$ 529	\$ 769	\$ 825	\$ 652	\$ 1,008	\$ 589	\$ 674	\$ 758	\$ 631	-2.95%
Shift Differential	\$ 29	\$ 30	\$ 27	\$ 26	\$ 28	\$ 26	\$ 27	\$ 27	\$ 27	\$ 25	-1.35%
Other Pay	\$ 95	\$ 99	\$ 103	\$ 110	\$ 103	\$ 117	\$ 115	\$ 127	\$ 126	\$ 122	2.76%
Fringe Benefits	\$ 2,513	\$ 2,102	\$ 1,831	\$ 2,347	\$ 2,354	\$ 2,389	\$ 2,257	\$ 2,320	\$ 2,553	\$ 2,854	1.42%
Indirect Cost Alloc.	\$ 226	\$ 212	\$ 220	\$ 233	\$ 235	\$ 243	\$ 261	\$ 263	\$ 290	\$ 303	3.28%
Other Personnel Serv.	\$ 72	\$ 34	\$ 147	\$ 63	\$ 19	\$ 115	\$ 126	\$ 171	\$ 152	\$ 91	2.69%
Total Salary & Related	\$ 8,290	\$ 7,233	\$ 7,484	\$ 8,273	\$ 8,094	\$ 8,694	\$ 8,593	\$ 8,838	\$ 9,714	\$ 10,084	2.20%
Contractual Services	\$ 5,308	\$ 7,029	\$ 7,696	\$ 7,892	\$ 8,018	\$ 8,804	\$ 8,406	\$ 7,872	\$ 9,000	\$ 9,101	6.17%
Commodities	\$ 565	\$ 445	\$ 580	\$ 654	\$ 740	\$ 815	\$ 623	\$ 652	\$ 633	\$ 746	3.13%
Energy and Utilities	\$ 2,030	\$ 1,864	\$ 2,118	\$ 1,977	\$ 1,839	\$ 2,079	\$ 2,055	\$ 1,982	\$ 1,849	\$ 1,829	-1.15%
DOT Bradley Services	\$ 119	\$ 84	\$ 46	\$ 170	\$ 65	\$ 192	\$ 69	\$ 51	\$ 46	\$ 54	-8.35%
Total Oper. Expenses	\$ 16,312	\$ 16,675	\$ 17,924	\$ 18,966	\$ 18,756	\$ 20,575	\$ 19,746	\$ 19,395	\$ 21,242	\$ 21,815	3.28%



It should also be noted that the Airport's operating expense line items experience significant variation in the annual rate of change occurring from year to year. The table shown below includes the percentage change experienced from year to year in each line item, sorted in ascending order of total annual change. The table also depicts the relative weight of each line item (2000 line item amounts as a percentage of total actual expenditures). As indicated, while total annualized expense variations have been relatively moderate in the range of -8.35% to +6.18%, the individual line item changes from year to year are much more unpredictable in the range of -76.41% to +511.68%, which is reflective of annual priorities. Accordingly, the projection of operating and maintenance expenses presented later in this chapter is intended to reflect the long term trends, recognizing that annual priorities are often reflected in line item variations.

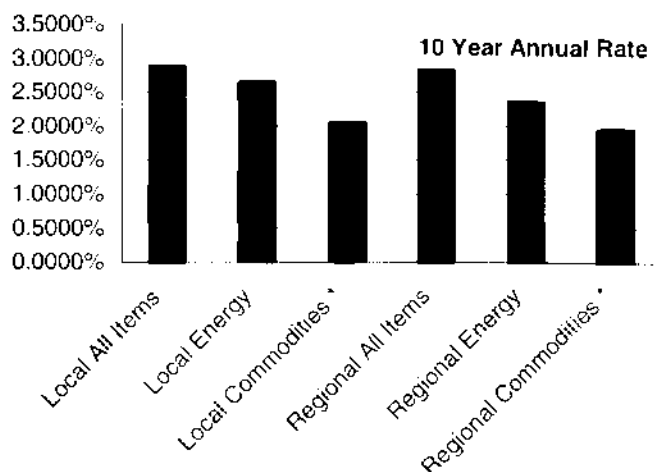
	Year To Year Rate of Change									Total	
Category	1992	1993	1994	1995	1996	1997	1998	1999	2000	Annual	Weight
DOT Bradley Services	-29.10%	-45.78%	271.22%	-61.63%	195.39%	-64.26%	-25.97%	-8.79%	16.85%	-8.35%	0.25%
Overtime	-35.92%	45.20%	7.35%	-20.99%	54.62%	-41.58%	14.50%	12.37%	-16.71%	-2.95%	2.89%
Shift Differential	4.45%	-11.79%	-1.92%	0.34%	-1.95%	3.76%	0.26%	0.03%	-4.41%	-1.35%	0.12%
Energy and Utilities	-7.19%	12.42%	-6.69%	-6.96%	12.56%	0.72%	-3.53%	6.71%	1.11%	-1.15%	8.38%
Fringe Benefits	-16.36%	-12.89%	28.17%	0.31%	1.49%	-5.52%	2.77%	10.04%	11.80%	1.42%	13.08%
Other Personnel Services	-52.84%	332.29%	-45.46%	-76.41%	511.68%	9.04%	36.15%	-11.55%	-39.74%	2.69%	0.42%
Other Pay	3.81%	4.12%	6.48%	-5.71%	13.60%	-2.18%	10.39%	-0.42%	-3.59%	2.76%	0.56%
Commodities	-21.33%	30.32%	12.85%	13.10%	10.22%	-23.53%	4.65%	-3.02%	17.94%	3.13%	3.42%
Indirect Cost Allocation	-6.51%	3.74%	5.94%	1.10%	1.97%	8.76%	0.72%	10.52%	4.29%	3.28%	1.39%
Salaries & Wages	-6.66%	3.83%	6.02%	1.11%	1.98%	8.75%	0.72%	10.52%	4.29%	3.29%	27.77%
Contractual Services	32.43%	9.49%	2.54%	1.60%	9.80%	-4.52%	-6.35%	14.33%	1.13%	6.17%	41.72%
Total Operating Expenses	2.22%	7.49%	5.81%	-1.10%	9.70%	-4.03%	-1.77%	9.52%	2.70%	3.26%	100.00%

## B) Forecast Rates of Change

In order to establish assumed rates of increase to use in generating the long-term projection of Airport operating and maintenance expenses, the Project Team considered the rates of change experienced at the Airport for the period 1991 through 2000 as discussed above, and broader consumer and producer price indices maintained by the United States Bureau of Labor Statistics (BLS). The BLS data reviewed includes Local CPI data, Regional CPI data and National PPI data.

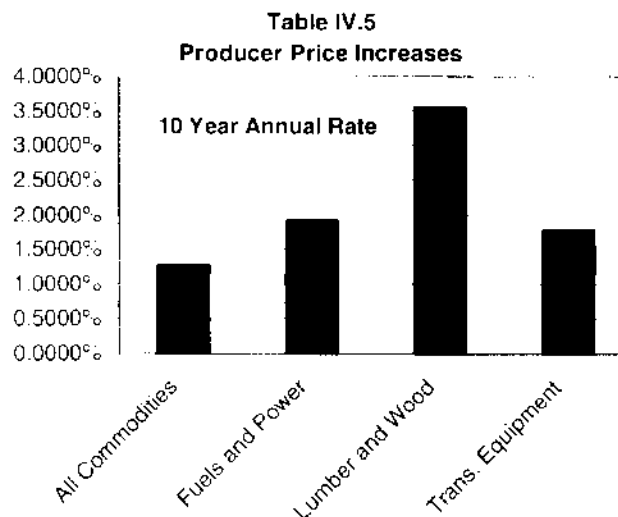
**Local CPI** - Local CPI data was extracted from the BLS Web Site for the ten years ending May 2000. The local area maintained consists of Boston, Brockton and Nashua. Consumer prices were obtained for the All Items index, and specifically for Energy and Commodities (less food and beverages). The data is summarized in Table IV.4. As indicated, historical growth of 2.89% was experienced in the All Items index, 2.64% for Energy and 2.05% for Commodities.

Table IV.4  
Consumer Price Increase



**Regional CPI** – Regional CPI data was also extracted from the BLS Web Site for the ten years ending May 2000. The region reviewed is the City average for the Northeast urban area. Consumer prices were obtained for the All Items index, and specifically for Energy and Commodities (less food and beverages). The data is summarized on Table IV.4. As indicated, historical growth of 2.83% was experienced in the All Items index, 2.36% for Energy and 1.95% for Commodities.

**National PPI** – The Producer Price Index is compiled only at the national level. PPI data was extracted from the BLS Web Site for the ten years ending February 2000. Producer prices were obtained for the All Commodities Index and for Fuels and Power, Lumber and Wood, and Transportation Equipment. The data is summarized on Table IV.5. As indicated, historical growth of 1.27% was experienced in the All Commodities Index, 1.91% for Fuels and Power, 3.56% for Lumber and Wood and 1.78% for Transportation Equipment.



The total annual rate of increase experienced by the Airport for the period 1991 through 2000 was 3.28%.

### C) Base Year Budget Data

The projection of operating and maintenance expenses uses the FY 2001 Budget as the base year. It also includes an expanded set of line items from those used in the Airport's Statements of Operations & Retained Earnings. Contractual Services are broken down into primary components including State Police expenses, Payments In Lieu of Taxes (PILOT), Other Contracts, Contract Class 261 (janitorial and cleaning, elevator and conveyor and other system maintenance etc.) and Contract Class 264 (rubber removal, crack sealant, weed control and tree trimming). All line items are further broken down into their allocations between the Landing, Terminal, Apron and Other Cost Centers so that the projection of operating and maintenance expenses is consistent with and relative to the Airport's compensatory rate setting methodology and resulting airline revenues.

Summary Budget Allocations					
Year	Landing	Terminal	Apron	Other	Total
FY 2000	\$ 9,495,232	\$ 6,718,173	\$ 1,714,167	\$ 4,962,023	\$ 22,889,595
Percent	41.48%	29.35%	7.49%	21.68%	100.00%
FY 2001	\$ 9,609,665	\$ 7,520,420	\$ 1,711,909	\$ 5,767,421	\$ 24,609,415
Percent	39.05%	30.55%	6.96%	23.44%	100.00%

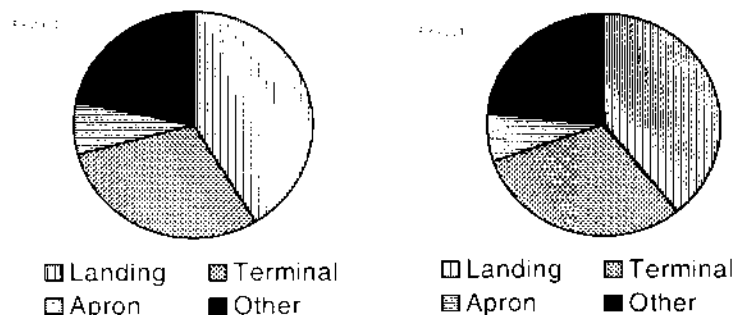


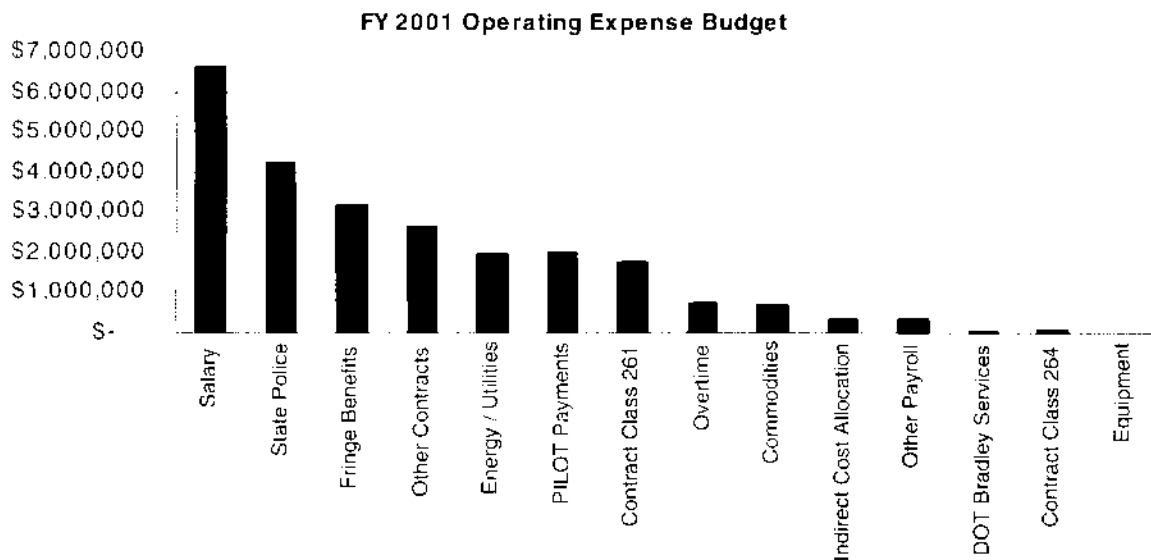
Table IV.6 on the following page presents the Airport Budget for FY 2001 using the format described above.

The annual increase in total expenses from 2000 actual to the FY 2001 allocated expense budget was 12.8%. Therefore, the FY 2001 Budget is considered generally as a strong base year from which to project because it reflects a funding increase much greater than actually experienced historically. The allocation of FY 2001 budgeted operating and maintenance expenses was 39.05% to the Landing Area, 30.55% to the Terminal Area and 6.96% to the Apron Area. These allocations are used to develop airline rates and charges as previously discussed. The remaining 23.44% of the budget is allocated to the Other Cost Center and not included in airline rates and charges. As indicated in the summary table provided above, the FY 2001 allocations are relatively consistent with FY 2000.

**Table IV.6**  
**Bradley International Airport**  
**Summary of Operating Expense Allocations**

FY 2001 Operating Expenses	Total	Landing	Terminal	Apron	Other
Salary	\$ 6,620,694	\$ 3,082,978	\$ 1,750,692	\$ 563,032	\$ 1,223,992
Overtime	\$ 722,302	\$ 457,035	\$ 119,241	\$ 74,944	\$ 71,082
Indirect Cost Allocation	\$ 331,035	\$ 151,772	\$ 90,286	\$ 28,895	\$ 60,082
Other Payroll	\$ 330,847	\$ 178,613	\$ 71,993	\$ 31,397	\$ 48,845
Fringe Benefits	\$ 3,173,445	\$ 1,497,620	\$ 839,341	\$ 288,259	\$ 548,225
PILOT Payments	\$ 1,985,741	\$ 582,056	\$ 585,182	\$ 124,297	\$ 694,205
State Police	\$ 4,250,000	\$ 2,231,250	\$ 371,875	\$ 265,625	\$ 1,381,250
Contract Class 261	\$ 1,755,646	\$ 53,946	\$ 1,569,343	\$ 123,762	\$ 8,595
Contract Class 264	\$ 115,520	\$ 94,027	\$ 912	\$ 122	\$ 20,459
Other Contracts	\$ 2,608,310	\$ 638,125	\$ 672,846	\$ 122,150	\$ 1,175,190
Commodities	\$ 675,146	\$ 324,035	\$ 224,912	\$ 53,621	\$ 72,578
Energy / Utilities	\$ 1,956,450	\$ 287,502	\$ 1,203,289	\$ 29,571	\$ 436,088
Equipment	\$ 14,950	\$ 10,291	\$ 1,285	\$ 1,570	\$ 1,804
DOT Bradley Services	\$ 69,328	\$ 20,415	\$ 19,223	\$ 4,664	\$ 25,026
Total Allocated Budget Costs*	\$ 24,609,415	\$ 9,609,665	\$ 7,520,420	\$ 1,711,909	\$ 5,767,421

\* Excludes prior year adjustments of (\$119,271) used for airline rate development purposes and shown on Table IV.7.





## D) Baseline Operating and Maintenance Expense Projection

The Operating and Maintenance Expense Projection covers the thirty year period commencing with the FY 2001 Budget and ending with the FY 2030 projection. Specific line items are broken down between the Airport cost centers (Landing, Terminal, Apron and Other) consistent with the allocation methodology and rates used in the FY 2001 budget. Based on the review of historic Airport expenses, local and regional CPI and PPI data, the Project Team has concluded that the projection should be based on various rates of increase including 2.00% annually for Commodities, Equipment, and DOT Bradley Services, 3.50% annually for Salary and Related Expenses and the State Police, and 3.70% for Contractual Services, Energy and Utilities. These conclusions are discussed further below:

**Salary and Related Expenses** - This category represents the largest portion of the Airport's operating and maintenance expenses at 46.23% of actual 2000 expenses. In total, Salary and Related Expenses increased at the annual overall rate of only 2.20% from 1991 through 2000. The overall rate reflects increases in Salaries in Wages (3.29%), Other Pay (2.76%), Fringe Benefit (1.42%), Indirect Cost Allocation (3.28%) and Other Personnel Services (2.69%), and decreases in Overtime (-2.95%) and Shift Differential (-1.35%). During this period, local and regional consumer prices were increasing at the higher overall rate of 2.89% annually. In addition, as previously noted, the increase in Salaries and Wages, computed on a per position basis, was 4.53% annually. It is unlikely that the trends reflected in Overtime, Shift Differential and Fringe Benefits can be sustained. Therefore, all of the line items included in Salary and Related Expenses have been projected to increase at the rate of 3.50% annually from the FY 2001 Budget.

**Contractual Services** - This category represents the second largest portion of Airport operating and maintenance expenses at 42% of actual 2000 expenses. In total, Contractual Services increased at the annual rate of 4.77% from 1991 through 2000 including PILOT

	Actual 30-Jun-99	Actual 30-Jun-00	Budget 30-Jun-01	00 - 01 Variance
PILOT Payments	\$ 1,897,165	\$ 1,952,860	\$ 1,985,741	1.7%
State Police	\$ 3,788,000	\$ 3,914,000	\$ 4,250,000	8.6%
Contract Class 261	\$ 1,452,658	\$ 1,541,422	\$ 1,755,646	13.9%
Contract Class 264	\$ 35,304	\$ 15,646	\$ 115,520	638.3%
Other Contracts	\$ 1,826,381	\$ 1,677,515	\$ 2,608,310	55.5%
Total Contractual	\$ 8,999,508	\$ 9,101,443	\$ 10,715,217	17.7%

Payments, the State Police, Contract Class 261 and 264 and Other Contracts. During this period, local and regional consumer prices were increasing at the much lesser rate of 2.9% annually. In addition, the projection of operating and maintenance expenses uses the FY 2001 Budget as the base year. The 2001 Budget reflects an 18% increase from 2000 actual Contractual Services. Based on known trends, this is a particularly strong base year from which to project. Accordingly, the projection of Contractual Services is intended to balance the near term budget increases shown above with the broader, long-term CPI trends. The projected annual rate of increase of 3.7%, if applied to 2000 actual expenses for a period of 15 years through 2015, is equivalent to a 2.9% annual CPI adjustment applied to the FY 2001 Budget and projected to the same point in time (FY 2015). The 3.7% annual rate of increase has been applied to all Contractual Service line items with the exception of the State Police, which is adjusted in accordance with the ConnDOT Salary and Related Expenses discussed above.

**Energy/Utilities** - This category represents the distant third - largest portion of the Airport's operating and maintenance expenses at 8% of actual 2000 expenses. Energy and Utility expenses increased at the annual rate of 3.38% from 1991 through 2000. During this period, local and regional energy prices increased at the annual rate of approximately 2.6% and 2.4%, and fuel and power included in the Producer Price Index increased at the rate of only 1.9%. Having considered these trends, the Project Team is giving more weight to the expenditure levels experienced at the Airport than to the price indices and is projecting Energy and Utility expenses to

increase at the annual rate of 3.7% from the 2001 budget.

**Commodities** - This category represents the fourth- largest portion of the Airport's operating and maintenance expenses at 3% of actual 2000 expenses. Commodities increased at the annual rate of 3.13% from 1991 through 2000, including an 18% increase experienced in FY 2000. Local and regional commodities increased at the rate of approximately 2% annually. Commodities are forecast to increase at the annual rate of 2.0% from the FY 2001 Budget.

**Equipment** – This very modest portion of total expenses has been increased at the annual rate of 2.0% from the 2001 budget based on transportation equipment price data included with the Producer Price Index.

**DOT Bradley Services**- Increased at the annual rate of 2.0% from the 2001 budget.

The Baseline Expense Projection is summarized in Table IV.7. As indicated, the FY 2001 Budget of \$24,490,144 including prior year adjustments reflected in the airline rate bases is projected to increase to \$67,341,957 by 2030 before including the estimated expenses associated with the Terminal Improvement Project discussed below. This represents an overall annual rate of increase of 3.55%, which is greater than the actual rate of increase experienced from 1991 through 2000 of 3.28%.

**Table IV.7**  
**Bradley International Airport**  
**Allocated Operating Expenses**

OPERATING EXPENSES	Rate	FY 2001	30-Jun-05	30-Jun-10	30-Jun-15	30-Jun-20	30-Jun-30
		Budget					
LANDING AREA							
Salary	3.50%	\$ 3,082,978	\$ 3,537,788	\$ 4,201,783	\$ 4,990,400	\$ 5,927,029	\$ 8,360,660
Overtime	3.50%	\$ 457,035	\$ 524,459	\$ 622,892	\$ 739,801	\$ 878,651	\$ 1,239,424
Indirect Cost Allocation	3.50%	\$ 151,772	\$ 174,162	\$ 206,850	\$ 245,673	\$ 291,782	\$ 411,588
Other Payroll	3.50%	\$ 178,613	\$ 204,962	\$ 243,431	\$ 289,119	\$ 343,383	\$ 484,375
Fringe Benefits	3.50%	\$ 1,497,620	\$ 1,718,553	\$ 2,041,102	\$ 2,424,189	\$ 2,879,176	\$ 4,061,362
PILOT Payments	3.70%	\$ 582,056	\$ 673,101	\$ 807,187	\$ 967,983	\$ 1,160,811	\$ 1,669,356
State Police	3.50%	\$ 2,231,250	\$ 2,560,411	\$ 3,040,965	\$ 3,611,712	\$ 4,289,581	\$ 6,050,878
Contract Class 261	3.70%	\$ 53,946	\$ 62,384	\$ 74,811	\$ 89,714	\$ 107,586	\$ 154,719
Contract Class 264	3.70%	\$ 94,027	\$ 108,735	\$ 130,395	\$ 156,371	\$ 187,521	\$ 269,673
Other Contracts	3.70%	\$ 638,125	\$ 737,940	\$ 884,942	\$ 1,061,227	\$ 1,272,630	\$ 1,830,163
Commodities	2.00%	\$ 324,035	\$ 350,746	\$ 387,252	\$ 427,557	\$ 472,058	\$ 575,436
Energy / Utilities	3.70%	\$ 287,502	\$ 332,473	\$ 398,703	\$ 478,127	\$ 573,373	\$ 824,565
Equipment	2.00%	\$ 10,291	\$ 11,139	\$ 12,298	\$ 13,578	\$ 14,991	\$ 18,274
DOT Bradley Services	2.00%	\$ 20,415	\$ 22,097	\$ 24,397	\$ 26,937	\$ 29,740	\$ 36,253
Marketing Adjustment	3.70%	-	-	\$ -	\$ -	\$ -	\$ -
Prior Year Adjustment		13,025	-	\$ -	\$ -	\$ -	\$ -
Total Landing Area		\$ 9,622,690	\$ 11,018,949	\$ 13,077,008	\$ 15,522,388	\$ 18,428,313	\$ 25,986,727
PASSENGER TERMINAL							
Salary	3.50%	\$ 1,750,692	\$ 2,008,959	\$ 2,386,013	\$ 2,833,835	\$ 3,365,708	\$ 4,747,663
Overtime	3.50%	\$ 119,241	\$ 136,832	\$ 162,513	\$ 193,015	\$ 229,241	\$ 323,367
Indirect Cost Allocation	3.50%	\$ 90,286	\$ 103,605	\$ 123,051	\$ 146,146	\$ 173,575	\$ 244,845
Other Payroll	3.50%	\$ 71,993	\$ 82,613	\$ 98,119	\$ 116,534	\$ 138,406	\$ 195,236
Fringe Benefits	3.50%	\$ 839,341	\$ 963,163	\$ 1,143,935	\$ 1,358,636	\$ 1,613,634	\$ 2,276,190
PILOT Payments	3.70%	\$ 585,182	\$ 676,715	\$ 811,521	\$ 973,181	\$ 1,167,044	\$ 1,678,320
State Police	3.50%	\$ 371,875	\$ 426,735	\$ 506,827	\$ 601,952	\$ 714,930	\$ 1,008,480
Contract Class 261	3.70%	\$ 1,569,343	\$ 1,814,817	\$ 2,176,339	\$ 2,609,879	\$ 3,129,783	\$ 4,500,925
Contract Class 264	3.70%	\$ 912	\$ 1,055	\$ 1,265	\$ 1,517	\$ 1,819	\$ 2,616
Other Contracts	3.70%	\$ 672,846	\$ 778,091	\$ 933,091	\$ 1,118,969	\$ 1,341,874	\$ 1,929,742
Commodities	2.00%	\$ 224,912	\$ 243,452	\$ 268,791	\$ 296,767	\$ 327,655	\$ 399,409
Energy / Utilities	3.70%	\$ 1,203,289	\$ 1,391,506	\$ 1,668,702	\$ 2,001,118	\$ 2,399,752	\$ 3,451,072
Equipment	2.00%	\$ 1,285	\$ 1,391	\$ 1,536	\$ 1,696	\$ 1,873	\$ 2,283
DOT Bradley Services	2.00%	\$ 19,223	\$ 20,808	\$ 22,973	\$ 25,365	\$ 28,005	\$ 34,137
Marketing Adjustment	3.70%	\$ -					
Prior Year Adjustment		\$ (200,260)	-	\$ -	\$ -	\$ -	\$ -
Special Terminal Adjustment	3.70%		\$ -	\$ -	\$ -	\$ -	\$ -
Total Passenger Terminal		\$ 7,320,160	\$ 8,649,743	\$ 10,304,678	\$ 12,278,609	\$ 14,633,298	\$ 20,794,284
APRON AREA							
Salary	3.50%	\$ 563,032	\$ 646,092	\$ 767,355	\$ 911,377	\$ 1,082,430	\$ 1,526,874
Overtime	3.50%	\$ 74,944	\$ 86,000	\$ 102,141	\$ 121,311	\$ 144,080	\$ 203,239
Indirect Cost Allocation	3.50%	\$ 28,895	\$ 33,157	\$ 39,381	\$ 46,772	\$ 55,550	\$ 78,359
Other Payroll	3.50%	\$ 31,397	\$ 36,028	\$ 42,790	\$ 50,822	\$ 60,360	\$ 85,144
Fringe Benefits	3.50%	\$ 288,259	\$ 330,784	\$ 392,868	\$ 466,604	\$ 554,179	\$ 781,724
PILOT Payments	3.70%	\$ 124,297	\$ 143,740	\$ 172,374	\$ 206,712	\$ 247,890	\$ 356,489
State Police	3.50%	\$ 265,625	\$ 304,811	\$ 362,020	\$ 429,966	\$ 510,664	\$ 720,343
Contract Class 261	3.70%	\$ 123,762	\$ 143,120	\$ 171,631	\$ 205,821	\$ 246,822	\$ 354,953
Contract Class 264	3.70%	\$ 122	\$ 141	\$ 169	\$ 203	\$ 243	\$ 350

**Table IV.7 Continued**  
**Bradley International Airport**  
**Allocated Operating Expenses**

OPERATING EXPENSES	Rate	FY 2001	30-Jun-05	30-Jun-10	30-Jun-15	30-Jun-20	30-Jun-30
		Budget					
Other Contracts	3.70%	\$ 122,150	\$ 141,257	\$ 169,396	\$ 203,140	\$ 243,607	\$ 350,330
Commodities	2.00%	\$ 53,621	\$ 58,041	\$ 64,082	\$ 70,752	\$ 78,116	\$ 95,222
Energy / Utilities	3.70%	\$ 29,571	\$ 34,196	\$ 41,008	\$ 49,177	\$ 58,973	\$ 84,809
Equipment	2.00%	\$ 1,570	\$ 1,699	\$ 1,876	\$ 2,072	\$ 2,287	\$ 2,788
DOT Bradley Services	2.00%	\$ 4,664	\$ 5,049	\$ 5,574	\$ 6,154	\$ 6,795	\$ 8,283
Marketing Adjustment	3.70%	\$ -					
Prior Year Adjustment		\$ 67,964		\$ -	\$ -	\$ -	\$ -
Total Apron Area		\$ 1,779,873	\$ 2,002,649	\$ 2,373,023	\$ 2,813,066	\$ 3,299,483	\$ 4,696,571
<b>ALL OTHER AREAS</b>							
Salary	3.50%	\$ 1,223,992	\$ 1,404,559	\$ 1,668,176	\$ 1,981,269	\$ 2,353,126	\$ 3,319,317
Overtime	3.50%	\$ 71,082	\$ 81,568	\$ 96,877	\$ 115,060	\$ 136,655	\$ 192,765
Indirect Cost Allocation	3.50%	\$ 60,082	\$ 68,945	\$ 81,885	\$ 97,254	\$ 115,507	\$ 162,935
Other Payroll	3.50%	\$ 48,845	\$ 56,051	\$ 66,571	\$ 79,065	\$ 93,905	\$ 132,462
Fringe Benefits	3.50%	\$ 548,225	\$ 629,101	\$ 747,174	\$ 887,409	\$ 1,053,963	\$ 1,486,719
PILOT Payments	3.70%	\$ 694,205	\$ 802,792	\$ 962,713	\$ 1,154,491	\$ 1,384,472	\$ 1,991,002
State Police	3.50%	\$ 1,381,250	\$ 1,585,016	\$ 1,882,502	\$ 2,235,822	\$ 2,655,455	\$ 3,745,781
Contract Class 261	3.70%	\$ 8,595	\$ 9,940	\$ 11,920	\$ 14,294	\$ 17,142	\$ 24,652
Contract Class 264	3.70%	\$ 20,459	\$ 23,659	\$ 28,372	\$ 34,024	\$ 40,802	\$ 58,677
Other Contracts	3.70%	\$ 1,175,190	\$ 1,359,011	\$ 1,629,734	\$ 1,954,387	\$ 2,343,712	\$ 3,370,481
Commodities	2.00%	\$ 72,578	\$ 78,561	\$ 86,738	\$ 95,766	\$ 105,733	\$ 128,888
Energy / Utilities	3.70%	\$ 436,088	\$ 504,300	\$ 604,760	\$ 725,232	\$ 869,702	\$ 1,250,715
Equipment	2.00%	\$ 1,804	\$ 1,953	\$ 2,156	\$ 2,380	\$ 2,628	\$ 3,204
DOT Bradley Services	2.00%	\$ 25,026	\$ 27,089	\$ 29,908	\$ 33,021	\$ 36,458	\$ 44,442
Marketing Adjustment	3.70%	\$ -					
Prior Year Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Area		\$ 5,767,421	\$ 6,632,545	\$ 7,899,486	\$ 9,409,473	\$ 11,209,261	\$ 15,912,039
<b>TOTAL EXPENSES</b>							
Salary		\$ 6,620,694	\$ 7,597,399	\$ 9,023,326	\$ 10,716,881	\$ 12,728,293	\$ 17,954,514
Overtime		\$ 722,302	\$ 828,858	\$ 984,424	\$ 1,169,186	\$ 1,388,627	\$ 1,958,795
Indirect Cost Allocation		\$ 331,035	\$ 379,870	\$ 451,167	\$ 535,845	\$ 636,415	\$ 897,726
Other Payroll		\$ 330,847	\$ 379,655	\$ 450,911	\$ 535,540	\$ 636,054	\$ 897,217
Fringe Benefits		\$ 3,173,445	\$ 3,641,601	\$ 4,325,080	\$ 5,136,838	\$ 6,100,952	\$ 8,605,996
PILOT Payments		\$ 1,985,741	\$ 2,296,348	\$ 2,753,794	\$ 3,302,366	\$ 3,960,217	\$ 5,695,168
State Police		\$ 4,250,000	\$ 4,876,973	\$ 5,792,314	\$ 6,879,452	\$ 8,170,631	\$ 11,525,481
Contract Class 261		\$ 1,755,646	\$ 2,030,262	\$ 2,434,702	\$ 2,919,709	\$ 3,501,332	\$ 5,035,248
Contract Class 264		\$ 115,520	\$ 133,590	\$ 160,201	\$ 192,114	\$ 230,385	\$ 331,315
Other Contracts		\$ 2,608,310	\$ 3,016,298	\$ 3,617,163	\$ 4,337,723	\$ 5,201,824	\$ 7,480,716
Commodities		\$ 675,146	\$ 730,800	\$ 806,862	\$ 890,841	\$ 983,561	\$ 1,198,955
Energy / Utilities		\$ 1,956,450	\$ 2,262,475	\$ 2,713,173	\$ 3,253,654	\$ 3,901,801	\$ 5,611,160
Equipment		\$ 14,950	\$ 16,182	\$ 17,867	\$ 19,726	\$ 21,779	\$ 26,549
DOT Bradley Services		\$ 69,328	\$ 75,043	\$ 82,853	\$ 91,477	\$ 100,998	\$ 123,116
Marketing Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Year Adjustment		\$ (119,271)	\$ -	\$ -	\$ -	\$ -	\$ -
Special Terminal Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>GRAND TOTAL</b>		\$ 24,490,144	\$ 28,265,353	\$ 33,613,836	\$ 39,981,352	\$ 47,562,868	\$ 67,341,957

**E) Terminal Improvement Project Expenses**

The operating, maintenance and amortization expenses charged to the Terminal Building Cost Center are projected from the FY 2001 Budget as the base year. The total budget, less the prior year adjustment, is \$7,748,630. This amount must be reduced to reflect savings associated with decommissioning portions of the Murphy Terminal consistent with the Terminal Improvement Project. It must also be increased to reflect the additional expenses that will be associated with the new terminal and concourse.

The savings associated with decommissioning the Murphy Terminal have been estimated at approximately \$411,144 in FY 2003. This amount was determined based on actual 1999 variable charges to Building 85-575 which includes the Murphy Terminal, Concourses A and B, and the International Arrivals Building. The variable expenses expected to be reduced include utility services, natural gas, water, contracted building work, building parts, plumbing and heating supplies. These expenses were allocated between the portion of the building to remain in service and the portion to be decommissioned on a per square foot basis. Since the decommissioned portion is to be maintained so as to allow it to be reopened at a moment's notice, savings were estimated at 50% of the expenses allocated to the decommissioned portion. The anticipated savings based on 1999 actual data were escalated at 2% annually through FY 2003 and are shown on Table IV.8.

The increase in operating expenses associated with construction of the new terminal and concourse has also been estimated using actual variable charges to Building 85-575 and analysis of the total terminal cost center. Total actual charges were divided by the actual gross space of the Building to determine a rate per square foot of \$7.05. This rate was escalated to \$9.18 for FY 2003 based on inflation and additional analysis of the variable charges to the total Terminal Cost Center in the FY 2001 Budget. Estimated operating and maintenance expenses of \$9.18 per square foot were applied to the 79,355 square feet of the new terminal expansion expected to be in service in FY 2003. This resulted in the FY 2003 estimated increase in terminal expenses of \$728,479. The increase in terminal expenses in FY 2004 is based on the entire 260,208 square feet of the new terminal and concourse being in service, times the variable expense rate of \$9.18 per square foot, less the expected savings from decommissioning the Murphy Terminal when the project is complete. The resulting net increase in terminal expenses, including a 2% inflation adjustment, is \$2,017,117 for FY 2004. These calculations are also shown on Table IV.8. The net increase in terminal expenses is escalated at the rate of 3.7% annually for the remainder of the forecast period.

**Table IV.8**  
**Bradley International Airport**  
**Terminal Improvement Project Expenses**

<b>Building 85 - 575 Square Feet</b>			
<b>Area</b>	<b>In Service</b>	<b>Decommissioned</b>	<b>Total</b>
Murphy Terminal	38,464	93,454	131,918
Concourse A	-	55,964	55,964
Concourse B	19,444	-	19,444
International Terminal	51,426	-	51,426
Total Square Feet	109,334	149,418	258,752
Total Percent Open / Closed	42%	58%	100%
Selected Variable Charges To Building 85-575	<b>Total FY 99 Actual</b>	<b>Decommissioned Portion (58%)</b>	<b>Savings@ 50% Ready</b>
251 - Utility Services	\$ 343,866.28	\$ 198,567.79	\$ 99,284
254 - Natural Gas	\$ 129,594.63	\$ 74,835.25	\$ 37,418
255 - Water	\$ 41,349.32	\$ 23,877.43	\$ 11,939
261 - Contracted Building Work	\$ 736,477.27	\$ 425,283.52	\$ 212,642
309 - Building Parts	\$ 40,278.83	\$ 23,259.27	\$ 11,630
318 - Plumbing & Heating Supplies	\$ 23,978.09	\$ 13,846.30	\$ 6,923
<b>Total Estimated Savings (FY 99)</b>	<b>\$ 1,315,544.42</b>	<b>\$ 759,669.55</b>	<b>\$ 379,835</b>
<b>Calculation of Special Terminal Adjustment</b>			
Total Operating Expenses Charged To Building 85-575	\$ 1,824,533		
Total Building 85-575 Square Feet	\$ 258,752		
Operating Expenses Per Square Foot (FY 99)	\$ 7.05		
Operating Expenses Per Square Foot (FY 03)	\$ 9.18		
Square Feet of New Terminal and Concourse In Service FY 2003	79,355		
<b>Special Terminal Adjustment for FY 2003</b>	<b>\$ 728,479</b>		
Square Feet of Entire New Terminal and Concourse	260,208		
Additional Operating Expenses of Entire Terminal and Concourse	\$ 2,388,709		
Deduct Savings From Decommissioned Terminal (FY 03 @ 2% / year)	\$ 411,144		
Net Additional Operating Expenses of Entire Terminal and Concourse	\$ 1,977,565		
<b>Special Terminal Adjustment for FY 2004 @ 2% Inflation</b>	<b>\$ 2,017,117</b>		

### 3. ADDITIONAL CAPITAL COSTS

The Connecticut Department of Transportation also maintains a continuous capital improvement program for Bradley International Airport. The Airport's Terminal Improvement Project, being funded with the 2001 General Airport Revenue Bonds, is one of the major components of the program. Additional components of the program requiring funding in the next 10 years (through 2011) include major runway reconstruction, taxiway, apron, roadway and security projects, planning initiatives and equipment purchases. Assumptions must be made for financing additional capital beyond 2011 as well. The Airport's financing capacity, and the financial feasibility of the Terminal Improvement Project, must consider the cost and available funding resources for all the required additional capital spending.

Table IV.9 presented on the following page reflects the projects identified by the Department of Transportation for the twelve year period beginning with FY 2000 and ending with FY 2011. The projects funded in the total shown for FY 2000 include environmental and planning studies, equipment acquisition, reconstructing a portion of Taxiway S, instrument landing system equipment and the glycol collection facility.

As indicated on Table IV.9, the program for identified projects during this period of time totals \$76.2 million. The funding for this program includes State funds, PFCs not pledged for the Terminal Improvement Project and Federal funds. The source of the State funds is Bradley International Airport's operating revenues (\$19.3 million for the identified program through 2011). This is referred to as General Fund Capital in the Airport's projected financial performance discussed later in this Report. Passenger Facility Charges are discussed in Section IV.6. In addition to providing \$33.9 million for runway design and reconstruction projects (if Discretionary Grants are not made available for these projects), PFCs are a major source of funds for the Terminal Improvement Project.

The primary source of the \$23 million in Federal funding of the additional capital program through 2011 is Airport Improvement Program (AIP) grants administered by the U.S. DOT. The Airport is eligible, and receives, annual passenger and cargo entitlement funds. Discretionary grant funding is also available under the AIP on the basis of regional priorities and specific project eligibility criteria, and the Airport has received these funds as well. Total actual grant funding received from 1991 through 2001 is shown below:

Grant Funding Received: 1991 to 2001			
Year	Entitlement Funds	Discretionary Funds	Total
1991	\$3,320,678	\$2,350,762	\$5,671,440
1992	\$3,366,720	\$3,334,400	\$6,701,120
1993	\$3,397,058	\$27,373	\$3,424,431
1994*	\$1,920,965	\$0	\$1,920,965
1995	\$1,408,063	\$0	\$1,408,063
1996	\$1,420,030	\$0	\$1,420,030
1997	\$1,645,800	\$0	\$1,645,800
1998	\$1,729,489	\$0	\$1,729,489
1999	\$1,801,913	\$0	\$1,801,913
2000	\$1,896,563	\$0	\$1,896,563
2001*	\$6,783,832	\$0	\$6,783,832

\* Pursuant to PFC regulations, Entitlement funding was reduced when PFCs were imposed from 1994 through 2000.

**Table IV.9**  
**Bradley International Airport**  
**Additional Capital Program - Identified Projects**

Project Description	Total	State	Federal	PFCs
<b>Total 2000</b>	\$ 10,828,913	\$ 1,280,500	\$ 130,500	\$ 9,417,913
Vegetation Management Program*	\$ 200,000	\$ -	\$ 150,000	\$ -
A/P Water System	\$ 117,000	\$ 117,000	\$ -	\$ -
Terminal Improvements	\$ 258,000	\$ 258,000	\$ -	\$ -
Equipment	\$ 133,943	\$ 133,943	\$ -	\$ -
Glycol Recovery/Processing Equipment	\$ 4,413,000	\$ 4,413,000	\$ -	\$ -
Wetlands Mitigation	\$ 400,000	\$ 400,000	\$ -	\$ -
<b>Total 2001</b>	\$ 5,521,943	\$ 5,321,943	\$ 150,000	\$ -
Vegetation Management Program*	\$ 300,000	\$ -	\$ 225,000	\$ -
A/P Water System	\$ 90,000	\$ 90,000	\$ -	\$ -
Oshkosh T-3000 (repl State 14)	\$ 450,000	\$ 112,500	\$ 337,500	\$ -
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Airport Master Plan Update Phase 2	\$ 326,000	\$ 81,500	\$ 244,500	\$ -
<b>Total 2002</b>	\$ 2,166,000	\$ 1,284,000	\$ 807,000	\$ -
AC Flight Tracks & Envr Mgt Sys (Noise Equipment)	\$ 500,000	\$ 125,000	\$ 375,000	\$ -
Vegetation Management Program*	\$ 300,000	\$ -	\$ 225,000	\$ -
A/P Water System	\$ 140,000	\$ 140,000	\$ -	\$ -
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2003</b>	\$ 1,940,000	\$ 1,265,000	\$ 600,000	\$ -
R/W 1-19 Threshold Relocation	\$ 800,000	\$ 200,000	\$ 600,000	\$ -
A/P Water System	\$ 100,000	\$ 100,000	\$ -	\$ -
Glycol Recovery - IAB	\$ 2,100,000	\$ 525,000	\$ 1,575,000	\$ -
<b>Total 2004</b>	\$ 3,000,000	\$ 825,000	\$ 2,175,000	\$ -
R/W 6-24 Design	\$ 2,000,000	\$ 800,000	\$ -	\$ 1,200,000
Constr Overrun Areas to R/W 6 & 24 and Parallel Access Road	\$ 2,266,667	\$ 566,667	\$ 1,700,000	\$ -
Security/Airside Improvements	\$ 180,000	\$ 45,000	\$ 135,000	\$ -
<b>Total 2005</b>	\$ 4,446,667	\$ 1,411,667	\$ 1,835,000	\$ 1,200,000
T/W to Cargo Center	\$ 3,000,000	\$ 750,000	\$ 2,250,000	\$ -
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2006</b>	\$ 4,000,000	\$ 1,750,000	\$ 2,250,000	\$ -
Rehabilitate T/Ws L & T	\$ 1,333,333	\$ 333,333	\$ 1,000,000	\$ -
Design R/W 15-33	\$ 2,000,000	\$ 800,000	\$ -	\$ 1,200,000
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2007</b>	\$ 4,333,333	\$ 2,133,333	\$ 1,000,000	\$ 1,200,000
Reconstruct R/W 6-24	\$ 18,000,000	\$ -	\$ 6,639,206	\$ 11,360,794
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2008</b>	\$ 19,000,000	\$ 1,000,000	\$ 6,639,206	\$ 11,360,794
<b>Total 2009 (Other Projects)</b>	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2010 (Other Projects)</b>	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Reconstruct R/W 15-33	\$ 18,000,000	\$ -	\$ 7,230,000	\$ 10,770,000
Other	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
<b>Total 2011</b>	\$ 19,000,000	\$ 1,000,000	\$ 7,230,000	\$ 10,770,000
<b>Total Program FY 2000 - 2011</b>	\$ 76,236,856	\$ 19,271,443	\$ 22,816,706	\$ 33,948,707



Airport Improvement Program Entitlement funding is based upon the formulas and allocations included in FAA authorizing legislation. The most recent authorization, The Aviation Investment and Reform Act for the 21<sup>st</sup> Century (Air 21) includes the current funding formula. AIP entitlement grants are issued at the beginning of each Federal fiscal year based on the Airport's prior calendar year enplaned passengers. The annual entitlement is based on a sliding scale consisting of per passenger entitlement rates.

The rate for the first 50,000 passengers is \$23.40, for the next 50,000, the rate is \$15.60, for the next 400,000 passengers, it is \$7.80, for the next 500,000 passengers, it is \$1.95 and for each passenger above 1,000,000, it is \$1.50. The formula based entitlements are then reduced by 50% for airports that charge up to a \$3.00 PFC, and by 75% for Airport's such as Bradley that will charge a \$4.50 PFC. A sample calculation of entitlements based on the

Sample Entitlement Formula Calculation		
Calendar Year Enplanements	3,200,000	Entitlement \$
Rate for 1st 50,000	\$ 23.40	\$ 1,170,000.00
Rate for Next 50,000	\$ 15.60	\$ 780,000.00
Rate for Next 400,000	\$ 7.80	\$ 3,120,000.00
Rate for Next 500,000	\$ 1.95	\$ 975,000.00
Rate Above 1,000,000	\$ 1.50	\$ 3,300,000.00
<b>Formula Based Entitlements</b>		<b>\$ 9,345,000.00</b>
<b>75% PFC Reduction</b>		<b>\$ 7,008,750.00</b>
<b>Net Fiscal Year Entitlement</b>		<b>\$ 2,336,250.00</b>

current formula is shown at right based on total enplaned passengers of 3.2 million and imposition of a \$4.50 PFC. As indicated, total annual entitlements are approximately \$9.3 million before the PFC reduction, and \$2.3 million after the reduction. The AIP reduction in the example is \$7.0 million. However, PFC revenue at the \$4.50 level net of the carrier collection fee of \$.08 per passenger is \$14.1 million. This is more than twice the AIP reduction amount. In addition, PFC revenues may be used to finance projects that are low priorities under the AIP Discretionary program.

The estimated additional capital program beyond 2011 is shown on Table IV.10. The program beyond 2011 assumes that the AIP, or a similar Federal program, remains in place. The assumed level of the entitlement in 2012 is \$2.4 million (rounded up from the estimated entitlement shown above). No enplanement growth was assumed for the purpose of estimating the additional capital program through 2016. A 1% annual increase in the annual entitlement is assumed thereafter. In order to estimate the State share of entitlement spending, the current 75% Federal, 25% State distribution was assumed. In addition to AIP projects, the capital program beyond 2011 includes State projects funded at the rate of \$2 million annually. As indicated on Table IV.10, the program beyond 2011 includes \$51.2 million in State spending plus \$45.8 million in Federal spending for a total of \$97 million for the period 2012 through 2029. The total additional capital program for the entire forecast period is summarized at right.

Source	Additional Capital Program 2000 - 2029		
	Identified Program	Beyond 2011	Total
State Capital	\$ 19,271,443	\$ 51,258,665	\$ 70,530,108
State Operating	\$ 200,000	\$ -	\$ 200,000
Federal Capital	\$ 22,816,706	\$ 45,776,000	\$ 68,592,706
PFCs	\$ 33,948,707	\$ -	\$ 33,948,707
Total	\$ 76,236,856	\$ 97,034,665	\$ 173,271,521

**Table IV.10**  
**Bradley International Airport**  
**Additional Capital Program - Unspecified Projects Beyond 2011**

Year	Various AIP Projects			Other State Projects	State Total	Grand Total
	State	Federal	Total			
2012	\$ 803,333	\$ 2,410,000	\$ 3,213,333	\$ 2,000,000	\$ 2,803,333	\$ 5,213,333
2013	\$ 803,333	\$ 2,410,000	\$ 3,213,333	\$ 2,000,000	\$ 2,803,333	\$ 5,213,333
2014	\$ 803,333	\$ 2,410,000	\$ 3,213,333	\$ 2,000,000	\$ 2,803,333	\$ 5,213,333
2015	\$ 803,333	\$ 2,410,000	\$ 3,213,333	\$ 2,000,000	\$ 2,803,333	\$ 5,213,333
2016	\$ 806,000	\$ 2,418,000	\$ 3,224,000	\$ 2,000,000	\$ 2,806,000	\$ 5,224,000
2017	\$ 814,000	\$ 2,442,000	\$ 3,256,000	\$ 2,000,000	\$ 2,814,000	\$ 5,256,000
2018	\$ 822,000	\$ 2,466,000	\$ 3,288,000	\$ 2,000,000	\$ 2,822,000	\$ 5,288,000
2019	\$ 830,333	\$ 2,491,000	\$ 3,321,333	\$ 2,000,000	\$ 2,830,333	\$ 5,321,333
2020	\$ 838,667	\$ 2,516,000	\$ 3,354,667	\$ 2,000,000	\$ 2,838,667	\$ 5,354,667
2021	\$ 847,000	\$ 2,541,000	\$ 3,388,000	\$ 2,000,000	\$ 2,847,000	\$ 5,388,000
2022	\$ 855,333	\$ 2,566,000	\$ 3,421,333	\$ 2,000,000	\$ 2,855,333	\$ 5,421,333
2023	\$ 864,000	\$ 2,592,000	\$ 3,456,000	\$ 2,000,000	\$ 2,864,000	\$ 5,456,000
2024	\$ 872,667	\$ 2,618,000	\$ 3,490,667	\$ 2,000,000	\$ 2,872,667	\$ 5,490,667
2025	\$ 881,333	\$ 2,644,000	\$ 3,525,333	\$ 2,000,000	\$ 2,881,333	\$ 5,525,333
2026	\$ 890,000	\$ 2,670,000	\$ 3,560,000	\$ 2,000,000	\$ 2,890,000	\$ 5,560,000
2027	\$ 899,000	\$ 2,697,000	\$ 3,596,000	\$ 2,000,000	\$ 2,899,000	\$ 5,596,000
2028	\$ 908,000	\$ 2,724,000	\$ 3,632,000	\$ 2,000,000	\$ 2,908,000	\$ 5,632,000
2029	\$ 917,000	\$ 2,751,000	\$ 3,668,000	\$ 2,000,000	\$ 2,917,000	\$ 5,668,000
Sub - Total	\$ 15,258,665	\$ 45,776,000	\$ 61,034,665	\$ 36,000,000	\$ 51,258,665	\$ 97,034,665
Program To 2011	\$ 19,471,443	\$ 22,816,706	\$ 42,288,149	<b>PFCs</b> \$ 33,948,707	\$ 53,420,150	\$ 76,236,856
<b>Grand Total</b>	<b>\$ 34,730,108</b>	<b>\$ 68,592,706</b>	<b>\$ 103,322,814</b>	<b>\$ 69,948,707</b>	<b>\$ 104,678,815</b>	<b>\$ 173,271,521</b>

#### **4. AIRLINE REVENUES**

The airlines at Bradley International Airport pay Terminal Building Rent, Baggage Area Charges, Apron Area Rental and Landing Fees based on the allocation of costs to the Terminal, Apron and Landing Area Cost Centers. The calculation of each charge, historic and projected airline revenues are addressed below:

##### **A) Historic Terminal Building Rent**

The Terminal Building rental rate is calculated annually on the basis of gross space and total expenses allocated to the cost center. Gross space means all leased, leasable, unassigned and public space within the existing Terminal Building, or as it may be enlarged, improved or renovated. Gross space is divided into total allocated cost to determine the Operating, Maintenance and Amortization (O, M&A) component of the rental rate per square foot of gross space. This O, M&A component is used for each terminal building area. The debt service associated with the construction costs applicable to each terminal building area is added to the O, M&A component to derive a unique rental rate for each building area. The rental rates charged to the airlines depend on the terminal area occupied.

The Airport Operating Budget for the fiscal year ending June 30, 2001 includes the calculation of rental rates in the Terminal Building as shown in Table IV.11. As indicated on Table IV.11, the FY 2001 Budget includes Terminal Building rental rates between \$19.58 and \$43.33 per square foot annually. The operating expense component of the rate is equally set for all areas of the Terminal at \$18.51 per square foot, and the debt component varies significantly by area between \$1.07 and \$24.82.

The actual rates shown above for FY 2001 comprise an operating expense component of \$7,520,420, current year amortization of capital improvements of \$428,470, a prior year credit for actual terminal expenses less than budget of (\$209,732) and a prior year vested sick pay charge of \$9,472 for total expenses, other than debt service, allocated to the Terminal Building Cost Center of \$7,748,630. These expenses were divided by total gross space of 418,622 square feet to arrive at an operating and capital expense component of the Terminal Building rate base (excluding debt service) of \$18.51 per square foot annually. This rate is equal for all space shown above. The variance between rate categories is due to the allocation of the debt service component. The allocation of debt service is shown in Table IV.11 along with the other components of the rate base. The State General Obligation Bonds, as allocated to the Terminal areas, were fully amortized for American and Delta in the year 2000, and for all other Terminal areas in the year 2001, at which point in time this component of the Terminal rate base will no longer exist.

**Table IV.11**  
**Bradley International Airport**  
**FY 2001 Terminal Building Rental Rates**

Terminal Area	Expense Component	Debt Component	Total Rate	Allocated Debt	Gross Space
Conc. A - Delta	\$ 18.51	\$ 1.07	\$19.58	\$ 17,629	16,467
Conc. A - American	\$ 18.51	\$ 1.07	\$19.58	\$ 17,749	16,579
Conc. A - Other	\$ 18.51	\$ 1.17	\$19.68	\$ 26,768	22,918
Conc. B	\$ 18.51	\$ 1.17	\$19.68	\$ 19,618	16,795
Murphy	\$ 18.51	\$ 11.21	\$29.72	\$ 1,478,319	131,918
Terminal A / Conc. C	\$ 18.51	\$ 24.82	\$43.33	\$ 4,058,709	163,535
IAB	\$ 18.51	\$ 8.50	\$27.01	\$ 428,634	50,410
Total				\$6,047,426	418,622
Terminal Allocated Expenses					\$ 7,958,362
Prior Year Adjustment					\$ (209,732)
Adjusted Expense Allocation					\$ 7,748,630
Expense Component					\$ 18.51

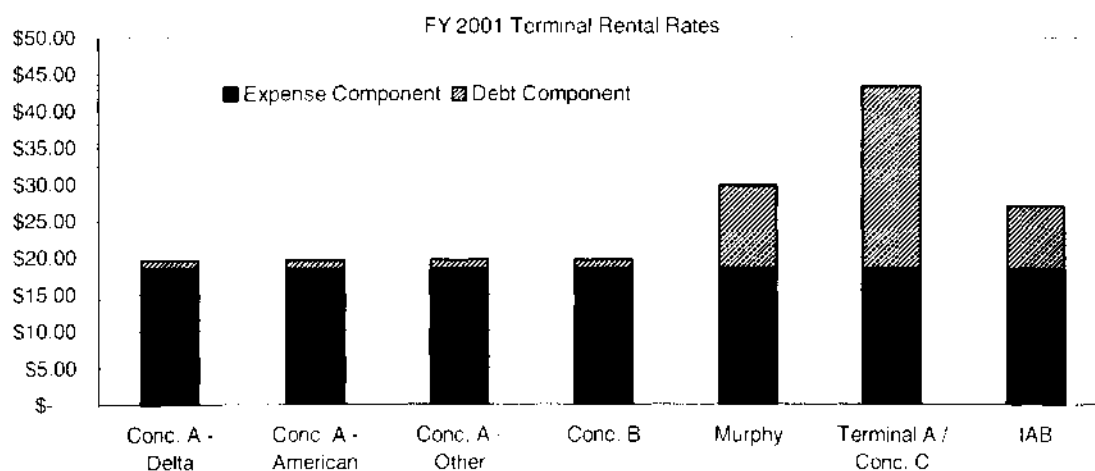
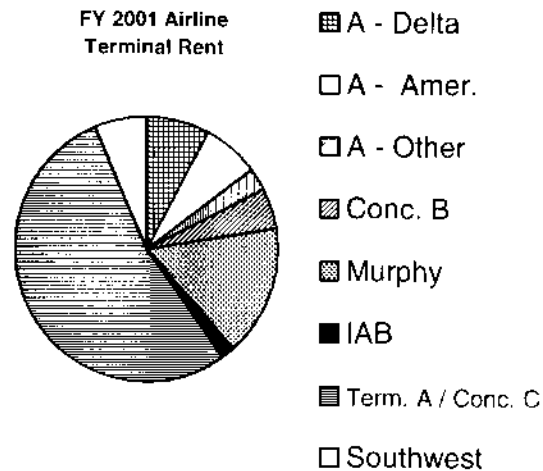
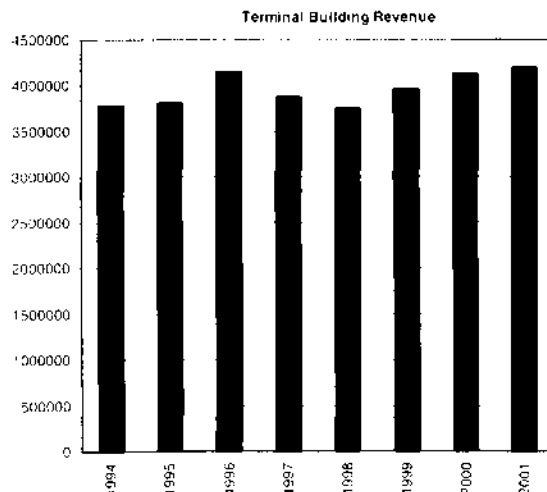


Table IV.12 depicts the historic Terminal Building revenue generated from the rental rates historically established pursuant to the methodology described above. This includes actual revenues generated from 1994 through 2000, and the FY 2001 budget. It also includes a break down of the currently occupied space by area and applicable rate. As indicated in Table IV.12, Terminal Building rent has increased from approximately \$3.8 million to \$4.3 million in the current budget. The largest percentage of airline Terminal rent (54%) is for the occupancy and use of Terminal A and Concourse C. The remaining 46% is for the occupancy and use of the Murphy Terminal, and Concourses A and B. The "Other Terminal Rent" shown on Table IV.12 represents airline rents established by agreement for American, Midway, Midwest Express and Shuttle America, and fixed concessions rentals.

**Table IV.12**  
**Bradley International Airport**  
**Historic and Budget Airline Terminal Building Revenue**

Occupancy	FY 2001			Actual and Budget	
	Revenue	Square Feet	Rate	Terminal Building Rent	
A - Delta	\$ 322,424	16,467	\$ 19.58	FY 1994 Actual	\$ 3,778,224
A - Amer.	\$ 297,029	15,170	\$ 19.58	FY 1995 Actual	\$ 3,805,192
A - Other	\$ 112,727	5,728	\$ 19.68	FY 1996 Actual	\$ 4,149,135
Conc. B	\$ 206,916	10,514	\$ 19.68	FY 1997 Actual	\$ 3,878,266
Murphy	\$ 670,305	22,554	\$ 29.72	FY 1998 Actual	\$ 3,752,223
IAB	\$ 62,717	2,322	\$ 27.01	FY 1999 Actual	\$ 3,959,285
Term. A / Conc. C	\$ 2,245,447	51,822	\$ 43.33	FY 2000 Actual	\$ 4,127,718
Southwest	\$ 271,397			FY 2001 Budget	\$ 4,188,961
Airline Sub-Total	\$ 4,188,961	124,577			
Other Terminal Rent	\$ 64,838				
Total Terminal Rent	\$ 4,253,800				



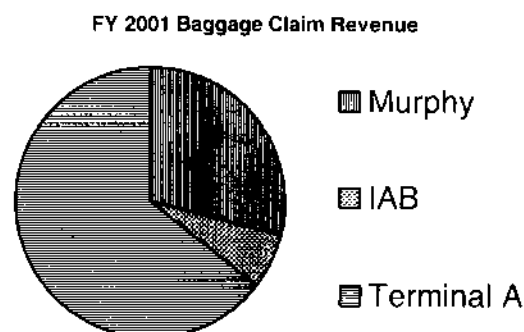
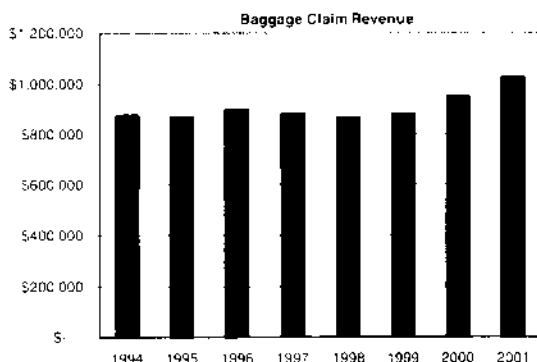
## B) Historic Baggage Claim Area Charges

Baggage Claim Area Charges are based upon the Terminal Building Rental Rates established annually. The total square feet of each baggage claim area is multiplied by the rental rate per square foot and the total charge is shared by the Airlines utilizing the baggage claim area. Twenty percent of the total charge is shared equally by all airlines and 80 percent is shared on the basis of each airline's percent of total enplaning passengers.

Baggage Claim Area Charges are shown on Table IV.13. This includes the square footage of Baggage Claim area in the Murphy Terminal, Terminal A and the IAB, the current rate applicable to each area and associated revenue in the FY 2001 budget. As indicated on Table IV.13, total Baggage Claim Area Charges have increased from \$876,124 in 1994 to \$1,022,724 in the FY 2001 budget. The majority of this revenue (64%) is generated from the Terminal A Baggage Claim Areas.

**Table IV.13**  
**Bradley International Airport**  
**Historic and Budget Baggage Claim Revenue**

Occupancy	FY 2001 Budget			Actual and Budget	
	Revenue	Square Feet	Rate	Baggage Claim Area Revenue	
Murphy	\$ 296,873	9,989	\$29.72	FY 1994 Actual	\$ 876,124
IAB	\$ 68,065	2,520	\$27.01	FY 1995 Actual	\$ 867,303
Terminal A	\$ 657,836	15,182	\$43.33	FY 1996 Actual	\$ 897,652
Total Baggage Area	\$ 1,022,774	27,691		FY 1997 Actual	\$ 879,963
				FY 1998 Actual	\$ 864,474
				FY 1999 Actual	\$ 881,579
				FY 2000 Actual	\$ 948,198
				FY 2001 Budget	\$ 1,022,724

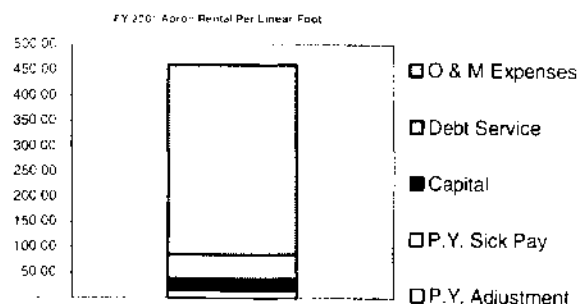
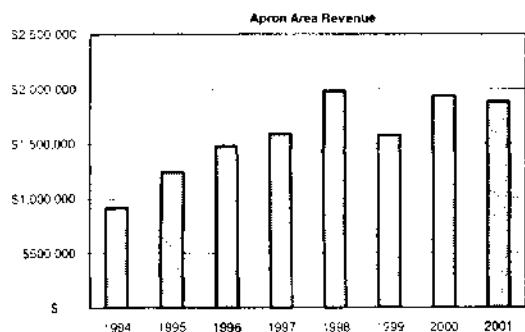


### C) Historic Apron Area Rental

The Apron Area refers to the aircraft parking and maneuvering areas adjacent to the Terminal Building. Apron Area Rental is calculated annually on the basis of costs allocated to the Apron Area Cost Center divided by the total linear feet of the apron, measured along a line 100 feet perpendicular from the face of the Terminal. This cost per linear foot is then assessed for each linear foot exclusively leased by each airline pursuant to the terms of its agreement. The Airport Operating Budget for FY 2001 includes Apron Area Rental calculated at the rate of \$460.23 per linear foot. This cost is based on allocated debt service, operating expenses, capital amortization and prior year adjustments as shown on Table IV.14. As indicated on Table IV.14, the composition of the Apron Area Rental Rate includes \$1,711,909 in allocated operating expenses, \$103,471 in capital amortization and \$213,011 of existing debt service. After adjusting for prior year actual expenses, total allocated expenses of \$2,096,355 are divided by 4,555 linear feet of Apron in establishing the current fee of \$460.23 per linear foot per year. The FY 2001 budget reflects a total of 4,082 feet rented for total revenue of \$1,878,660, a significant increase from 1994 actual revenue of \$915,768.

**Table IV.14**  
**Bradley International Airport**  
**Historic and Budget Apron Area Revenue**

FY 2001 Apron Area	Expense Component	Actual and Budget Apron Area Revenue	
Operating & Maint. Expenses	\$ 1,711,909	FY 1994 Actual	\$ 915,768
Capital Amortization	\$ 103,471	FY 1995 Actual	\$ 1,244,117
Debt Service	\$ 213,011	FY 1996 Actual	\$ 1,476,658
Total Allocations	\$ 2,028,391	FY 1997 Actual	\$ 1,588,346
Prior Year Adjustment	\$ 66,210	FY 1998 Actual	\$ 1,974,486
Prior Year Sick Pay	\$ 1,754	FY 1999 Actual	\$ 1,576,880
Net Allocated Expenses	\$ 2,096,355	FY 2000 Actual	\$ 1,936,625
Linear Feet of Apron	4,555	FY 2001 Budget	\$ 1,878,660
Rental Rate Per Linear Foot	\$ 460.23		



#### D) Historic Landing Fees

The Landing Fee is calculated annually on the basis of the Signatory Airlines' share of costs allocated to the Airfield Area Cost Center divided by the total landed weight of all Signatory Airlines. The Signatory Airlines share of costs allocated to the Airfield Area is determined through the use of a Signatory Airline Coefficient including a Frequency Factor and a Weight Factor. The Frequency Factor represents the Signatory Airlines' percentage of total aircraft landings at the Airport. The Weight Factor represents the Signatory Airlines' percentage of total gross landed weights at the Airport. The Signatory Airlines share of total Airfield Area costs is determined by multiplying such total costs by the formula  $.35 \times \text{Weight Factor} + .65 \times \text{Frequency Factor}$ . This allocable cost is divided by the Signatory Airlines landed weight to determine the landing fee. The foregoing calculations are based upon statistics and estimates included in the annual Airport Operating Budget. Landed weight calculations are based upon Revenue Aircraft Arrivals (those including passengers, cargo or mail) and maximum certificated aircraft landing weights approved by the FAA.

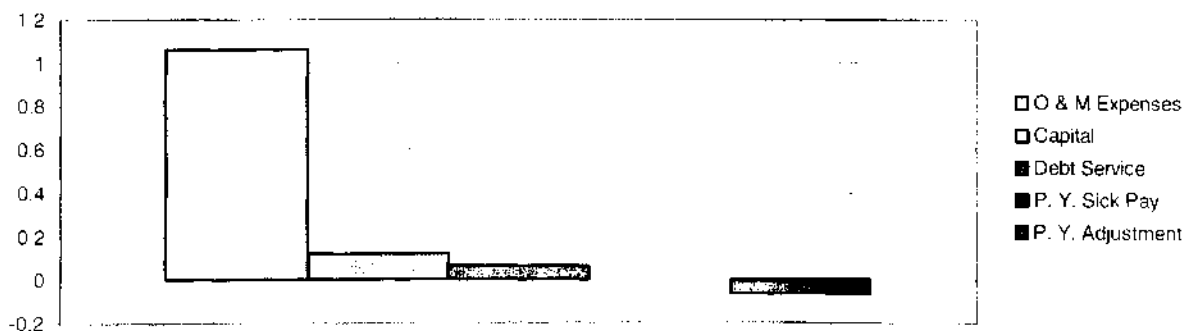
The Airport Operating Budget for the fiscal year ending June 30, 2001 depicts Signatory-landing fees calculated at \$1.186 per 1,000 pounds of certificated landed weight. In accordance with the terms of the Agreement, this is based upon total costs allocated to the Airfield Area of \$11,123,917 which includes allocated debt service, operating expenses, capital amortization and prior year sick pay. The Signatory Airlines share of these costs was calculated at 45.20% based upon a Frequency Factor of 35.97% and a Weight Factor

of 62.33%. A prior year adjustment based on actual vs. budget landing fees was deducted from the Airline's share of Airfield costs to determine the total cost allocated to the Airlines for the current year. These costs were divided by projected Airline landed weights to determine the landing fee. The associated costs,

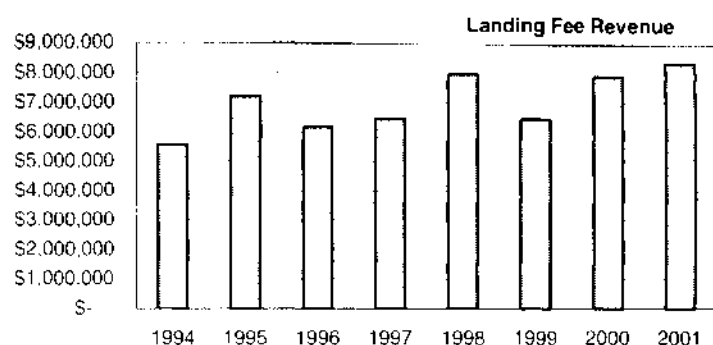
**Table IV.15**  
**Bradley International Airport**  
**Historic and Budget Landing Fees**

FY 2001 Airfield Area	Expense Component	Signatory Share	Signatory Landing Fee	Calculation of Signatory Airline Coefficient	
Operating & Maint.	\$ 9,609,665	\$ 4,343,568	\$ 1.029	Signatory Landings	31,205
Capital Amortization	\$ 1,025,998	\$ 463,751	\$ 0.110	All Other landings	55,552
Debt Service	\$ 475,229	\$ 214,804	\$ 0.051	Total landings	86,757
Prior Year Sick Pay	\$ 13,025	\$ 5,887	\$ 0.001	Frequency Factor	35.97%
Total Allocations	\$ 11,123,917	\$ 5,028,010	\$ 1.191	Signatory Landed Weight	4,221,347
Prior Year Adjustment		\$ (19,990)	\$ (0.005)	All Other Landed Weight	2,551,007
Total Signatory Landing Fee			\$ 1.186	Total Weights	6,772,354
Non Signatory Landing Fee			\$ 1.66	Weight Factor	62.33%
				Signatory Coefficient	45.20%

**FY 2001 Landing Fee Components**



Actual and Budget Landing Fee Revenue	
FY 1994 Actual	\$ 5,578,556
FY 1995 Actual	\$ 7,184,184
FY 1996 Actual	\$ 6,159,240
FY 1997 Actual	\$ 6,439,810
FY 1998 Actual	\$ 7,963,794
FY 1999 Actual	\$ 6,424,882
FY 2000 Actual	\$ 7,895,650
FY 2001 Budget	\$ 8,378,000



allocations, calculations and relative composition of the Landing Fee is shown on Table IV.15. As indicated on Table IV.15, Landing fees have also increased significantly. In 1994 actual Landing Fees were \$5.6 million. They are currently budgeted at \$8.4 million for FY 2001.



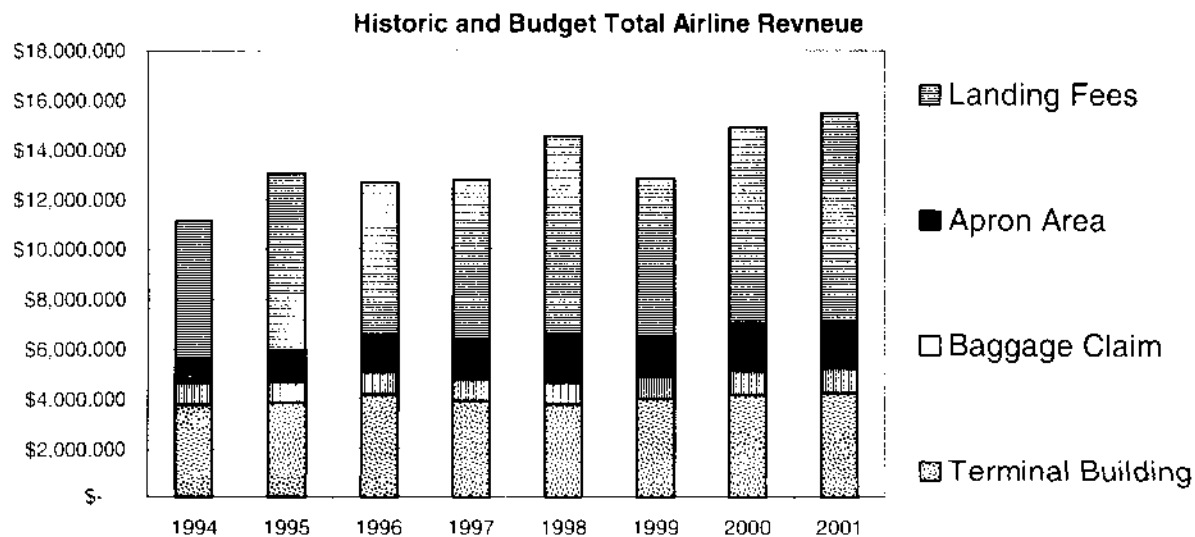
### **E) Analysis of Historic and Budget Airline Revenues**

The Air Carrier Operating Agreements were entered into with the intent of securing the 1982 Revenue Bonds (now the 1992 Refunding Bonds). This was accomplished quite effectively through the procedures and methodologies used to establish Airline rates and charges. Airline compensation to the Airport is adjusted and calculated annually based upon actual and projected costs incurred within three cost centers including the Terminal Building, Airfield and Apron areas. While the Air Carrier Operating Agreements stipulate the cost centers and calculations used in setting a level of compensation, the process and methodology of allocating costs to the cost centers is not entirely stipulated. This provides management with some flexibility in setting Signatory Airline rates. The components of each rate include budgeted expenses and prior year adjustments, capital amortization and debt service on all three outstanding bond issues. As shown on Table IV.16, a review of audited operating revenues for the prior seven years, and budget data for FY 2001, indicates that this fee structure has produced total airline revenues increasing from \$11.4 million to \$15.7 million in the 2001 Budget. This has represented between 36 percent and 43 percent of total operating revenue. It also represents between 60 percent and 75 percent of total operating expenses. The air carrier operating agreements and the existing compensatory rate structure will work well for the proposed Terminal Improvement Project, provided that:

- Majority-in-Interest approval is obtained;
- Existing debt on facilities to be decommissioned is appropriately transferred to the Terminal Improvement Project; and,
- New revenue bond debt to be issued is fully allocated to the Terminal, Airfield and Apron area cost centers, as appropriate.

**Table IV.16**  
**Bradley International Airport**  
**Historic and Budget Total Airline Revenue**

	Actual 1994	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Budget 2001
Terminal Building	\$ 3,778,224	\$ 3,805,192	\$ 4,149,135	\$ 3,878,266	\$ 3,752,223	\$ 3,959,825	\$ 4,127,718	\$ 4,188,961
Baggage Claim	\$ 876,124	\$ 867,303	\$ 897,652	\$ 879,963	\$ 864,474	\$ 881,579	\$ 948,198	\$ 1,022,724
Apron Area	\$ 915,768	\$ 1,244,117	\$ 1,476,658	\$ 1,588,346	\$ 1,974,486	\$ 1,576,880	\$ 1,936,625	\$ 1,878,660
Landing Fees	\$ 5,578,556	\$ 7,184,184	\$ 6,159,240	\$ 6,439,810	\$ 7,963,794	\$ 6,424,882	\$ 7,895,650	\$ 8,378,000
Ramp Parking	\$ 218,187	\$ 205,859	\$ 259,112	\$ 264,266	\$ 31,728	\$ 271,625	\$ 211,167	\$ 192,400
Airline Total	\$11,366,859	\$13,306,655	\$12,941,797	\$13,050,651	\$14,586,705	\$13,114,791	\$15,119,358	\$15,660,745
Total Op. Revenue	\$27,986,014	\$30,599,569	\$31,819,465	\$32,731,043	\$35,645,977	\$36,358,898	\$41,307,191	\$40,288,595
Operating Expense	\$18,965,598	\$18,756,400	\$20,575,487	\$19,745,668	\$19,395,270	\$21,242,482	\$21,815,207	\$24,609,415
<b>Airline % of</b>								
Total Revenue	41%	43%	41%	40%	41%	36%	37%	39%
Operating Expense	60%	71%	63%	66%	75%	62%	69%	64%



## **F) Terminal Improvement Project Revenue Impacts**

Future airline rates and revenues will be a function of future allocations to the airline cost centers pursuant to the Airport's compensatory rate setting methodology. The Terminal Improvement Project will impact these allocations and the Airport's projected financial performance in several ways. Projected operating and maintenance expenses will change because a portion of the Murphy Terminal is being decommissioned and a new terminal and concourse is being constructed. This adjustment was addressed previously in the discussion of projected operating and maintenance expenses. In addition, existing debt service allocations will change as a result of the Murphy Terminal decommissioning, retirement of the 1989 Subordinated Bonds and partial refunding of the 1992 Bonds, and because new debt service is being incurred to undertake the project. Terminal Building gross space, the areas benefiting from GARB debt service and future space occupied by the airlines will also change. These changes will significantly affect projected airline revenues due to the compensatory rate setting methodology in place at the Airport. Construction of the new FIS building will also result in new revenues and expenses. These impacts are addressed below.

**Existing Debt Service** – On February 1, 2001, the State retired all outstanding 1989 Subordinated Bonds. Annual debt service on these bonds has been allocated to the airline cost centers through FY 2001 based on the areas benefiting from the debt. Effective in FY 2002, the 1989 Subordinated debt service has been removed from the airline cost centers. In addition, the \$3,050,200 in outstanding principal that was repaid is amortized over the original remaining term of the 1989 Subordinated Bonds through 2013 and allocated to the airline cost centers consistent with the areas benefiting from the original debt.

The State is also preparing a partial refunding of the 1992 Airport Revenue Bonds. The partial refunding is referred to as the 2001 Refunding Bonds. The Par amount of the 2001 Refunding Bonds is \$18.3 million based on roadway and sewer costs originally funded in the 1992 Bonds and eligible for advance refunding. The 2001 Refunding Bonds will provide savings in annual debt service of approximately \$280,000 in FY 2002, which increases to approximately \$500,000 in FY 2012. Since debt service on the roadway and sewer costs has been allocated to the airline cost centers, the savings associated with the 2001 Refunding Bonds has been credited to the airline cost centers in proportion to the original debt service allocations. The total savings from FY 2002 through FY 2012 are approximately \$3.3 million, \$1.2 million of which is credited to the airline cost centers.

In addition to changes in existing debt service allocation, the Connecticut DOT has consistently taken the position that, since the Murphy Terminal and Concourses A and B were to be demolished as part of the Terminal Improvement Project, the existing debt service charged to those areas should be re-allocated to the new terminal and concourse. The airlines have concurred with this approach. With the advent of new service by Southwest Airlines, and the need for additional space, the plan to demolish the Murphy Terminal was changed to a partial decommissioning. Therefore, only the debt service allocations to the decommissioned terminal areas are to be re-allocated to the new terminal and concourse. Existing debt service allocations to the portions of the Murphy Terminal to remain in service will continue to be allocated to those areas until they are decommissioned.

Table IV.17 shows the existing debt service allocated to the Terminal Building Cost Center and the anticipated changes in existing debt allocation that will occur as a result of the Terminal Improvement Project. FY 2003 reflects a reduction in existing debt allocation due to the relocation of Delta and US Airways associated with the plan to transition airline occupancy as needed to effectuate construction of the expansion

area, decommissioning and rehabilitation of existing areas. Upon completion of the Terminal Improvement Project, existing debt allocated to the decommissioned areas of the terminal is transferred to the new terminal as reflected in FY 2004.

Concourse A is to be completely decommissioned and Concourse B will remain fully in service. The portion of the Murphy Terminal to remain in service is based on data provided by HNTB and the Connecticut DOT that indicates the following areas will remain in service:

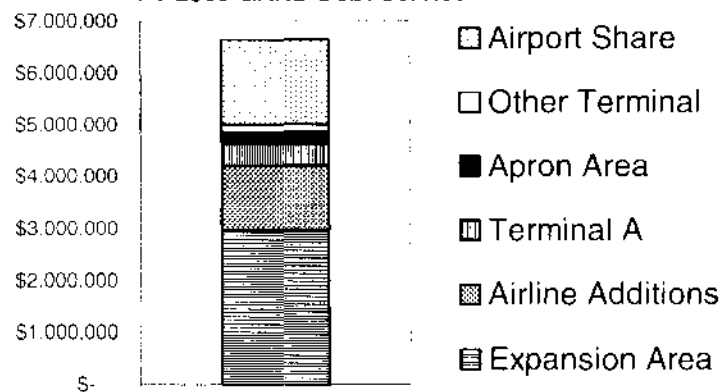
□ Airline Area -	3,372
□ Baggage Area -	7,900
□ Joint Use Area -	16,886
□ Non Airline Area -	10,306
□ Total In Service -	38,464
□ Total Murphy Terminal -	131,918
□ Percent Decommissioned -	70.84%

The existing debt allocation to the Murphy Terminal is otherwise expected to remain in place until the new terminal and concourse is complete (June 30, 2003 for the purposes of rate development). Effective in FY 2004, \$1,064,144 of Murphy – allocated debt will be transferred to the new terminal and concourse and used in the development of a Transfer Debt Component. The Transfer Debt Component is based on the gross space of the entire new terminal and concourse (260,208 square feet). The Transfer Debt Component equates to approximately \$4.09 per square foot through FY 2012.

**Future Debt Service** - Future GARB debt service will also be incurred to finance the Terminal Improvement Project. As previously indicated in Table III.1, the Series 2001 General Airport

<b>Table IV.17</b>				
<b>Murphy Terminal Debt Transfer</b>				
<b>Terminal Area</b>	<b>Decommission Percent</b>	<b>Existing Allocated Debt</b>		
		<b>Fy 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Conc A Delta	100.00%	\$ 15,909	\$ -	\$ -
Conc.A American	100.00%	\$ 16,018	\$ 15,662	\$ -
Conc A Other	100.00%	\$ 22,142	\$ 21,650	\$ -
Conc. B	0.00%	\$ 16,228	\$ 15,867	\$ 15,788
Murphy Terminal	70.84%	\$ 1,431,403	\$ 1,428,540	\$ 416,332
Intl. Terminal	0.00%	\$ 412,994	\$ 411,897	\$ 411,646
Terminal A	0.00%	\$ 3,981,286	\$ 3,214,211	\$ 3,976,800
New Terminal	0.00%	\$ -	\$ -	\$ 1,064,144
<b>Total</b>	<b>N/A</b>	<b>\$ 5,895,980</b>	<b>\$ 5,107,827</b>	<b>\$ 5,884,710</b>

FY 2005 GARB Debt Service



Revenue Bonds will provide \$70,098,103 in funding for various non-PFC eligible components of the project. The new debt service associated with this funding has been allocated among the airline rate bases using the five-step process discussed below:

- ❑ **Percent Of Total Non-PFC eligible GARB Project Costs** - Non-PFC eligible GARB funding of the key components of the Terminal Improvement Project were expressed as a percentage of total Non-PFC eligible GARB funding. The key components being allocated debt for the purposes of rate development include the Terminal Expansion, the renovation of Terminal A and Concourse C, the IAB, Concourse B and the Murphy Terminal, Airline Additions to the project (jet bridges, other equipment, club space and finishes), and the Apron Area.
- ❑ **Airline Use Percentage** - Each Non-PFC eligible GARB - funded component of the Terminal Improvement Project was broken down between the percentage used by the Airlines and the percentage not used by the airlines. The airline use percentage is based on the airline's share of the non-public space in each facility because the public space is funded by the Passenger Facility Charges included in the financing plan. Airline space includes ticketing, office, security, hold room and baggage areas. Non public space represents the gross space of each facility less all public space (restrooms, vestibule, public circulation and mezzanine). The Airline Additions to the project (jet bridges, etc.) are 100% used by the airlines, as is the Apron Area.
- ❑ **Airline Percent of Total Non-PFC eligible GARB** - The Airline's share of each Non-PFC eligible GARB - funded component of the Terminal Improvement Project was expressed as the product of the Percent of Total Non-PFC eligible GARB Project Costs and the Airline Use Percentage discussed above. The total airline share is 72.35%.
- ❑ **Allocation of Airline Percent** - The airline's share of each Non-PFC eligible GARB - funded component of the Terminal Improvement Project was expressed as a percentage of the sum of all airline shares associated with a cost center, which excludes the construction management and public relations costs. The result of this calculation represents a 100% allocation of the airline's share of the Non-PFC eligible GARB among the Non-PFC eligible GARB - funded components of the Terminal Improvement Project associated with a cost center.
- ❑ **Capitalized Interest** - The airline's share of the Non-PFC eligible GARB debt service is based on the airline - allocated project costs discussed above plus capitalized interest on those projects through beneficial occupancy of the new terminal and concourse. The airline share of Non-PFC eligible GARB projects, plus a comparable share of construction management and public relations services, is \$50.7 million. The required capitalized interest is \$4.1 million. Together with underwriting, reserve and other uses, the total Par amount of the airline portion of the Non-PFC eligible GARB would be approximately \$61.9 million. Analysis of alternate debt service runs of the airline and non-airline portion results in the determination that approximately 75.2% of the Non-PFC eligible GARB debt service will be fully allocated to the airlines based on the allocation percents derived above. Capitalized interest will fully fund debt service on the airline portion through FY 2003, and partially for FY 2004. The first full year's debt service that will be allocated is FY 2005. As indicated above, approximately \$5.0 out of \$6.6 million is allocated to the airline rate bases.

Table IV.18 shown below presents the calculations associated with allocating the Non-PFC eligible GARB debt service. Table IV.19 on the following page depicts the resulting allocation of debt service. From 2001 through 2003, the airline share is funded with capitalized interest. From 2004 through 2020, the airline's share of Non-PFC eligible GARB debt is allocated based on the percentages shown below.

**Table IV.18**  
**Bradley International Airport**  
**Allocation of New Garb Debt Service**

	GARB - Funded Project Costs	Percent of Total GARB Project Costs	Airline Use Percentage	Non-Airline Use Percentage	Airline Percent of Total GARB	Allocation of Airline Percent
<b>Total GARB Project Fund Deposits</b>	<b>\$ 70,098,103</b>	<b>100.00%</b>				
<b>Airline Additions to Project</b>						
Clubspace East Concourse	\$ 1,980,209	2.82%	100.00%	0.00%	2.82%	4.10%
Flight / Baggage Info. Display	\$ 30,420	0.04%	100.00%	0.00%	0.04%	0.06%
Outbound Baggage Conveyor	\$ 207,785	0.30%	100.00%	0.00%	0.30%	0.43%
Curbside Checkin Conveyor	\$ 75,558	0.11%	100.00%	0.00%	0.11%	0.16%
Passenger Loading Jet Bridges	\$ 495,000	0.71%	100.00%	0.00%	0.71%	1.02%
Exclusive Tenant Finishes	\$ 9,313,560	13.29%	100.00%	0.00%	13.29%	19.27%
<b>Total Airline Additions to Project</b>	<b>\$ 12,102,532</b>	<b>17.27%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>17.27%</b>	<b>25.04%</b>
<b>Terminal Expansion</b>						
New Concourse	\$ 15,304,428	21.83%	74.26%	25.74%	16.21%	23.51%
New Terminal	\$ 24,838,695	35.43%	59.73%	40.27%	21.16%	30.70%
Roadway	\$ 1,255,849	1.79%	32.74%	67.26%	0.59%	0.85%
Soil Remediation New Term	\$ 1,324,174	1.89%	66.36%	33.64%	1.25%	1.82%
Jet Fuel Plume Extraction	\$ 1,461,600	2.09%	66.36%	33.64%	1.38%	2.01%
Maintenance Demolition	\$ 195,396	0.28%	66.36%	33.64%	0.18%	0.27%
<b>Total Terminal Expansion</b>	<b>\$ 44,380,142</b>	<b>63.31%</b>			<b>40.79%</b>	<b>59.16%</b>
<b>Terminal A Renovation</b>						
Terminal A	\$ 3,260,068	4.65%	51.79%	48.21%	2.41%	3.49%
Conc C	\$ 2,584,354	3.69%	84.93%	15.07%	3.13%	4.54%
Soil Remediation Term A & Conc C	\$ 102,665	0.15%	64.71%	35.29%	0.09%	0.14%
<b>Total Terminal A Renovation</b>	<b>\$ 5,947,087</b>	<b>8.48%</b>			<b>5.63%</b>	<b>8.17%</b>
<b>Other Terminal Renovation</b>						
IAB	\$ 189,909	0.27%	84.04%	15.96%	0.23%	0.33%
Murphy Concourse B	\$ 860,355	1.23%	86.19%	13.81%	1.06%	1.53%
Murphy Terminal	\$ 860,355	1.23%	52.24%	47.76%	0.64%	0.93%
<b>Total Other Terminal Renovation</b>	<b>\$ 1,910,619</b>	<b>2.73%</b>			<b>1.93%</b>	<b>2.79%</b>
<b>Apron Area</b>						
Apron New Concourse	\$ 2,155,161	3.07%	100.00%	0.00%	3.07%	4.46%
Apron Concourse C	\$ 182,662	0.26%	100.00%	0.00%	0.26%	0.38%
<b>Total Apron Area</b>	<b>\$ 2,337,823</b>	<b>3.34%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>3.34%</b>	<b>4.84%</b>
<b>Total Cost Centers</b>	<b>\$ 66,678,203</b>	<b>95.12%</b>			<b>68.95%</b>	<b>100.00%</b>
<b>Other</b>						
Commercial vehicle Lot	\$ -	0.00%				
FIS Building	\$ -	0.00%				
<b>Construction Management and PR</b>	<b>\$ 3,419,900</b>	<b>4.88%</b>	<b>69.63%</b>	<b>30.37%</b>	<b>3.40%</b>	<b>4.93%</b>
<b>Total Other</b>	<b>\$ 3,419,900</b>	<b>4.88%</b>				
<b>Total GARB Projects</b>	<b>\$ 70,098,103</b>	<b>100.00%</b>				
<b>Total Airline Share</b>					<b>72.35%</b>	

**Table IV.19**  
**Bradley International Airport**  
**Allocation of New GARB Debt Service**

Allocation of GARB Debt During Cap I Funding Period	Allocation	06/30/01	06/30/02	06/30/03
Total New GARB Debt Service	N/A	\$ 386,311	\$ 1,048,010	\$ 1,396,337
Airport GARB Share	100%	\$ 386,311	\$ 1,048,010	\$ 1,396,337
Allocated Airline GARB Share	0%	\$ -	\$ -	\$ -

Allocation of GARB Debt After Cap I Funding Period	Allocation	06/30/04	06/30/05	06/30/06	06/30/07	06/30/22
Total New GARB Debt Service	N/A	\$ 5,437,413	\$ 6,645,551	\$ 6,652,301	\$ 6,655,239	\$ 1,600,689
Airport GARB Share	24.8%	\$ 1,623,445	\$ 1,647,335	\$ 1,650,272	\$ 1,648,772	\$ 396,994
Allocated Airline GARB Share	75.2%	\$ 3,813,969	\$ 4,998,216	\$ 5,002,029	\$ 5,006,466	\$ 1,203,695
2003 Intl Terminal	0.330%	\$ 12,586	\$ 16,494	\$ 16,507	\$ 16,521	\$ 3,972
2003 Terminal A	8.170%	\$ 311,601	\$ 408,354	\$ 408,666	\$ 409,028	\$ 98,342
2003 Terminal Expansion	59.160%	\$ 2,256,344	\$ 2,956,945	\$ 2,959,200	\$ 2,961,825	\$ 712,106
2003 Airline Additions	25.040%	\$ 955,018	\$ 1,251,553	\$ 1,252,508	\$ 1,253,619	\$ 301,405
2003 Murphy Terminal	0.930%	\$ 35,470	\$ 46,483	\$ 46,519	\$ 46,560	\$ 11,194
2003 Conc. B	1.530%	\$ 58,354	\$ 76,473	\$ 76,531	\$ 76,599	\$ 18,417
2003 Apron Area	4.840%	\$ 184,596	\$ 241,914	\$ 242,098	\$ 242,313	\$ 58,259

**Future Amortization** - Capital costs are also amortized in the airline rate bases. While the financing plan for the Terminal Improvement Project includes \$7.1 million in Airport funds, those funds are dedicated to construction of the new FIS building and commercial vehicle lot. These improvements will be fully allocated and amortized in Cost Center 20 (Other) and will not impact airline rates or revenues. In addition to the components of the Terminal Improvement Project previously discussed in this Report, the Connecticut DOT has undertaken the demolition and relocation of a maintenance facility previously existing on the site of the Terminal Improvement Project. Cash financing of this project is being amortized in the airline rate bases as follows:

Landing Area -	\$ 63,952
Terminal Building-	\$ 62,358
Apron Area-	\$ 43,232
Other-	\$ 29,685
Total Annual-	\$199,227

**Gross, Non-Public and Occupied Space** - Terminal building rental rates at the Airport are based on operating, maintenance and amortization expenses allocated to the Terminal Cost Center and divided by gross terminal space, plus allocated debt service divided by the terminal square footage benefiting from the debt. The rates developed are applied to occupied space in order to estimate airline terminal revenue. All of these areas will change as noted below as a result of the Terminal Improvement Project.

**Terminal Gross Space** - The total gross space of terminal building area used for rate development in the FY 2001 Budget was 418,622 square feet including Concourse A (American, Delta and other), Concourse B, the Murphy Terminal, the IAB, Terminal A and Concourse C. This space will change as airlines relocate to the new terminal and concourse, existing facilities are rehabilitated, and the Murphy facilities are decommissioned.

The Terminal Improvement Project has been staged so as to complete the new concourse first, thereby allowing airline relocations needed to facilitate the rehabilitation and extension of Concourse C including apron work, and the development of the new terminal. No change is expected in gross space between the FY 2001 and 2002 budgets. In FY 2003, airline relocations to the new concourse will occur. Concourse A – Delta will be decommissioned and other existing facilities will be vacated and rehabilitated. During the FY 2003 transition year, the relocation plan is

expected to result in a net increase in terminal gross space for rate development purposes to a total of 446,427 square feet. Upon completion of the project in FY 2004, gross space will total 546,687 square feet. Total estimated gross space by terminal area during the development period is shown above in Table IV.20. Total Gross Space is used in the development of the Operating, Maintenance and Amortization component of the Terminal Building rental rates. The gross space of each area shown above is used in developing the existing 1992 debt service component of the Terminal Building rental rates as adjusted pursuant to the transfer of Murphy Terminal debt and other adjustments based on retirement of the 1989 Subordinated Bonds and the issuance of the 2001 Refunding Bonds as previously discussed.

**Non Public Space** - Future General Airport Revenue Bond debt service incurred for the Terminal Improvement Project will be allocated on the basis of the Non Public space in the terminal because public space is being funded through Passenger Facility Charges. Table IV.21 shown at right indicates the Non Public space included in each terminal area.

The Non Public Space includes airline operations, office and break room space, club space, ticket counters and offices, security check – in and passenger hold rooms, baggage service, bag claim and bag make up areas, mechanical and utility rooms, Airport administrative and police space and concession areas. The Terminal Improvement Project will be completed between FY 2003 and 2004. The Non Public Space debt component of the Terminal Building rental rates will become effective FY 2004 due to the capitalized interest included in the General Airport Revenue Bond portion of the financing plan.

**Occupied Space** – The FY 2001 Budget includes 164,801 square feet of terminal space occupied by the airlines as shown in Table IV.22. This is not expected to change in the FY 2002 Budget. In the FY 2003 transition year, airline occupied space is expected to increase to a total of 188,941

**Table IV.20****Terminal Building Gross Space**

Terminal Area	FY 2001	FY 2003	FY 2004
Concourse A - Delta	16,467	-	-
Concourse A - American	16,579	16,579	-
Concourse A - Other	22,918	22,918	-
Concourse B	16,795	19,444	19,444
Murphy Terminal	131,918	123,931	38,464
IAB	50,410	51,426	51,426
Terminal A / Concourse C	163,535	132,774	177,145
New Terminal & Concourse	-	79,355	260,208
Total Gross Space	418,622	446,427	546,687

**Table IV.21****Non Public Space**

	FY 2004
Concourse B	13,233
Murphy Terminal	21,578
IAB	32,104
Terminal A / Concourse C	121,144
New Terminal & Concourse	179,703
Total Non Public	367,762

**Table IV.22****Airline - Occupied Space**

Terminal Area	FY 2001	FY 2002	FY 2003	FY 2004
Conc A Delta	16,467	16,467	-	-
Conc A American	15,170	15,170	15,170	-
Conc A Other	5,728	5,728	5,728	-
Conc. B	10,514	10,514	10,514	11,405
Murphy Terminal	22,554	22,554	19,396	3,372
IAB	2,322	2,322	2,322	-
Term A / Conc. C (Airline)	51,822	51,822	27,596	45,965
Murphy Bag Claim	9,989	9,989	5,160	7,900
IAB Baggage Claim	2,520	2,520	2,520	7,624
Term. A Bag Claim	15,182	15,182	8,647	32,423
New Terminal Bag Claim	-	-	15,702	47,240
New Terminal Airline Area	-	-	63,653	72,008
SWA (Murphy & IAB)	12,533	12,533	12,533	19,355
Total	164,801	164,801	188,941	247,292



square feet based on the staged terminal development, decommissioning of Concourse A – Delta, rehabilitation of existing facilities and associated airline relocations. Beginning in FY 2004, and for the remainder of the forecast period, occupied space is expected to increase to a total of 247,292 square feet based on negotiations with the air carriers serving the Airport in FY 2001 for the future use and occupancy of the expanded terminal complex.

### G) Projected Airline Rates and Revenues

**Terminal Building** - Combining the Operating, Maintenance and Amortization (O. M&A) component with the existing debt, transfer debt and future debt service components discussed above derives the total Terminal Building rental rates.

The O. M&A component is determined by dividing allocated expenses by total terminal gross space. O. M&A expenses were projected consistent with key aspects of undertaking the Terminal Improvement Project. The amortization of cash used in the relocation of a maintenance facility, which was a prerequisite to the Terminal Improvement Project, was included in projected amortization expenses. Estimated net increases in operating expenses, resulting from the savings associated with decommissioning the Murphy Terminal combined with additional operating expenses associated with the new terminal and concourse, were included in the projection as well. The total projection of Terminal - allocated expenses was then divided by gross terminal space to determine the O.M&A component. As indicated in Table IV.23, the O.M&A rate is expected to increase from \$20.03 to \$21.97 between 2002 and 2006. In the FY 2003 transition year, an elevated O. M&A rate is incurred due to the staged construction plan prior to decommissioning of the Murphy Terminal.

<b>Table IV.23</b>						
<b>O,M&amp;A Component of Terminal Rental Rates</b>						
<b>Fiscal Year</b>	<b>Terminal Expense Projection</b>	<b>Maintenance Facility Amortization</b>	<b>Special Terminal Adjustment</b>	<b>Adjusted Terminal Expenses</b>	<b>Gross Space</b>	<b>Total O, M &amp; A Rate</b>
2002	\$ 8,385,386	\$ -	\$ -	\$ 8,385,386	418622	\$ 20.03
2003	\$ 8,900,037	\$ 62,358	\$ 728,479	\$ 9,690,874	446427	\$ 21.71
2004	\$ 9,216,244	\$ 62,358	\$ 2,017,117	\$ 11,295,719	546687	\$ 20.66
2005	\$ 9,489,953	\$ 62,358	\$ 2,091,750	\$ 11,644,061	546687	\$ 21.30
2006	\$ 9,781,167	\$ 62,358	\$ 2,169,145	\$ 12,012,670	546687	\$ 21.97

Existing debt service allocations in the FY 2001 Budget to the various areas of the terminal were previously shown in Table IV.11. Table IV.11 reflects existing State General Obligation Bonds and the 1992 Airport Revenue Bond allocations to Concourses A and B, the Murphy Terminal, IAB, Terminal A and Concourse C. Changes to the existing debt allocation and the transfer of existing debt from

**Table IV.24**  
**Existing and Transfer Debt Component of Terminal Rental Rates**

<b>Operating Expenses</b>	<b>\$ 20.03</b>	<b>\$ 21.71</b>	<b>\$ 20.66</b>	<b>\$ 21.30</b>	<b>\$ 21.97</b>
<b>Existing &amp; Transfer Debt</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Conc A Delta	\$ 0.97	\$ -	\$ -	\$ -	\$ -
Conc.A American	\$ 0.97	\$ 0.94	\$ -	\$ -	\$ -
Conc A Other	\$ 0.97	\$ 0.94	\$ -	\$ -	\$ -
Conc. B	\$ 0.97	\$ 0.82	\$ 0.81	\$ 0.81	\$ 0.80
Murphy Terminal	\$ 10.85	\$ 11.53	\$ 10.82	\$ 10.82	\$ 10.81
Intl. Terminal	\$ 8.19	\$ 8.01	\$ 8.00	\$ 8.00	\$ 7.99
Terminal A	\$ 24.35	\$ 24.21	\$ 22.45	\$ 22.45	\$ 22.44
New Terminal	\$ -	\$ -	\$ 4.09	\$ 4.09	\$ 4.08
Unified Terminal	\$ -	\$ 15.15	\$ 11.53	\$ 11.52	\$ 11.52

decommissioned terminal areas to the new terminal were addressed in Table IV.17. Dividing the allocated debt

by the gross space of each area results in the Existing and Transfer Debt components of the Terminal rental rates shown in Table IV.24.

Non-PFC eligible GARB debt service allocations to the various areas of the terminal were previously shown in Tables IV.18 and IV.19. This included the total annual debt service associated with the bonds, the percentage allocated to non-airline projects and the airlines share of the total Non-PFC eligible GARB debt service. The airlines share of the debt was then distributed among the

**Table IV.25****New GARB Debt Component of Terminal Rental Rates**

New Garb Debt	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Conc A Delta	\$ -	\$ -	\$ -	\$ -	\$ -
Conc.A American	\$ -	\$ -	\$ -	\$ -	\$ -
Conc A Other	\$ -	\$ -	\$ -	\$ -	\$ -
Conc. B	\$ -	\$ -	\$ 4.41	\$ 5.78	\$ 5.78
Murphy Terminal	\$ -	\$ -	\$ 1.64	\$ 2.15	\$ 2.16
Intl. Terminal	\$ -	\$ -	\$ 0.39	\$ 0.51	\$ 0.51
Terminal A	\$ -	\$ -	\$ 2.57	\$ 3.37	\$ 3.37
New Terminal	\$ -	\$ -	\$ 12.56	\$ 16.45	\$ 16.47
Unified Terminal	\$ -	\$ -	\$ 8.54	\$ 11.19	\$ 11.19

various areas of the terminal that benefit from the debt, and among the Apron Area and Airline Additions discussed later in this Report. Dividing the Non-PFC eligible GARB debt allocations to the terminal areas by the Non – Public space shown in Table IV.21 results in the New GARB Debt components of the Terminal rental rates shown in Table IV.25.

Combining the O.M&A rate with the existing, transfer and future debt service components results in the total terminal rental rates shown in Table IV.26 below. As indicated in Table IV.26, the total rates range between \$21.00 per square foot for Concourse A while it remains in service to \$47.78 per square foot for Terminal A in FY 2006. The variance in total rates between existing and new terminal facilities resulted in the need to develop what is referred to as the Unified Terminal rate. Applicable PFC regulations preclude assessing rates for PFC – financed terminals (the new terminal), that are lower than the rates assessed for similar terminals at the Airport (Terminal A). Accordingly, the Unified Terminal rate has been developed based on the gross space and allocated debt of both Terminal A and the new terminal and will be assessed effective in FY 2003 for each of these facilities. Concourse B, a portion of the Murphy Terminal and all of the IAB will remain in service but are inferior to Terminal A and the new terminal. Accordingly, separate rates will be maintained for those facilities.

**Table IV.26****Total Terminal Building Rental Rates**

Total Terminal Rental Rate	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Conc A Delta	\$ 21.00	\$ -	\$ -	\$ -	\$ -
Conc.A American	\$ 21.00	\$ 22.65	\$ -	\$ -	\$ -
Conc A Other	\$ 21.00	\$ 22.65	\$ -	\$ -	\$ -
Conc. B	\$ 21.00	\$ 22.53	\$ 25.88	\$ 27.89	\$ 28.55
Murphy Terminal	\$ 30.88	\$ 33.24	\$ 33.12	\$ 34.27	\$ 34.94
Intl. Terminal	\$ 28.22	\$ 29.72	\$ 29.05	\$ 29.81	\$ 30.47
Terminal A	\$ 44.38	\$ 45.92	\$ 45.68	\$ 47.12	\$ 47.78
New Terminal	\$ 20.03	\$ 21.71	\$ 37.31	\$ 41.84	\$ 42.52
Unified Terminal	\$ 20.03	\$ 36.86	\$ 40.73	\$ 44.01	\$ 44.68

The projection of airline terminal building revenue is based on assessing the above stated terminal rental rates for the projected occupied space as previously shown in Table IV.22. The Unified Terminal rate is assessed for Terminal A and the new terminal airline and baggage claim areas effective in FY 2003. Concourse A and B, the Murphy Terminal and IAB rates are assessed for those associated airline and baggage area rates as well. As indicated in Table IV.27, projected airline terminal and baggage claim rent is expected to increase from \$5.3 million in the FY 2001 budget to \$10.4 million by 2006.

**Table IV. 27**  
**Projected Airline Terminal Building Revenue**

Airline Terminal Revenue	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Conc A Delta	\$ 345,759	\$ -	\$ -	\$ -	\$ -
Conc A American	\$ 318,525	\$ 343,635	\$ -	\$ -	\$ -
Conc A Other	\$ 120,271	\$ 129,752	\$ -	\$ -	\$ -
Conc. B	\$ 220,764	\$ 236,814	\$ 295,205	\$ 318,042	\$ 325,735
Murphy Terminal (SWA)	\$ 6,522	\$ 8,774	\$ -	\$ -	\$ -
Murphy Terminal (Other)	\$ 696,504	\$ 644,617	\$ 111,714	\$ 115,570	\$ 117,825
Intl. Terminal (SWA)	\$ 277,020	\$ 364,600	\$ 562,433	\$ 577,043	\$ 589,977
Intl. Terminal (Other)	\$ 65,535	\$ 69,003	\$ -	\$ -	\$ -
Terminal A (2003 = Unified)	\$ 2,299,657	\$ 1,017,183	\$ 1,871,873	\$ 2,022,870	\$ 2,053,979
New Terminal Airline Area	\$ -	\$ 2,346,236	\$ 2,932,445	\$ 3,168,994	\$ 3,217,729
Other Airline Terminal Rent	\$ 64,600	\$ -	\$ -	\$ -	\$ -
<b>Total Terminal</b>	<b>\$ 4,415,159</b>	<b>\$ 5,160,614</b>	<b>\$ 5,773,670</b>	<b>\$ 6,202,521</b>	<b>\$ 6,305,244</b>
<b>Baggage Claim Revenue</b>					
Murphy Baggage	\$ 308,477	\$ 171,490	\$ 261,726	\$ 270,761	\$ 276,044
IAB Baggage	\$ 71,124	\$ 74,887	\$ 221,544	\$ 227,299	\$ 232,394
Term A Baggage	\$ 673,718	\$ 318,727	\$ 1,320,390	\$ 1,426,901	\$ 1,448,845
New Terminal Baggage Claim	\$ -	\$ 578,772	\$ 1,923,796	\$ 2,078,981	\$ 2,110,953
<b>Total Baggage</b>	<b>\$ 1,053,318</b>	<b>\$ 1,143,876</b>	<b>\$ 3,727,457</b>	<b>\$ 4,003,943</b>	<b>\$ 4,068,236</b>
<b>Total Terminal &amp; Baggage</b>	<b>\$ 5,468,476</b>	<b>\$ 6,304,491</b>	<b>\$ 9,501,127</b>	<b>\$ 10,206,464</b>	<b>\$ 10,373,480</b>

#### Airline Additions -

As previously discussed in Chapter III of this Report, proceeds from the General Airport Revenue Bonds will be used in part to fund airline - requested additions to the Terminal Improvement Project. These additions include airline club space in the new East

**Table IV.28**  
**Debt Recovery on Airline Additions**

		FY 2004	FY 2005
<b>Airline Portion of Total GARB Debt Service</b>		<b>\$ 3,813,969</b>	<b>\$ 4,998,216</b>
<b>Airline Additions</b>	<b>Allocation</b>	<b>Debt Recovery</b>	
Club Space	4.10%	\$ 156,373	\$ 204,927
Flight / Baggage Information Systems	0.06%	\$ 2,288	\$ 2,999
Outbound Baggage Conveyors	0.43%	\$ 16,400	\$ 21,492
Curbside Baggage Conveyors	0.16%	\$ 6,102	\$ 7,997
Passenger Loading Bridges	1.02%	\$ 38,902	\$ 50,982
Exclusive Tenant Finishes	19.27%	\$ 734,952	\$ 963,156
<b>Total Airline Additions</b>	<b>25.04%</b>	<b>\$ 955,018</b>	<b>\$ 1,251,553</b>

Concourse, flight and baggage information display systems, baggage conveyor systems, passenger loading bridges and exclusive tenant finishes. The GARB - funded costs of these additions total \$12.1 million. This equates to 25.04% of the airline portion of the total GARB debt service as previously indicated in Table IV.18. Debt service on the airline portion of the GARB will become due in FY 2004, at which point in time the

portion that is allocated to the airline additions will be fully recovered. As indicated in Table IV.28, debt recovery will total \$0.9 million in FY 2004 and \$1.3 million from FY 2005 through retirement of the GARB. Several methodologies will be used to recover this portion of debt from the airlines such as additional charges per square foot for the exclusive tenant finished space and club space, and cost sharing on a per passenger basis for equipment use.

**Landing Fees** - The landing fees at Bradley International Airport are based on the operating expenses, capital amortization and debt service allocations to the landing area and a fee calculating methodology that includes consideration of the landings and weight of signatory, non-signatory, general aviation and military users of the Airport. Sixty-five percent of the signatory air carrier's share of total landings plus 35% of the signatory carrier's share of total weight represents the signatory share of costs allocated to the landing area. The signatory carrier's allocated costs are divided by the signatory air carrier landed weights to determine the Airport landing fee per 1,000 pounds. Non signatory air carriers may pay up to 1.4 times the signatory rate. The FY 2001 Budget reflects total expenses of \$11,123,917 allocated to the Landing Area, \$5,028,010 (45.2%) of which is the signatory share to be recovered in signatory landing fees. The total FY 2001 Budget for Landing Fee revenue includes the signatory share, a prior year adjustment of \$19,990 and non-signatory fees budgeted at \$3,371,400.

**Table IV.29**  
**Projected Landing Fees**

Fiscal Year	Landing Fees
2001	\$ 8,378,000
2002	\$ 8,949,367
2003	\$ 9,552,522
2004	\$ 9,808,156
2005	\$ 10,036,415
2006	\$ 10,339,243

The Terminal Improvement Project will result in two changes to the structure of the Airport's landing fees. First, while no new GARB debt is allocated to the Landing Area, future amortization expenses will increase due to cash financing of the demolition and relocation of a maintenance facility that was a prerequisite to the Terminal Improvement Project. As discussed above, this represents \$63,952 in additional amortization expenses beginning in FY 2003. More importantly, the Connecticut DOT has stated its intention to level the playing field among the passenger air carriers using Bradley International Airport by eliminating the use of non-signatory agreements. Accordingly, all such carriers may become signatory effective July 1, 2002. This will not involve a change in the landing fee methodology. However, the portion of the Landing Area cost center allocated to the signatory air carriers will increase, as will the weights used to calculate the fee. This reassignment of weights from the non-signatory to signatory classification will result in the signatory carriers being allocated approximately 60% of the costs assigned to the Landing Area. This is expected to result in additional landing fee revenue to the Airport of approximately \$400,000 in FY 2003.

**Apron Rent** - The Apron Area rental rates and revenues are based on the operating expenses, capital amortization and debt service allocations to the Apron Area cost center and the total linear feet of apron available to the air carriers. The Terminal Improvement Project will affect both the debt service and amortization allocations to the Apron Area, and the total linear feet of apron.

As previously indicated in Table IV.18, 4.84% of the airline's share of GARB debt service has been allocated to the Apron Area. This represents an additional \$184,596 in debt service allocated to the Apron Area in FY 2004, which will increase to approximately \$242,000 annually beginning in 2005 and continuing through retirement of the GARB. In addition, as indicated above in section IV.F, an additional \$43,232 in amortization expenses associated with cash financing of the maintenance facility relocation is added to the Apron Area in FY 2003. When the project is complete in FY 2004, the total linear feet of apron will

**Table IV.30**  
**Projected Apron Revenue**

Fiscal Year	Apron Revenue
2001	\$ 1,878,660
2002	\$ 1,996,827
2003	\$ 2,106,263
2004	\$ 2,501,052
2005	\$ 2,626,786
2006	\$ 2,689,025

increase from 4,555 to 4,783 and occupied apron area will increase from 4,082 to 4,638 linear feet. As indicated above in Table IV.30, this is expected to result in apron revenue increasing from \$1.9 million in 2001 to \$2.7 million in 2006 including the effects of additional debt service and occupancy.

**Federal Inspection Station** - It has been previously noted in this Report that the introduction of air service by Southwest Airlines resulted in a change in the Terminal Improvement Project from a complete demolition to a partial decommissioning of the Murphy Terminal complex. Since the Southwest Service is being accommodated in the Murphy Terminal and International Arrivals Building, it became necessary to include construction of a separate international facility in the project in order to continue to accommodate the Airport's international flights. The new FIS Building will cost \$6.5 million to construct and is being funded through use of the Airport cash. While amortization of this cash will not be included in the domestic airline rate bases since they do not occupy or use the facility, the Airport will continue to assess its existing international flight fees and must fund the operation and maintenance of the facility. These revenues and expenses are estimated on Table IV.31

As indicated on Table IV.31, the Airport is projected to accommodate 186 international flights in FY 2003 based on a conservative 1.5% growth assumption. This results in \$57,195 in flight fees in FY 2003 based on the fee of \$410 per flight and estimated opening date of October 1, 2002. Increasing the fee at 2% annually results in revenue increasing to \$194,164 by the end of the forecast period. Expenses are based on the rate of \$9.18 per square foot for the Airport's existing terminal facilities as documented in section IV.7 above. Expenses are also projected to increase at the rate of 2% annually.

Total projected airline revenues are shown on Table IV.32. As indicated, the FY 2001 Budget includes \$15.7 million in total airline revenue. This represented 45% of total operating expenses and Non-PFC eligible GARB debt service. Airline revenues are projected to increase to \$24.4 million by 2005 after completion and occupancy of the Terminal Improvement Project. This will represent 52% of total operating expenses and Non-PFC eligible GARB debt service. Since existing and new Non-PFC eligible GARB debt service is included in the airline rate bases, and retires in 2013 and 2022 respectively, airline revenue remains relatively consistent between fiscal years 2010, 2015 and 2020.

**Table IV.31****Federal Inspection Service Building Projected Revenues and Expenses**

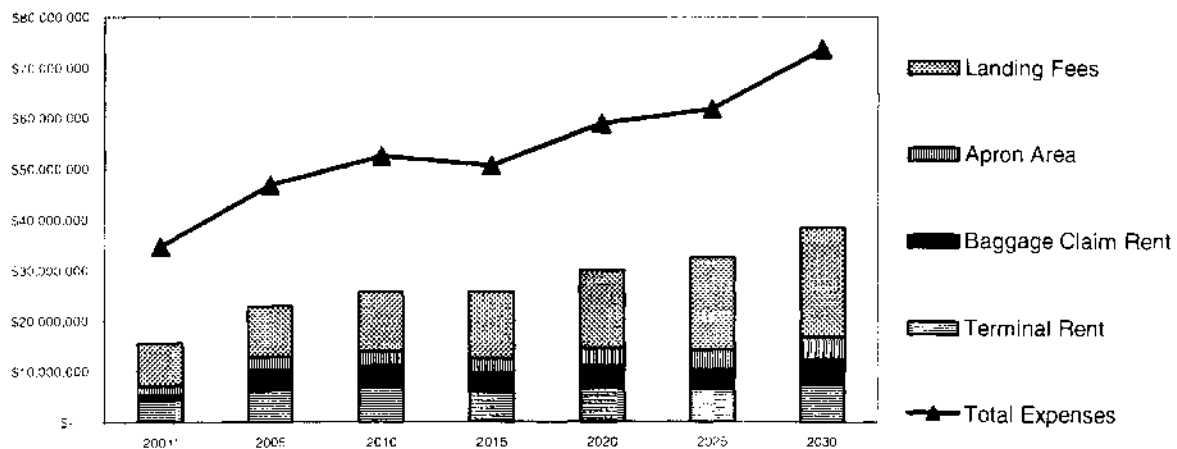
Operations Growth Rate	1.015
Expense and Flight Fee Growth Rate	1.02
Opening Date	10/1/02

FY	Flights	Fee Per Flight	Revenue	Square Feet	Variable O&M Expenses Per Square Foot	Total Expenses	Surplus (Deficit)
2000	178	\$ -	\$ -	-	\$ -	\$ -	\$ -
2001	180	\$ -	\$ -	-	\$ -	\$ -	\$ -
2002	183	\$ -	\$ -	-	\$ -	\$ -	\$ -
2003	186	\$ 410	\$ 57,195	18,750	\$ 9.18	\$ 172,125.00	\$ (114,930)
2004	188	\$ 418	\$ 78,786	25,000	\$ 9.36	\$ 234,090.00	\$ (155,304)
2005	191	\$ 427	\$ 81,567	25,000	\$ 9.55	\$ 238,771.80	\$ (157,205)
2006	194	\$ 435	\$ 84,446	25,000	\$ 9.74	\$ 243,547.24	\$ (159,101)
2007	197	\$ 444	\$ 87,427	25,000	\$ 9.94	\$ 248,418.18	\$ (160,991)
2008	200	\$ 453	\$ 90,513	25,000	\$ 10.14	\$ 253,386.54	\$ (162,873)
2009	203	\$ 462	\$ 93,708	25,000	\$ 10.34	\$ 258,454.28	\$ (164,746)
2010	206	\$ 471	\$ 97,016	25,000	\$ 10.54	\$ 263,623.36	\$ (166,607)
2011	209	\$ 480	\$ 100,441	25,000	\$ 10.76	\$ 268,895.83	\$ (168,455)
2012	212	\$ 490	\$ 103,986	25,000	\$ 10.97	\$ 274,273.74	\$ (170,287)
2013	215	\$ 500	\$ 107,657	25,000	\$ 11.19	\$ 279,759.22	\$ (172,102)
2014	219	\$ 510	\$ 111,457	25,000	\$ 11.41	\$ 285,354.40	\$ (173,897)
2015	222	\$ 520	\$ 115,392	25,000	\$ 11.64	\$ 291,061.49	\$ (175,670)
2016	225	\$ 530	\$ 119,465	25,000	\$ 11.88	\$ 296,882.72	\$ (177,418)
2017	229	\$ 541	\$ 123,682	25,000	\$ 12.11	\$ 302,820.38	\$ (179,138)
2018	232	\$ 552	\$ 128,048	25,000	\$ 12.36	\$ 308,876.78	\$ (180,829)
2019	236	\$ 563	\$ 132,568	25,000	\$ 12.60	\$ 315,054.32	\$ (182,486)
2020	239	\$ 574	\$ 137,248	25,000	\$ 12.85	\$ 321,355.41	\$ (184,107)
2021	243	\$ 586	\$ 142,093	25,000	\$ 13.11	\$ 327,782.51	\$ (185,690)
2022	246	\$ 597	\$ 147,109	25,000	\$ 13.37	\$ 334,338.16	\$ (187,229)
2023	250	\$ 609	\$ 152,302	25,000	\$ 13.64	\$ 341,024.93	\$ (188,723)
2024	254	\$ 621	\$ 157,678	25,000	\$ 13.91	\$ 347,845.43	\$ (190,168)
2025	258	\$ 634	\$ 163,244	25,000	\$ 14.19	\$ 354,802.33	\$ (191,558)
2026	261	\$ 647	\$ 169,006	25,000	\$ 14.48	\$ 361,898.38	\$ (192,892)
2027	265	\$ 659	\$ 174,972	25,000	\$ 14.77	\$ 369,136.35	\$ (194,164)
2028	269	\$ 673	\$ 181,149	25,000	\$ 15.06	\$ 376,519.08	\$ (195,370)
2029	273	\$ 686	\$ 187,543	25,000	\$ 15.36	\$ 384,049.46	\$ (196,506)
2030	277	\$ 700	\$ 194,164	25,000	\$ 15.67	\$ 391,730.45	\$ (197,567)

**Table IV.32**  
**Bradley International Airport**  
**Total Projected Airline Revenue**

	2001*	2005	2010	2015	2020	2025	2030
Terminal Rent	\$ 4,253,800	\$ 6,202,521	\$ 6,696,796	\$ 5,819,147	\$ 6,668,113	\$ 6,258,686	\$ 7,443,559
Baggage Claim Rent	\$ 1,022,724	\$ 4,003,943	\$ 4,314,628	\$ 3,676,115	\$ 4,207,605	\$ 3,916,673	\$ 4,658,164
Apron Area	\$ 1,878,660	\$ 2,626,786	\$ 2,931,823	\$ 3,026,871	\$ 3,555,889	\$ 3,903,408	\$ 4,628,939
Landing Fees	\$ 8,378,000	\$ 10,036,415	\$ 11,787,109	\$ 13,166,747	\$ 15,592,212	\$ 18,454,331	\$ 21,684,246
Ramp Parking	\$ 192,400	\$ 208,260	\$ 229,936	\$ 253,868	\$ 280,290	\$ 309,463	\$ 341,673
FIS Bldg. Revenue	\$ -	\$ 81,567	\$ 97,016	\$ 115,392	\$ 137,248	\$ 163,244	\$ 187,543
Airline Additions	\$ -	\$ 1,251,553	\$ 1,255,294	\$ 1,262,717	\$ 1,270,367	\$ -	\$ -
Airline Total	\$ 15,725,584	\$ 24,411,044	\$ 27,314,602	\$ 27,320,857	\$ 31,711,724	\$ 33,005,805	\$ 38,944,125
Adjusted Expenses*	\$ 25,039,369	\$ 30,856,279	\$ 36,695,958	\$ 43,649,780	\$ 51,931,346	\$ 61,795,332	\$ 73,535,805
Existing GARB	\$ 9,688,508	\$ 8,888,806	\$ 8,804,791	\$ -	\$ -	\$ -	\$ -
New GARB (Non PFC)	\$ -	\$ 6,933,870	\$ 6,932,620	\$ 6,935,939	\$ 6,933,720	\$ -	\$ -
Total Expenses	\$ 34,727,877	\$ 46,678,955	\$ 52,433,369	\$ 50,585,719	\$ 58,865,066	\$ 61,795,332	\$ 73,535,805
Airline Revenue as % of Total Expense	45%	52%	52%	54%	54%	53%	53%

\* Adopted revenue budget values. Operating expense projection adjusted for reserve account deposit requirements.

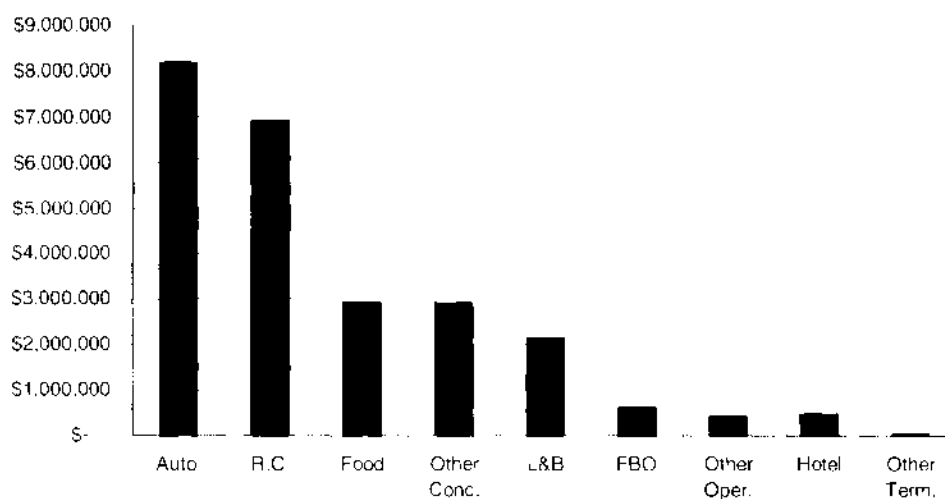


## 5. NON AIRLINE REVENUE

Approximately 60% of Airport operating revenue is generated from Airport concessions and other tenants, while the remaining 40% is generated from the airlines as discussed in the previous Chapter of this Report. The non – airline revenues are shown in Table IV.33 in descending order of FY 2001 budgeted non-airline related revenue. As indicated in Table IV.33, the auto parking concession is the number one non-airline related revenue producer, followed by the rental car concessions, restaurant concessions, other concessions and land and building rents, etc. This Chapter addresses the rates and charges structure currently associated with these revenue sources, historic and forecast non – airline revenues.

**Table IV.33**  
**Bradley International Airport**  
**FY 2001 Budget Non - Airline Revenue**

Legend	Description	FY 2001 Budget
Auto	Auto Parking	\$ 8,169,011
R.C.	Rental Cars	\$ 6,911,100
Food	Restaurants	\$ 2,903,300
Other Conc.	Other Concessions	\$ 2,899,700
L&B	Land and Building Rent	\$ 2,139,300
FBO	Fixed Base Operations	\$ 618,900
Other Oper.	Other Operating Revenue	\$ 421,200
Hotel	Hotel Commissions	\$ 469,300
Other Term.	Other Terminal Rent	\$ 31,200
	Total	\$24,563,011



### A) Auto Parking Concession

The surface auto parking facilities at the Airport are presently being reconfigured and a new parking garage is being constructed. All public parking at the Airport has historically been surface level only including two short-term lots (A and B), four long term lots (1 through 4) and an employee lot. These facilities were operated



by APCOA-R&G Parking pursuant to a Public Parking Facility and Shuttle Bus Service Operation Concession Agreement from August 1, 1993 through April 6, 2000. As of April 7, 2000, APCOA Bradley Parking Company, LLC and the Airport entered into a new twenty – five year Construction, Financing and Operating Special Facility Lease Agreement, providing for the construction and operation of a 3,500 space parking garage at the Airport, and for the maintenance and operation of all surface parking lots. Accordingly, the presentation forecast parking revenues reflect the applicable terms of this agreement.

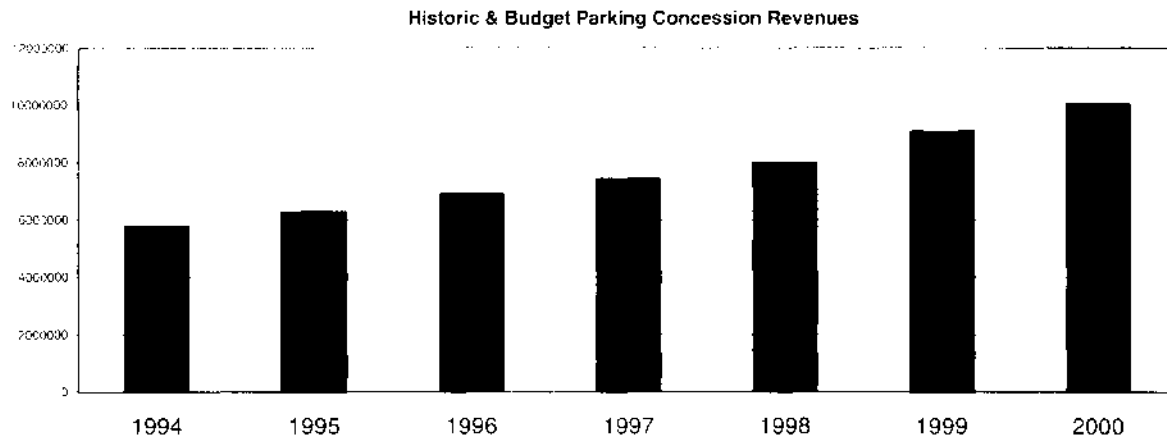
As noted above, the Airport's parking lots have historically been operated by APCOA-R&G Parking pursuant to a Public Parking Facility and Shuttle Bus Service Operation Concession Agreement. This Agreement gave APCOA the right to operate the public parking facilities located on the Airport including the existing Lots A and B, 1, 2, 3 and 4 and the employee lot. The public parking rates charged for the employee lot are to be established by the State. All other parking rates were negotiated annually, with the State reserving the right to make all final decisions concerning the rates ultimately imposed. There have been four vehicle parking rate adjustments implemented in the past 10 years. Analysis of the rate adjustments indicates a 10-year increase on the order of 20 percent to 76 percent depending on the lot and rate adjusted. For example, the rate for up to 7 hours of parking in long term lots 1 and 2 was increased from \$7.50 to \$9.00 from November 1989 to September 1999, an increase of 20%. The rate for up to 7 hours of parking in the short-term facility was increased from \$9.50 to \$16.75 during the same period, an increase of 76%. The September 1999 rate schedule established pursuant to the previous parking agreement included a maximum daily rate for long-term lots 1 and 2 of \$10, and for long-term lots 3, 4 and 5, it was \$6. The maximum daily charge for the short-term lots was \$20. Incremental rates were in place at ½ hour increments to the daily maximum. The initial term of the parking concession agreement was for three years commencing August 1, 1993, and ending July 31, 1996. The agreement included two option terms of two years each, which were exercised by APCOA, extending the total term through July 31, 2000. The second option term ended early due to the execution of the new agreement. APCOA's obligations included parking lot operation 24 hours a day, seven days a week, free shuttle service between the long-term and employee lots and the Terminal Building, lot and equipment inspection, maintenance and repair, accounting, record-keeping and reporting.

In consideration for its rights pursuant to this agreement, APCOA paid a percentage of gross parking receipts to the Airport. The percentage in the third year of the initial term of the agreement due to the Airport was 69 percent of the first \$8,000,000. This was subsequently adjusted to 69.25 percent through the negotiation of the option terms. A sliding scale of fees due to the Airport was established based on the level of revenues to APCOA above \$8 million. The sliding scale effective through April 6, 2000 is shown at right. Table IV.34 includes actual vehicle parking revenues from 1994 through 2000 including the current FY 2001 Budget.

<b>FY 2000 Percentage Fee Scale</b>		
<b>From Base</b>	<b>To Max</b>	<b>Percent</b>
\$ -	\$ 8,000,000	69.25%
\$ 8,000,000	\$ 9,000,000	85.00%
\$ 9,000,000	\$ 9,500,000	84.00%
\$ 9,500,000	\$ 10,000,000	83.00%
\$ 10,000,000	\$ 10,500,000	80.00%
\$ 10,500,000	\$ 11,000,000	78.00%
\$ 11,000,000	\$ 11,500,000	76.00%
\$ 11,500,000	\$ 12,000,000	74.00%
\$ 12,000,000	\$ 99,000,000	72.00%

Vehicle parking revenues included in the FY 2001 budget reflect the \$8,169,011 minimum guarantee established in the new lease agreement. It is not shown in Table IV.34 because it reflects different agreement terms than the historic revenues. The new lease agreement, providing for tenant construction of the new parking garage, became effective April 7, 2000. The payment terms associated with the new agreement do not include a sliding commission payment scale; rather, annual minimum guarantees and additional payments from operating profits are in effect.

**Table IV.34**  
**Bradley International Airport**  
**Historic and Budget Parking Concession Revenues**



Actual revenues are shown for FY 1994 through 2000. FY 2000 reflects the fee scale previously in effect for the vehicle parking lots through April 6, 2000 and the minimum guarantee pursuant to the revised parking concession agreement providing for tenant construction of the new Airport parking garage.

## **B) Rental Car Concessions**

Rental car services are provided at the Airport by Alamo, Avis, Budget Group, Hertz, National, CT Car Rental, Travelers (Dollar) and Enterprise. Total Rental Car revenues to the Airport are estimated at \$6.9 million in the FY 2001 budget. FY 2001 budget revenues by company are shown in Table IV.35 along with total historic revenues from 1994 through 2000.

The rental car companies previously entered into a Concession License Agreement effective for a maximum five-year period ending October 31, 1999. These agreements provided each company with space for one kiosk in Terminal A and one in Terminal B and the right to pick up and discharge customers at designated areas outside of each terminal. Each rental car company pays the greater of a minimum guarantee, or a percentage of its gross receipts, to the Airport. The percentage of gross receipts fee scale used in the agreement that expired October 31, 1999 is shown at right. The scale in effect as of November 1, 1999 is a flat 10% of gross.

<b>Rental Car Percent of Gross Receipts Scale Through 10/31/1999</b>		
<b>From Base</b>	<b>To Max</b>	<b>Percent</b>
\$ -	\$ 150,000	6.00%
\$ 150,000	\$ 300,000	7.50%
\$ 300,000	\$ 600,000	9.00%
\$ 600,000	\$ 999,000,000	10.00%

The minimum annual revenue guaranteed to the Airport has varied based upon each rental car company's bid to provide these services under the previous and current agreement. The minimum annual guarantees bid by Alamo, Avis, Budget Group, Hertz and National included in the agreements that expired in 1999 are shown below.

**Rental Car Company Minimum Annual Guarantees**

**Reflected In Prior Agreements That Expired 10/31/1999**

Year	Alamo	Avis	Budget Group	Hertz	National	Total
1995	\$391,507	\$621,000	\$210,500	\$717,000	\$250,008	\$2,190,015
1996	\$407,677	\$636,750	\$220,500	\$751,600	\$250,008	\$2,266,535
1997	\$424,494	\$653,250	\$230,500	\$782,500	\$250,008	\$2,340,752
1998	\$441,984	\$669,750	\$240,500	\$810,600	\$250,008	\$2,412,842
1999	\$460,174	\$686,250	\$250,500	\$835,000	\$250,008	\$2,481,932

For the fiscal year ending June 30, 2000, the total minimum guarantees were \$3,288,318 based on the October 31, 1999 expiration date. The minimum guarantees in effect for FY 2001 for each company pursuant to the new agreement are shown at right. Historic and FY 2001 Budget concession revenues are shown in Table IV.35. As indicated, the percentage fees due to the Airport have historically exceeded the minimum guarantees. Fees have increased from \$4 million in 1994 to \$6.9 million in the FY 2001 Budget.

<b>FY 2001 Rental Car Company Minimum Guarantees (New Agreement)</b>	
Company	Minimum Guarantee
Hertz Corp.	\$ 1,168,967
Avis Rent A Car	\$ 1,148,633
National Car Rental	\$ 651,404
Budget Group	\$ 339,423
Dollar / Travelers Rental	\$ 299,000
Enterprise Rent A Car	\$ 108,000
Conn Car Rental	\$ 24,000
Alamo Rent A Car	\$ 10,000
Total Minimums	\$ 3,749,427

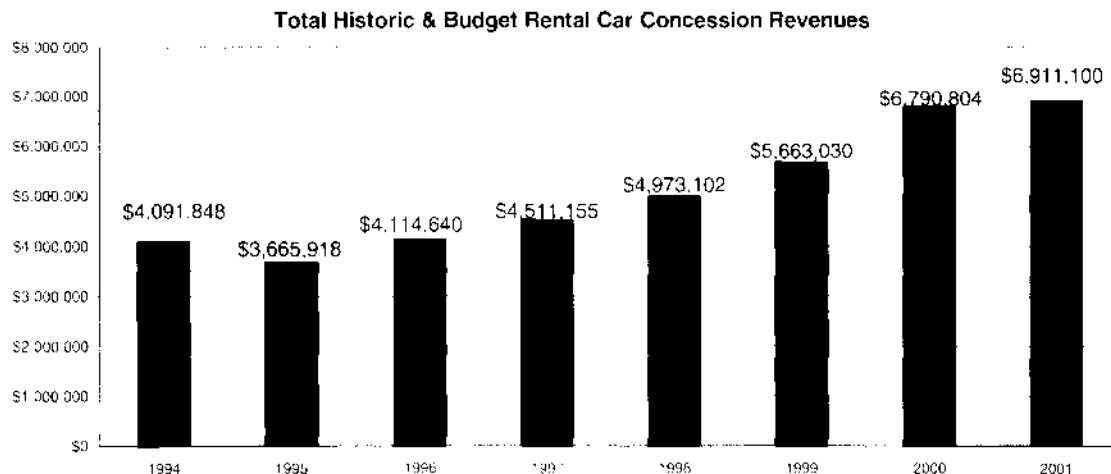
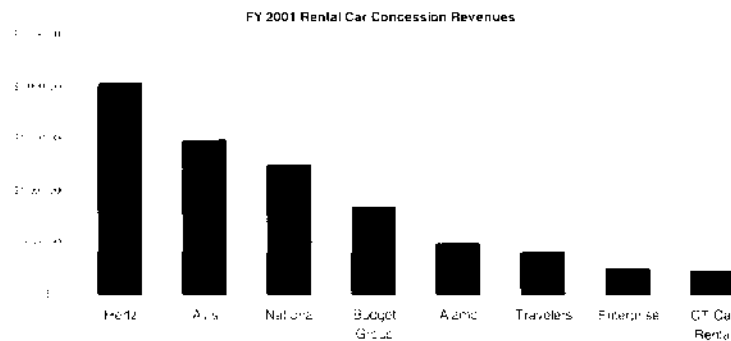
Rental car services are provided at the Airport via the use of remote locations. Accordingly, the purpose of the kiosks in Terminals A and B is to provide telephone service boards for use by customers in requesting shuttle service to the remote location. The purpose of designated pick-up and discharge points at each terminal is limited to this shuttle service. Rental car transactions may not be processed and shuttle vehicles may not wait at these locations. Avis, Budget Group, Hertz and National also separately lease rental car service areas at the Airport. The space and rent associated with these service areas are listed below. This rent is not included in the rental car revenues shown in Table IV.35. This revenue is included in Land and Building Rentals discussed later in this Report.

Tenant	Square Feet	Rate / S.F. (1)	Rent
Avis	132,162	\$ .55	\$72,689
Budget Group	134,985	\$ .55	\$74,242
Hertz	192,015	\$ .55	\$105,608
National	133,061	\$ .55	\$73,184
Alamo	(Off-Airport)	0	0

(1) Rate effective through 6/30/2004. Effective 7/1/2004, this rate increases to \$.68 / S.F.

**Table IV.35**  
**Bradley International Airport**  
**Historic and Budget Rental Car Concession Revenues**

FY 2001 Rental Car Revenue	
Hertz	\$ 2,022,800
Avis	\$ 1,480,900
National	\$ 1,246,500
Budget Group	\$ 831,500
Alamo	\$ 476,500
Travelers	\$ 392,800
Enterprise	\$ 242,700
CT Car Rental	\$ 217,400
<b>Total Revenue</b>	<b>\$6,911,100</b>



### C) Restaurant Concessions

There are three concession agreements included in restaurant concession revenues. The food and beverage concession held by Host of Hartford represents the greatest portion of restaurant concession revenue with approximately \$2.2 million included in the FY 2001 budget. The budget also includes approximately \$665,800 in revenue expected from the in-flight catering service concessions held by Dobbs and LSG/Sky Chefs.

The food and beverage concession was granted to Host of Hartford in 1984 and presently includes twelve areas within the Murphy Terminal and Terminal A totaling 24,489 square feet. The rights granted to Host include food and alcoholic beverage sales in concession areas and VIP rooms in both terminals. The rights specifically excluded are cigarette and candy sales and in-flight catering services. The State reserved the right to grant to others the privilege of selling gourmet packaged food, bottled wine, bulk health foods, lobsters and ice cream and to establish vending operations. However, if food and beverage concessions are granted to others, they must be at the rates established in the Host agreement and Host is due credits against its minimum guarantee equivalent to the fees paid by the other concessionaires.

The term of the food and beverage concession is 20 contract - years ending 3/31/2004. It may be extended by the State in increments of five years subject to mutual agreement with Host on percentage fees. In consideration for its rights, Host pays the Airport the greater of a minimum annual guarantee or a percentage of its gross receipts. The minimum annual guarantees included in the agreement are shown below.

<b>Host of Hartford Minimum Annual Guarantees (Calendar Years)</b>			
<b>Year</b>	<b>Minimum Guarantee</b>	<b>Year</b>	<b>Minimum Guarantee</b>
1985	\$1,000,000	1995	\$1,674,000
1986	\$1,000,000	1996	\$1,690,000
1987	\$773,000	1997	\$1,705,000
1988	\$781,000	1998	\$1,719,000
1989	\$931,000	1999	\$1,728,000
1990	\$1,119,000	2000	\$2,228,000
1991	\$1,130,000	2001	\$2,247,000
1992	\$1,141,000	2002	\$2,268,000
1993	\$1,152,000	2003	\$2,289,000
1994	\$1,323,000	2004	\$527,000 (1/1-3/31)

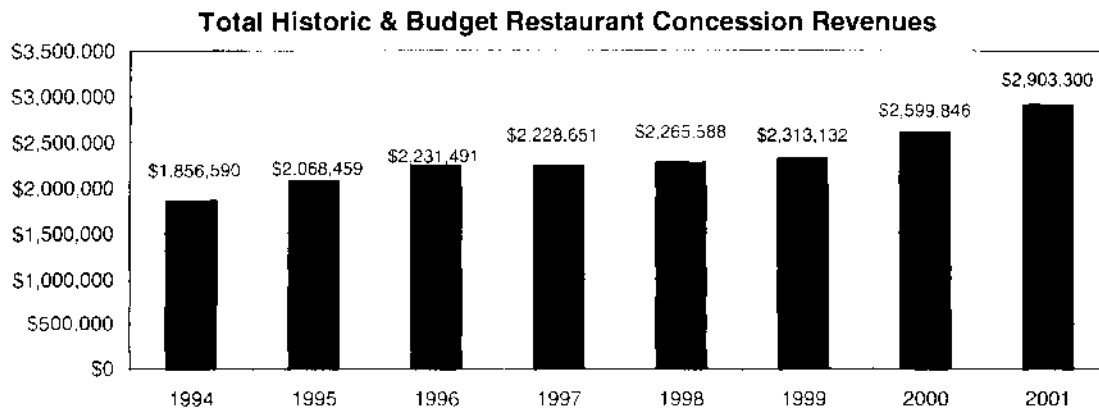
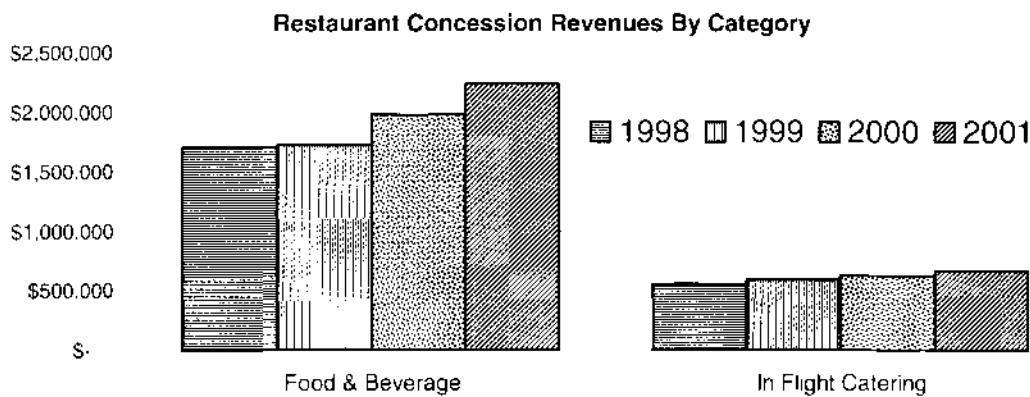
The percentage of gross receipts fee is calculated based on the product categories and rates shown in Table IV.36. Table IV.36 also depicts actual food and beverage concession revenue from 1994 through 2000 and the FY 2001 budget. This concession has consistently generated only the minimum guarantee for the Airport. Restaurant gross receipts at the Airport do not approach the level required to surpass the minimum guarantee. For example, in Fiscal Year 1997, the gross sales of Host were \$5.0 million, which would have only generated \$668,000 in concession fees in the absence of the \$1.7 million minimum guarantee. In calendar year 2000, the minimum guarantee increases from \$1.7 to \$2.2 million.

In addition to its minimum guarantee and/or percentage fees, Host is responsible for utilities, janitorial and maintenance expenses. It also maintains a renewal and replacement account into which it is to deposit one and one-half percent of its gross receipts, which funds are to be used at the direction of the State to refurbish concession space.

The Dobbs and Sky Chefs' agreements for in-flight catering became effective in August 1995 and May 1995, respectively. The agreements provide for the payment of 8.5% of gross revenues to the State through April 2000, which increases to 9% in May 2000 and 10% in 2004, without a minimum guarantee. The in flight catering revenues for FY 1998 through 2000 and the FY 2001 Budget are also shown on Table IV.36.

**Table IV.36**  
**Bradley International Airport**  
**Historic and Budget Restaurant Concession Revenues**

Concession	1998	1999	2000	2001	Percent of Gross Receipts		
					Alcohol	Food	Employee
Food & Beverage	\$ 1,712,000	\$ 1,723,500	\$ 1,978,000	\$ 2,237,500	20.00%	12.00%	5.00%
In Flight Catering	\$ 553,588	\$ 589,632	\$ 621,846	\$ 665,800	N/A	N/A	N/A
Total	\$ 2,265,588	\$ 2,313,132	\$ 2,599,846	\$ 2,903,300			



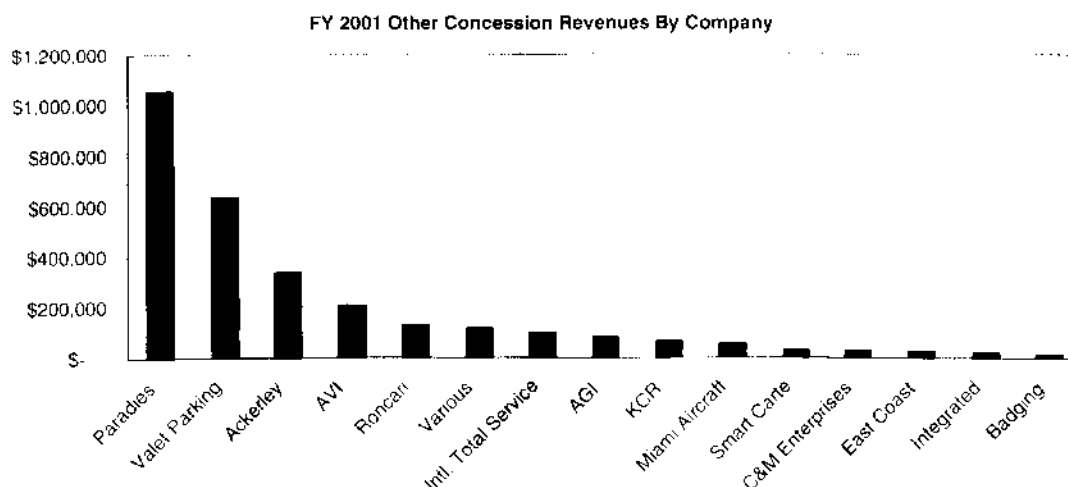
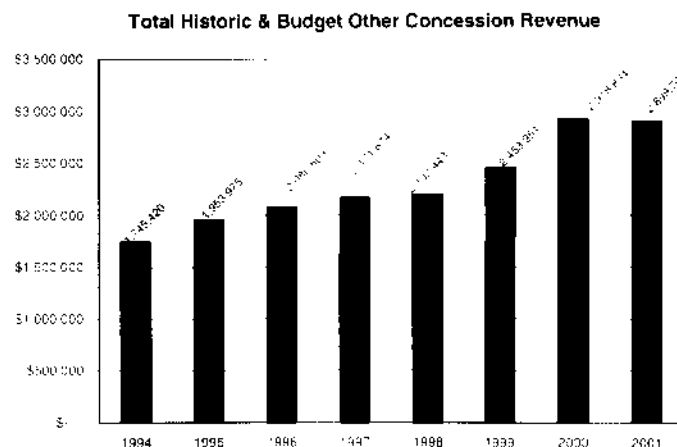
The restaurant fee schedule is as shown. In flight catering fees are 8.5% of gross through April 2000, 9% effective May 2000. Actual values are shown for 1994 through 2000. FY 2001 represents the current budget for restaurant revenues.

## D) Other Concessions

The other concession category shown on Table IV.37 includes a wide variety of concessions and services provided at the Airport. The greatest contributor to this revenue category is the Airport gift shop concession operated by Paradise with FY 2001 budgeted Airport revenue of \$1,052,600. The next greatest contributor to this category of revenue is the Airport's valet parking operations (off-airport parking). \$637,200 in revenue from off-airport parking is budgeted for FY 2001. The third largest contributor to other concession revenue is the advertising concession granted to Ackerley Airport Advertising with FY 2001 budgeted Airport revenue of \$337,700. These three operations represent approximately 70% of total other concession revenue and each is addressed below:

**Table IV.37**  
**Bradley International Airport**  
**Historic and Budget Other Concession Revenues**

Other Concessions	FY 2001
Paradies	\$ 1,052,600
Valet Parking	\$ 637,200
Ackerley	\$ 337,700
AVI	\$ 207,300
Roncari	\$ 130,800
Various	\$ 116,300
Intl. Total Service	\$ 98,700
AGI	\$ 81,800
KCR	\$ 65,000
Miami Aircraft	\$ 53,100
Smart Carte	\$ 29,900
C&M Enterprises	\$ 28,900
East Coast	\$ 24,400
Integrated	\$ 21,000
Badging	\$ 15,000
<b>Total</b>	<b>\$ 2,899,700</b>



Actual values are shown for 1994 through 2000. FY 2001 represents the current budget for other concession revenues.

- **Gift Shop Concession** - The Airport gift shop concession is operated by Paradies-Hartford, Inc. The gift shop concession includes the right to sell all general merchandise in the terminal including books, candy (that is packaged and sealed by the supplier), clothing, electronics, cosmetics, gifts, health and beauty aids, jewelry, newspapers and magazines, optics, tobacco, toys, luggage, stationery, souvenirs, travel accessories and lottery tickets. The concession agreement has been amended four times for the purpose of adjusting space, fees and term. There are presently six areas occupied in Terminals A and B. The term of the agreement is 20 years ending January 31, 2006. The percentage fees that became effective in 1990 apply to all merchandise (except employee discounts) and are shown below:

- 20% of the first \$2.5 million gross receipts
- 22% of gross receipts in excess of \$2.5 million
- 24% of gross receipts in excess of \$3.5 million
- 26% of gross receipts in excess of \$4.5 million

The minimum annual guarantees for the last 10 years of the agreement are shown below:

Gift Shop Minimum Annual Guarantees			
Lease Year Ending Jan. 31	Minimum Guarantee	Year	Minimum Guarantee
1997	\$641,000	2002	\$818,000
1998	\$673,000	2003	\$860,000
1999	\$707,000	2004	\$860,000
2000	\$742,000	2005	\$860,000
2001	\$779,000	2006	\$860,000

The gift shops generate revenue above these minimums. In fiscal year 2000, gift shop revenue to the Airport was \$1,039,952 while the minimum guarantee was \$721,584. All fees are subject to renegotiations in the event of a terminal expansion that does not utilize Paradies of Hartford, Inc. as the gift shop operator in the expanded area.

- **Valet Parking** - Access to the Airport is granted to various businesses not based on the Airport to enable them to provide services to and benefit from Airport patrons. There are a significant number of vehicle parking lot operations located near the Airport, which park and drop off/pick up Airport passengers. These operators pay the Airport four percent of their gross revenue for this privilege. Actual revenue for this activity in FY 2000 was \$676,086. Budgeted airport revenue is \$637,200 for this activity for FY 2001.
- **Advertising Concession** - The Airport advertising concession was granted to Ackerly Airport Advertising, Inc. in 1996. Sky Sites subsequently acquired Ackerly. This concession permits the solicitation and sale of advertising space and facilities at designated locations in the Terminal Building. The term of this concession was originally five years ending April 30, 2001. Airport compensation from the advertising concession has historically represented 65 percent of the gross revenue or the following minimum annual guarantees:



Advertising Concession Minimum Guarantees	
Year Ending	Minimum Annual Guarantee
April 30, 1997	\$195,000
April 30, 1998	\$220,000
April 30, 1999	\$240,000
April 30, 2000	\$250,000
April 30, 2001	\$265,000

The advertising concession has generated revenue above these minimums. Budget revenues for FY 2001 are \$337,700. . The Airport has re-bid this concession and awarded it to Interspace Airport Advertising commencing September 1, 2000. The agreement with Ackerley/SkySites was terminated as of August 31, 2000. The contract terms with Interspace are being finalized. However, they currently pay the State 50% of the gross receipts.

- ↳ **Miscellaneous Concessions** - A variety of miscellaneous concession activities represents the remaining 30%, or \$872,200, of other concession revenue and is shown on Table IV.37. The Airport grants access to motor buses for public transportation purposes. This access is granted for a fixed fee per bus. Miscellaneous Concessions includes such concessionaires as AVI, Roncari, International Total Services, AGI, KCR, Miami Aircraft, Smart Cart and others.

#### **E) Land and Building Rental**

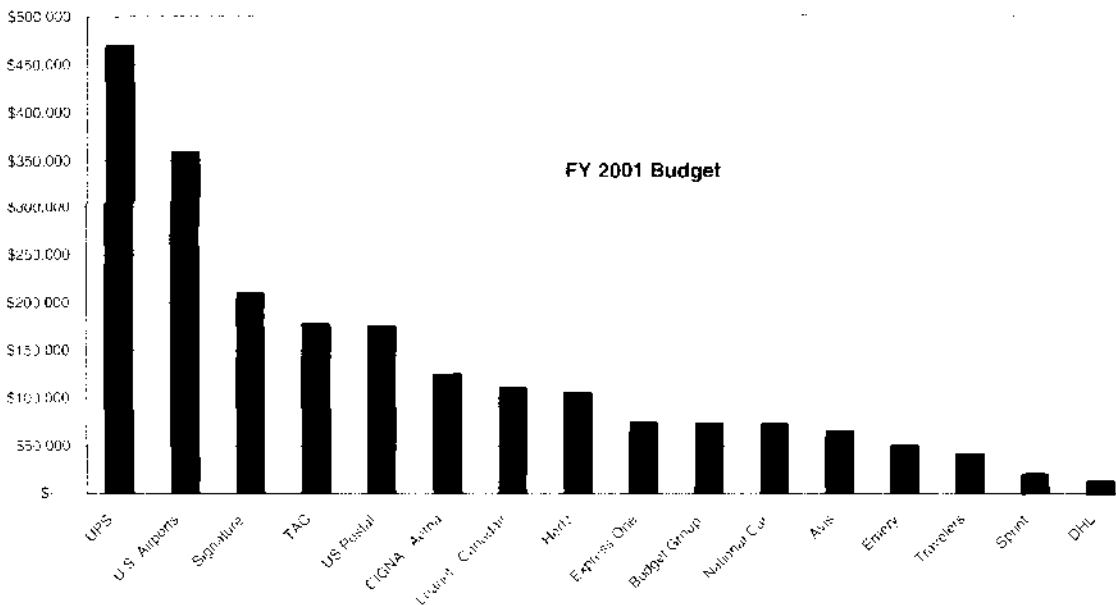
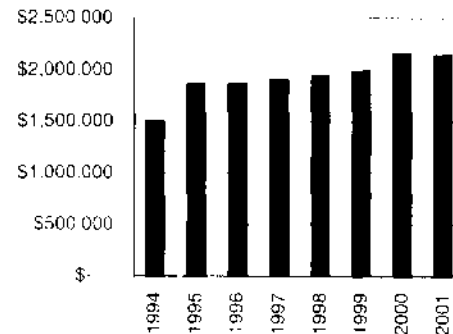
Land and building rentals presently generate approximately \$2.3 million in annual revenue. This category represents fixed land and building rent other than Terminal Building rent and aircraft remote ramp parking fees. Included in this revenue category are rental car service center, fixed-based operator, cargo / postal service, and other rents. The tenant listing and rents associated with this revenue category are summarized in Table IV.38. As indicated on Table IV.38, over 20 tenants account for FY 2001 budget Land and Building Rent of \$2.3 million. The top 10 tenants represent 81% of this revenue. Land and Building Rent has grown by 36% over 1994 actual revenue of \$1.7 million. The land and building rental rates presently charged range from \$.21 to \$1.02 per square foot annually. The Airport has included frequent rental rate escalations in its land and building leases.

**Table IV.38**  
**Bradley International Airport**  
**Historic and Budget Land and Building Rent**

FY 2001 Budget Revenue			
Tenant Name	Activity	Annual Rent	Cum. %
UPS	Cargo	\$ 469,200	22%
U.S. Airports	FBO / GA	\$ 357,900	39%
Signature Flight	FBO / GA	\$ 209,100	48%
TAC	FBO / GA	\$ 177,300	57%
US Postal Service	Cargo	\$ 175,400	65%
CIGNA / Aetna	FBO / GA	\$ 124,600	71%
Learjet / Canadair	FBO / GA	\$ 110,400	76%
Hertz	Rental Car	\$ 105,600	81%
Budget Group	Rental Car	\$ 74,200	84%
National Car	Rental Car	\$ 73,200	88%
Avis	Rental Car	\$ 72,700	91%
Travelers	Other	\$ 65,400	94%
Sprint	Other	\$ 50,000	97%
Various	Other	\$ 41,400	98%
Bell Atlantic	Other	\$ 20,000	99%
AMR Combs	FBO / GA	\$ 12,900	100%
Total		\$ 2,139,300	

Year	Historic / Budget	Growth
	Revenue	From 1994
1994	\$ 1,501,707	N/A
1995	\$ 1,865,003	24%
1996	\$ 1,867,444	24%
1997	\$ 1,907,371	27%
1998	\$ 1,942,985	29%
1999	\$ 1,990,143	33%
2000	\$ 2,152,759	43%
2001	\$ 2,139,300	42%

**Historic Actual & Budget Revenue**



## F) Other Non Airline Revenue

The remaining revenue shown in Table IV.33 includes Fixed Base Operators, Other Operating Revenue, and Hotel Commissions. In addition to the fixed rents discussed above for the Airport's Fixed Base Operators, the FBOs also pay fuel flowage fees, lubricant fees and percentages on landing fees and parking fees collected and on other gross receipts to the Airport. These revenues are included in the Fixed Base Operator revenue category and have ranged from \$400,000 to \$660,000 annually. The revenues included in the Other Operating Revenue category are snow removal fees paid by the military, utility charges paid by Host International and Sewer Charges recovered from a large number of airport tenants.

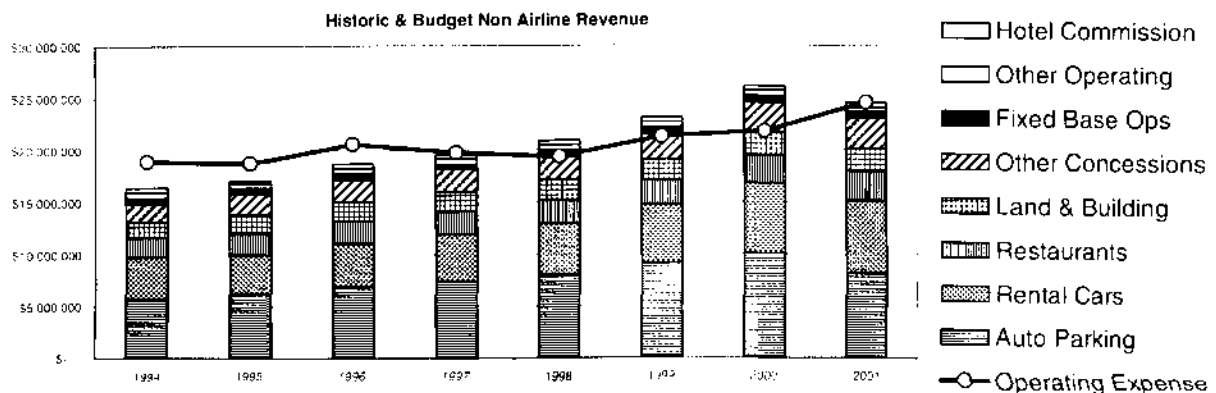
## G) Analysis of Historic and Budget Non Airline Revenues

Total historic and budget non-airline revenues are shown in Table IV.39. As indicated, non-airline revenues increased substantially from \$16.7 million in FY 1994 to \$24.7 million in the FY 2001 budget, an increase of 48%. Non airline revenues range from 57% to 64% of total operating revenues, and increased from 88% to over 100% of total operating expenses during the same period of time.

**Table IV.39**  
**Bradley International Airport**  
**Historic and Budget Total Non - Airline Revenue**

	Actual 1994	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Budget 2001
Auto Parking	\$ 5,769,506	\$ 6,262,805	\$ 6,897,191	\$ 7,408,538	\$ 7,974,156	\$ 9,073,162	\$ 10,029,716	\$ 8,169,011
Rental Cars	\$ 4,091,848	\$ 3,665,918	\$ 4,114,640	\$ 4,511,155	\$ 4,973,101	\$ 5,663,030	\$ 6,790,804	\$ 6,911,100
Restaurants	\$ 1,856,590	\$ 2,068,459	\$ 2,231,491	\$ 2,228,651	\$ 2,265,588	\$ 2,313,132	\$ 2,599,846	\$ 2,903,300
Other Concessions	\$ 1,745,420	\$ 1,953,975	\$ 2,086,809	\$ 2,171,674	\$ 2,192,443	\$ 2,453,951	\$ 2,918,834	\$ 2,899,700
Land & Building	\$ 1,501,707	\$ 1,865,003	\$ 1,867,444	\$ 1,907,371	\$ 1,942,985	\$ 1,990,143	\$ 2,152,759	\$ 2,139,300
Fixed Base Ops	\$ 508,458	\$ 583,728	\$ 659,715	\$ 397,678	\$ 614,331	\$ 650,539	\$ 668,475	\$ 618,900
Other Operating	\$ 581,101	\$ 455,679	\$ 438,598	\$ 473,542	\$ 512,326	\$ 505,403	\$ 484,220	\$ 421,200
Hotel Commission	\$ 400,000	\$ 265,654	\$ 400,000	\$ 400,000	\$ 400,538	\$ 406,077	\$ 453,772	\$ 469,300
Other Terminal Rent*	\$ 164,525	\$ 171,693	\$ 181,980	\$ 181,783	\$ 183,804	\$ 188,270	\$ 89,407	\$ 96,039
Total Non Airline	\$ 16,619,155	\$ 17,292,914	\$ 18,677,668	\$ 19,680,392	\$ 21,059,272	\$ 23,243,647	\$ 26,187,833	\$ 24,627,850
Total Oper. Revenue	\$ 27,986,014	\$ 30,599,569	\$ 31,819,465	\$ 32,731,043	\$ 35,645,977	\$ 36,358,898	\$ 41,307,191	\$ 40,288,595
Operating Expense	\$ 18,965,598	\$ 18,756,400	\$ 20,575,487	\$ 19,745,668	\$ 19,395,270	\$ 21,242,482	\$ 21,815,207	\$ 24,609,415
Non Airline Revenue % of								
Total Oper. Revenue	59%	57%	59%	60%	59%	64%	63%	61%
Operating Expense	88%	92%	92%	100%	109%	109%	120%	100%

\* Represents non airline terminal rent segregated effective with FY 2001 Budget.



## H) Non – Airline Revenue Projection

The non-Airline revenues generated at the Airport consist of terminal and related concessions, land and building rents, and other non – airline revenues. The methodologies and assumptions utilized to project these revenues vary by source and are addressed separately below.

### ┐ Concession Projections

Terminal and related concessions consist of the Airport's auto parking lot operation, off Airport valet parking, restaurants, rental cars, gift shops and other concessions. Concession revenues are generally escalated as a function of inflation, estimated at 2.0% annually, and/or enplaned passengers, which are escalated in accordance with the Base Case Traffic Projection presented in Chapter II. These projections also consider percentage of gross receipts scales and minimum guarantees.

#### ┐ Auto Parking Concession

The auto parking projection is based upon the minimum annual guarantees established in the recently completed lease finance agreement for the new vehicle parking garage being constructed at the Airport and for the surface parking operations. The revenue projection (minimum guarantee) is shown in Table IV.40. Since the lease finance agreement ends in FY 2025, the minimum guarantee was extended through the end of that year and increased at 2% annually for the remainder of the forecast period. As indicated, parking revenues are projected to increase from \$8.2 to \$15.1 million.

**Table IV.40**  
**Projected Parking Concession Revenue**

<b>Fiscal Year</b>	<b>Parking Revenue</b>
2001	\$ 8,169,011
2005	\$ 8,877,128
2010	\$ 9,849,205
2015	\$ 10,927,728
2020	\$ 12,124,354
2025	\$ 13,759,130
2030	\$ 15,191,191

#### ┐ Rental Car Concessions

Airport revenues from the rental car concessions are also projected to grow in proportion to enplaned passengers and consumer prices. This projection is based on the FY 2001 budgeted rental car company gross receipts of \$69.1 million and the Airport's 10% of gross receipts fee. Projected revenues are shown in Table IV.41. As indicated, Rental Car revenues are projected to increase from \$6.9 to \$19.1 million.

**Table IV.41**  
**Projected Rental Car Concession Revenue**

<b>Fiscal Year</b>	<b>Rental Car Revenue</b>
2001	\$ 6,911,100
2005	\$ 8,465,084
2010	\$ 10,584,018
2015	\$ 12,570,507
2020	\$ 14,412,406
2025	\$ 16,471,663
2030	\$ 19,117,769

## **Restaurant**

This revenue category covers the in flight catering operations as well as the terminal restaurants. Projected revenues for the flight catering operations are based on the FY 2001 budget revenues which are increased with the enplaned passenger forecast and inflation annually.

The restaurant concession is operated by Host Marriott pursuant to a concession agreement that expires on March 31, 2004.

The concession provides for percentage of gross receipts payments of 20 percent on alcohol, 12 percent on food and five percent on employee sales and stipulates minimum annual guarantees that increase from \$1.7 million in 1999 to \$2.3 million in 2003. The gross sales of the restaurant concession have historically produced percentage commissions well below the minimum guarantee. Accordingly, projected Airport revenues from the restaurant concession are based on FY 2001 Budget sales activity escalated in direct proportion to passenger growth and consumer prices. Increased sales activity is applied to the appropriate percentage fees to projected commission payments, which are then compared to stipulated minimum annual guarantees in order to select the annual Airport revenue projection. Through 2003, the minimum annual guarantees for the terminal restaurant concessionaire are projected to far exceed commissions calculated pursuant to the commission fee structure. FY 2004 reflects 9 months of the minimum guarantee and 3 months of the commission fee structure. From 2005 on, terminal restaurant revenues are based on the existing commission fee structure with no minimum guarantee. The commission percentages that existed in the agreement that expires on March 31, 2004 are used for projection purposes. As indicated in Table IV.42, restaurant concession revenues are projected to increase from \$2.9 million to \$4.7 million by 2030 including the anticipated decline in revenue with expiration of the restaurant minimum guarantee.

**Table IV.42**  
**Projected Restaurant Concession Revenues**

Fiscal Year	Host Marriott	In-Flight Catering	Total
2001	\$ 2,237,500	\$ 665,800	\$ 2,903,300
2005	\$ 1,251,830	\$ 815,507	\$ 2,067,337
2010	\$ 1,564,230	\$ 1,019,641	\$ 2,583,871
2015	\$ 1,857,215	\$ 1,211,015	\$ 3,068,230
2020	\$ 2,129,008	\$ 1,388,459	\$ 3,517,467
2025	\$ 2,432,863	\$ 1,586,843	\$ 4,019,706
2030	\$ 2,823,145	\$ 1,841,763	\$ 4,664,908

## **Gift Shop Concessions**

The Airport gift shops are operated by Paradies-Hartford, Inc. pursuant to a concession agreement that expires January 31, 2006. The gift shop pays percentage fees on a graduated scale beginning at 20 percent of the first \$2.5 million and ending at 26 percent of gross revenue in excess of \$4.5 million. No change in the percentage fee scale has been assumed. The minimum annual guarantee increases from \$779,000 in lease year 2001 to \$860,000 for 2003 through 2006. Concession revenues from the Airport Gift Shops are projected using FY 2001 budget gross receipts and the existing fee structure. Receipts are escalated as a function of enplaned passengers and inflation. From FY 2001 through FY 2005, the revenues projected consider existing minimum annual guarantees. For FY 2006, both the minimum guarantee and commission fee structure are used to project revenues. From FY 2007 on, the projected revenues are developed using the *commission fee structure* that existed in the agreement that expires on 1/31/2006. As indicated in Table IV.43, Gift Shop revenues are projected to increase from \$1 to \$3.3 million.

**Table IV.43**  
**Projected Gift Shop Concession Revenue**

Fiscal Year	Gift Shop Revenue
2001	\$ 1,052,600
2005	\$ 1,336,500
2010	\$ 1,723,611
2015	\$ 2,086,526
2020	\$ 2,423,026
2025	\$ 2,799,235
2030	\$ 3,282,656

### □ Off-Airport Valet Parking

It has been previously noted that the Airport only enjoys a share of the total market for vehicle parking. The other portion of the market is held by the off-Airport Valet parking operators. A separate revenue projection has been prepared for these operators based upon the current four percent of gross revenue fee assessed for the privilege of accessing the Airport for this purpose. This projection is based on the FY 2001 budget and is escalated in accordance with the enplaned passenger forecast assuming increases in the parking rates matching those anticipated pursuant to the vehicle parking garage lease finance agreement discussed above. Rate increases are expected at five-year intervals effective July 1, 2007. The projected increases are 20%, 11.11%, 10% and 9.09% in 2007, 2012, 2017 and 2022 respectively.

**Table IV.44**  
**Projected Off Airport Valet**  
**Parking Concession Revenue**

Fiscal Year	Parking Revenue
2001	\$ 637,200
2005	\$ 641,725
2010	\$ 872,065
2015	\$ 1,042,326
2020	\$ 1,190,636
2025	\$ 1,344,510
2030	\$ 1,413,393

It is also assumed that in FY 2003, an 11% decline is experienced as a consequence of the opening of the Airport parking garage. The decline is based on the additional spaces available on the Airport as a percent of the off airport parking spaces. As indicated in Table IV.44, Off Airport Valet Parking revenue is projected to increase from \$637,200 in the FY 2001 Budget to \$1,413,393 in 2030.

The vehicle parking, rental car, gift shop and restaurant concession revenues discussed above are all sensitive to enplaned passenger levels and inflation and have been projected with consideration given to both of these factors, and minimum annual guarantees, when appropriate. In addition to these revenues, the Airport generates revenues as previously documented from other concessions and from land and building rentals. These revenues are not immediately and directly sensitive to passenger levels due to the nature of the activity represented. However, the revenues may increase generally as a function of inflation and in accordance with minimum guarantees and other lease terms and conditions:

### □ Other Concessions

Annual revenue from other concession activity is projected to grow from the base year 2001 level of \$1.2 million to \$2.2 million annually at the end of the forecast period. Other concessions include ground transportation, ground handlers, advertising, Roncari's cargo services, the KCR office building, baggage carts and other concessions. These activities are projected based on inflation, the Base Case freight forecast presented in Chapter 3.0, and minimum guarantees as summarized below:

Activity / Tenant	FY 2001	FY 2030	Forecast Basis
Ground Transportation	\$250,200	\$444,283	2% Annual Inflation
Ground Handlers	\$279,000	\$613,096	Freight Forecast
Advertising	\$337,700	\$599,703	2% Annual Inflation
Roncari	\$130,800	\$293,677	Minimums & Freight
KCR Konover	\$65,000	\$119,504	Minimums & Inflation
Baggage Carts	\$29,900	\$53,098	2% Annual Inflation
Other	\$117,000	\$117,305	Held Constant
Total	\$1,209,900	\$2,240,666	

### □ Land and Building Rent Projections

Annual revenue from land and building rental is projected to increase from approximately \$2.3 million in the FY 2001 Budget to \$4.4 million in 2030. This projection considers existing occupancy, rental rates and scheduled increases as documented by a review of budget data and tenant lease files. Accordingly, the projection of land and building rent accounts for these scheduled escalations and uses an annual inflation adjustment of 2% in cases where scheduled escalations were not indicated. The inflation adjustment is also used on an annual basis at the expiration of existing leases. The projection of land and building rent is shown in Table IV.45.

**Table IV.45**

**Projected Land and Building Rent**

<b>Fiscal Year</b>	<b>Rental Revenue</b>
2001	\$ 2,331,700
2005	\$ 2,597,596
2010	\$ 2,866,691
2015	\$ 3,209,245
2020	\$ 3,599,297
2025	\$ 4,047,068
2030	\$ 4,443,392

### □ Other Non Airline Revenue Projections

The remaining categories on non-airline revenue include other operating revenue, hotel commissions and fixed base operator percentage of gross revenue fees. Total revenues budgeted from these sources was approximately \$1.5 million. These revenues are projected to increase to \$2.6 million at the end of the forecast period consistent with the assumptions discussed below:

- **Fixed Base Operator** – This projection is based on FY 2001 budget revenues. This value is then increased at the same rate as that forecast for general aviation activity at the Airport – 1.5% annually. FBO revenues are projected to increase from \$618,900 to \$953,094.
- **Hotel** – The revenues projected represent the FY 2001 budget escalated at 2.0% annually for an increase from \$469,300 to \$883,404
- **Other Revenue** – Includes such miscellaneous income as finance charges, utility and other expense reimbursements. An inflation adjustment of 2% is applied for projections. Revenues are projected to increase from \$421,200 to \$747,986.
- **Other Terminal** – Fixed terminal concession rental from Smart Cart and Paradise increased with inflation from \$31,200 to \$56,046

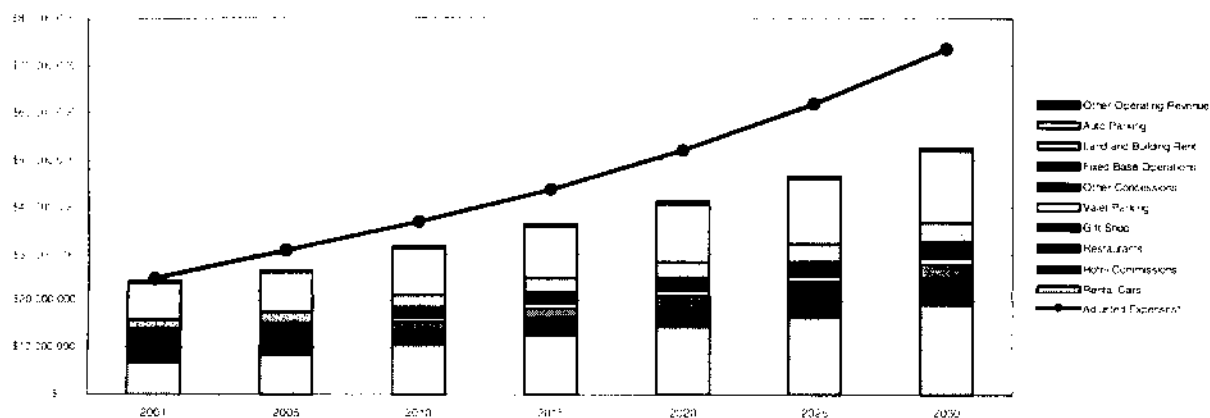
### □ Total Non Airline Revenue Projection

Total revenues from non-airline sources are shown in Table IV.46. As indicated, non-airline revenues are projected to increase from the FY 2001 Budget of \$24.6 million to approximately \$52.6 million by the end of the forecast period. Non airline revenues as a percent of total expenses vary between 57% and 75% of total expenses consistent with the expiration of debt in 2013 and 2021 and reflecting the conservative nature of assumptions for revenue growth versus assumptions for increases in operating expenses.

**Table IV.46**  
**Bradley International Airport**  
**Total Projected Non - Airline Revenue**

Non Airline Revenue	Budget 2001	2005	2010	2015	2020	2025	2030
Rental Cars	\$ 6,911,100	\$ 8,465,084	\$ 10,584,018	\$ 12,570,507	\$ 14,412,406	\$ 16,471,663	\$ 19,117,769
Hotel Commissions	\$ 469,300	\$ 507,985	\$ 560,857	\$ 619,231	\$ 683,681	\$ 754,840	\$ 833,404
Restaurants	\$ 2,903,300	\$ 2,067,337	\$ 2,583,870	\$ 3,068,230	\$ 3,517,467	\$ 4,019,706	\$ 4,664,909
Gift Shop	\$ 1,052,600	\$ 1,336,500	\$ 1,723,611	\$ 2,086,526	\$ 2,423,023	\$ 2,799,235	\$ 3,282,656
Valet Parking	\$ 637,200	\$ 641,725	\$ 872,065	\$ 1,042,326	\$ 1,190,636	\$ 1,344,510	\$ 1,413,393
Other Concessions	\$ 1,209,900	\$ 1,345,938	\$ 1,575,776	\$ 1,766,115	\$ 1,930,688	\$ 2,077,470	\$ 2,240,666
Fixed Base Operations	\$ 618,900	\$ 656,878	\$ 707,644	\$ 762,334	\$ 821,250	\$ 884,719	\$ 953,093
Land and Building Rent	\$ 2,139,300	\$ 2,389,336	\$ 2,636,755	\$ 2,955,378	\$ 3,319,007	\$ 3,737,605	\$ 4,101,720
Auto Parking	\$ 8,169,011	\$ 8,877,128	\$ 9,849,205	\$ 10,927,728	\$ 12,124,354	\$ 13,759,130	\$ 15,191,191
Other Operating Revenue	\$ 421,200	\$ 455,920	\$ 503,373	\$ 555,764	\$ 613,609	\$ 677,474	\$ 747,986
Other Terminal Rent	\$ 31,200	\$ 34,162	\$ 37,717	\$ 41,643	\$ 45,977	\$ 50,762	\$ 56,046
Total	\$ 24,563,011	\$ 26,777,994	\$ 31,634,891	\$ 36,395,782	\$ 41,082,098	\$ 46,577,114	\$ 52,602,833
Adjusted Expenses*	\$ 25,039,369	\$ 30,856,279	\$ 36,695,958	\$ 43,649,780	\$ 51,931,346	\$ 61,795,332	\$ 73,535,805
Existing GARB	\$ 9,688,508	\$ 8,888,806	\$ 8,804,791	\$ -	\$ -	\$ -	\$ -
New GARB (Non PFC)	\$ -	\$ 6,933,870	\$ 6,932,620	\$ 6,935,939	\$ 6,933,720	\$ -	\$ -
Total Expenses	\$ 34,727,877	\$ 46,678,955	\$ 52,433,369	\$ 50,585,719	\$ 58,865,066	\$ 61,795,332	\$ 73,535,805
Non - Airline Revenue as % of Total Expense	71%	57%	60%	72%	70%	75%	72%

\* Projected operating expenses adjusted for required reserve account deposits





## 6. PASSENGER FACILITY CHARGES

As noted in the previous chapter of this Report, Passenger Facility Charges (PFCs) are expected to provide \$101.3 million in funding for the Terminal Improvement Project. PFCs are collected by airlines from their passengers on behalf of the airports that charge them pursuant to rules adopted and enforced by the Federal Aviation Administration. These rules prescribe the application process required to impose and use PFC revenue. The regulations, as amended by the Aviation Investment and Reform Act, provide for a maximum charge of \$4.50 per qualifying passenger and a collection fee of \$.08 per PFC retained by the collecting airline.

Therefore, the maximum PFC revenue per passenger to the Airport is \$4.42. This revenue can only be collected for and spent on eligible, approved, projects. In the case of a \$4.50 PFC, the project must make a significant contribution to improving safety and security, increasing airline competition, reducing current or anticipated congestion, or reducing noise. The Airport has collected \$3.00 PFCs for various projects from October 1, 1993 to date and anticipates a \$4.50 PFC for the Terminal Improvement Project. PFC revenue and interest earnings, which also must be spent on eligible, approved projects, as reported on the Airport's audited financial statements are shown in Table IV.47 below. As indicated, the Airport's PFC revenue and interest earnings from FY 1994 through FY 2000 totaled \$44.4 million.

Table IV.47  
Bradley International Airport  
Historic PFC Revenue and Interest

Year	PFC Revenue	PFC Interest	Total
1994	\$4,619,615	\$19,315	
1995	\$6,623,308	\$184,433	\$6,807,741
1996	\$2,998,713	\$463,186	\$3,461,899
1997	\$2,371,592	\$567,806	\$2,939,398
1998	\$6,183,877	\$574,605	\$6,758,482
1999	\$7,962,592	\$845,525	\$8,808,117
2000	<u>\$9,862,523</u>	<u>\$1,122,924</u>	<u>\$10,985,445</u>
<b>Total</b>	<b>\$40,622,220</b>	<b>\$3,777,794</b>	<b>\$44,400,014</b>

The projection of PFCs available for the Terminal Improvement Project must consider existing commitments of PFC revenue, the enplaned passenger forecast and variables affecting PFC collections such as non-PFC paying passengers (i.e., frequent flyers, exempt carriers and exempt fare segments), the amount of the PFC (\$1.00 through \$4.50 in whole dollars) and the carrier collection fee. Each of these factors are addressed below:

**PFC Revenue Commitments** - The Airport has previously collected PFCs at the \$3.00 level for a variety of approved projects including construction of Fire Station 1 and a Glycol Collection Facility, aircraft apron, Terminal B roadway and other projects. PFC collections for all projects other than the Terminal Improvement Project have been completed. Prior approved collection, together with interest earnings, exceed expenditures on the approved projects by \$3,557,718. This reserve is available for expenditure on the Terminal

Improvement Project once approved. The PFC Application for the Terminal Improvement Project was submitted October 30, 2000. Based on FAA approval and carrier notice timelines and requirements, the effective date of collections for the Terminal Improvement Project is expected to be May 1, 2001.

**Enplaned Passenger Forecast** – The passenger forecast is presented in Chapter II of this Report. It includes a “Base Case” and “Southwest Effect” forecast. The PFC revenue projection uses the Base Case, which represents the Project Team’s best estimate of future enplaned passengers without including Southwest Airlines and the increase in demand resulting from lower airfares. The Base Case generally reflects demand increasing from 3.3 million enplaned passengers in FY 2000 (exclusive of Southwest) to 5.2 million passengers by FY 2030. Southwest commenced its service effective October 31, 1999 and enplaned 238,153 passengers through June 30, 2000.

**Non-PFC Paying Passengers** - An adjustment to the enplaned passenger forecast in order to reflect passengers that are exempt from payment of the PFC because they are flying on frequent flyer miles, on an exempt carrier or an exempt leg of a multi-segment fare. These exemptions are permitted in the PFC regulation. As indicated in the table shown above, actual data for 1999 and 2000 indicate that 5% of total enplaned passengers do not pay the PFC. This is assumed to continue throughout the forecast period.

PFC Collection Rates			
Year Ended 6/30	1999	2000	Total
PFC Revenue Reported	\$ 7,962,592	\$ 9,862,523	\$ 17,825,115
Net Fee Per Passenger	\$ 2.92	\$ 2.92	\$ 2.92
PFC Paying Passengers	\$ 2,726,915	\$ 3,377,576	\$ 6,104,491
Total Enplaned Passengers	\$ 2,968,267	\$ 3,476,803	\$ 6,445,070
Collection Rate	91.9%	97.1%	94.7%

**Amount of the PFC** – The maximum PFC presently permitted pursuant to applicable regulations is \$4.50 per enplaned passenger provided the project meets the significant contributions test described above. The Terminal Improvement Project clearly will meet these tests. The Airport submitted its application to impose the maximum fee permissible on October 30, 2000.

**Carrier Collection Fee** - The existing fee paid to the air carriers for services rendered in the collection of PFCs on behalf of airports is \$.08 per PFC. This is established in the PFC regulation and assumed constant throughout the planning period.

The forecast of PFC revenues available for the Terminal Improvement Project resulting from the assumptions noted above is presented on Table IV.48. As indicated, PFC paying passengers are forecast to increase from 527,456 in the portion of FY 2001 during which collections will be made for the Terminal Improvement Project, to approximately 5 million paying passengers at the end of the 30-year forecast period. PFC revenues available for the project will begin to be collected in May 2001. This results in Fiscal Year 2001 PFC revenue collections of approximately \$2.3 million. Total PFC revenue in 2001 of \$5.9 million includes the excess collections from the Airport’s prior application. The first full year’s collections in the year 2002 are estimated to produce \$14.5 million for the project. PFC revenues are projected to increase to over \$22 million during the 30-year forecast period.

The use of PFC funds to construct the Terminal Improvement Project will affect the operating agreements of all air carriers. This is due to the PFC regulation’s prohibitions concerning the use of long-term exclusive leases to provide for the occupancy of PFC-financed facilities. The regulation defines an exclusive long-term lease or use agreement as an exclusive lease or use agreement between a public agency and an air carrier or foreign air carrier with a term of five years or more. There are three assurances included in the regulations relative to long-term exclusive leases that the Connecticut Department of Transportation will have to make in order to use PFCs for the project. Each assurance is recited below:

- ❑ **Regulation Assurance Number 5 - Nonexclusivity of contractual agreements.** It will not enter into an exclusive long-term lease or use agreement with an air carrier or foreign air carrier for projects funded by PFC revenue. Such leases or use agreements will not preclude the public agency from funding, developing, or assigning new capacity at the airport with PFC revenue.
- ❑ **Regulation Assurance Number 6 - Carryover provisions.** It will not enter into any lease or use agreement with any air carrier or foreign air carrier for any facility financed in whole or in part with revenue derived from a Passenger Facility Charge if such agreement for such facility contains a carryover provision regarding a renewal option which, upon expiration of the original lease, would operate to automatically extend the term of such agreement with such carrier in preference to any potentially competing air carrier or foreign air carrier seeking to negotiate a lease or use agreement for such facilities.
- ❑ **Regulation Assurance Number 7 - Competitive access.** It agrees that any lease or use agreements between the public agency and any air carrier or foreign air carrier for any facility financed in whole or in part with revenue derived from a Passenger Facility Charge will contain a provision that permits the public agency to terminate the lease or use agreement if:
  - a. The air carrier or foreign air carrier has an exclusive lease or use agreement for existing facilities at such airport; and
  - b. Any portion of its existing exclusive use facilities is not fully utilized and is not made available for use by potentially competing air carriers or foreign air carriers.

It has been previously noted that the existing Air Carrier Operating Agreements are for a term of 30 years expiring June 30, 2011. These agreements provide for the occupancy of common and exclusive space within the existing terminal facilities. Accordingly, *the existing Air Carrier Operating Agreements cannot be used, as is, for the Terminal expansion to be financed in part with PFCs.* The existing agreements would violate assurance Number 5 cited above. There are two alternatives to provide for the occupancy of the Terminal expansion in compliance with the assurances cited above:

1. Amend the existing agreement so that it is non exclusive or short term with respect to the facilities financed with PFCs; or
2. Draft and negotiate new agreements for the facilities to be financed with PFCs.

In accordance with assurance Number 7, the amendments or new agreements would have to include termination provisions operative if any portion of air carrier exclusive use space at the Airport is not fully utilized and is not made available for use by competing carriers.

The Airport's PFC Application includes suggested amendments to the air carrier lease to address the assurances discussed above (see PFC Application sample "Preferential Use Language"). The Airport is negotiating these changes with the air carriers.

The PFC revenue projection is based on a net charge after carrier collection fees of \$4.42 per enplaned passenger. The projection uses the Base Case Traffic Projection presented in Chapter II, a collection rate of 95% of total enplaned passengers, a charge effective date of May 1, 2001 and PFC reserves available for the project as of the charge effective date of \$3,557,718. The PFC revenue projection is presented in Table IV.48 along with gross PFC-eligible debt service presented in Table III.3 above. Also shown is the interest earnings on the PFC-eligible construction and debt service reserve funds. For fiscal year 2001, the PFC revenue projection is based on 527,456 PFC-paying passengers based on the May 1, 2001 charge effective date. Including excess PFC collections available for the project results in total revenue of \$5,889,073. IN FY 2002,

total PFC revenue and interest is \$18.3 million. This is 2.27 times greater than the pledge of PFC revenue made pursuant to the 2001 Indenture. The PFC revenue pledge is equivalent to 1.25 times PFC eligible debt service. Projected PFC revenues and interest increase to approximately \$23.08 million by 2030. PFC eligible debt service is approximately \$6.6 million annually through 2022. The wrapped structure of PFC-eligible and non-eligible debt discussed previously in this Report is weighted fully toward the eligible debt in 2023. From 2023 through 2031, PFC-eligible debt is approximately \$11.3 million annually. As shown on Table IV.48, the PFC revenue projection is consistently in excess of the pledged PFC revenue by a minimum factor of 1.50, which occurs in 2023.

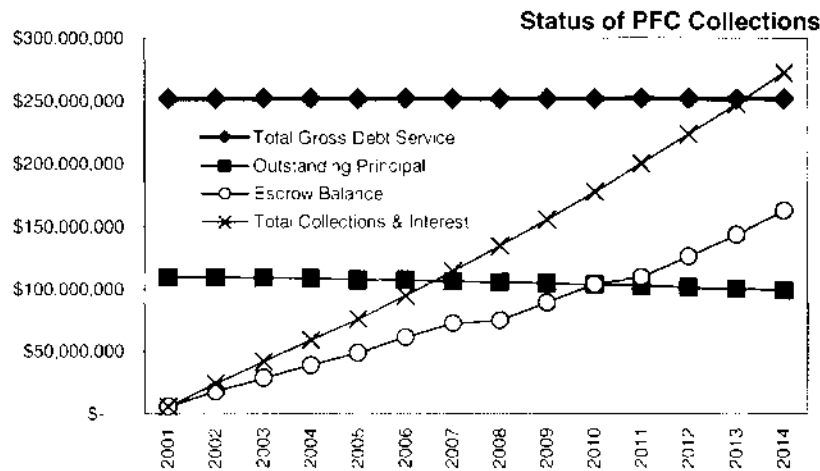


Table IV.48 also depicts "PFC Escrow Potential". Since PFCs can only be used for approved projects, PFC revenue in excess of annual debt service (coverage) is escrowed for the purpose of undertaking additional PFC eligible and approved projects, and for early retirement of the PFC Bonds. The additional capital program previously discussed in this Report includes \$24,530,794 in possible future PFC spending on the design, engineering and reconstruction of Runway 6/24 and Runway 15/33. This spending is depicted on Table IV.49. Deducting future PFC spending from the PFC Escrow Potential results in the PFC Net Annual Escrow also shown on Table IV.49. The Cumulative Net Escrow shown includes 4% interest earnings. The PFC Debt Service Reserve of \$6,700,000 is added to this value to determine the Cumulative PFC Restricted Funds. Table IV.49 also depicts the declining balance of PFC eligible principal as annual debt service payments are made. As indicated on Table IV.49 and depicted graphically above, the Cumulative PFC Restricted Funds and Principal Balance intersect at the end of Fiscal Year 2010. Therefore, in the absence of further additional PFC projects other than the two runway projects, it is estimated that the Airport will be in a position to defease the PFC eligible debt service in Fiscal Year 2011. If called at this point in time, interest savings on the PFC eligible debt would be approximately \$89 million. If not called at this time, PFC revenues and interest are projected to reach gross PFC-eligible debt service for the Terminal Improvement Project in 2013. The PFC component of the Terminal Improvement Project's financial plan is clearly financially feasible.

**Table IV.48**  
**Bradley International Airport**  
**Projected PFC Revenue Bond Coverage**

Enter Percent Non PFC Paying Passengers				5%				
Amount of The PFC Effective 5/1/01				\$ 4.50				
Carrier Collection Fee				\$ 0.08				
PFC Revenue To The Airport				\$ 4.42				
Enter PFC Bond Debt Service Coverage Ratio (DSCR)				1.75				
YEAR ENDING	PFC Paying Passengers	PFC Revenue Projection	Const. & DSR Interest	PFC Revenue & Interest	PFC Eligible Debt Service	PFC Pledge @ 1.25 Debt	Proj. / Pledge	Escrow Potential
6/30/01*	527,456	\$ 5,889,073	\$ -	\$ 5,889,073	\$ -	\$ -		\$ 5,889,073
6/30/02	3,276,444	\$ 14,481,881	\$ 3,826,094	\$ 18,307,974	\$ 6,454,779	\$ 8,068,474	2.27	\$ 11,853,195
6/30/03	3,375,080	\$ 14,917,852	\$ 1,426,266	\$ 16,344,118	\$ 6,593,633	\$ 8,242,041	1.98	\$ 9,750,486
6/30/04	3,475,999	\$ 15,363,914	\$ 433,427	\$ 15,797,341	\$ 6,613,258	\$ 8,266,572	1.91	\$ 9,184,084
6/30/05	3,581,136	\$ 15,828,622	\$ 371,107	\$ 16,199,729	\$ 6,604,383	\$ 8,255,478	1.96	\$ 9,595,346
6/30/06	3,679,792	\$ 16,264,680	\$ 371,107	\$ 16,635,786	\$ 6,592,508	\$ 8,240,634	2.02	\$ 10,043,279
6/30/07	3,770,541	\$ 16,665,789	\$ 371,107	\$ 17,036,896	\$ 6,603,758	\$ 8,254,697	2.06	\$ 10,433,138
6/30/08	3,862,650	\$ 17,072,914	\$ 371,107	\$ 17,444,020	\$ 6,593,008	\$ 8,241,259	2.12	\$ 10,851,013
6/30/09	3,957,237	\$ 17,490,987	\$ 371,107	\$ 17,862,094	\$ 6,590,508	\$ 8,238,134	2.17	\$ 11,271,586
6/30/10	4,055,452	\$ 17,925,099	\$ 371,107	\$ 18,296,205	\$ 6,605,508	\$ 8,256,884	2.22	\$ 11,690,698
6/30/11	4,133,082	\$ 18,268,222	\$ 371,107	\$ 18,639,329	\$ 6,627,258	\$ 8,284,072	2.25	\$ 12,012,071
6/30/12	4,189,219	\$ 18,516,347	\$ 371,107	\$ 18,887,454	\$ 6,626,008	\$ 8,282,509	2.28	\$ 12,261,446
6/30/13	4,246,168	\$ 18,768,060	\$ 371,107	\$ 19,139,167	\$ 6,631,314	\$ 8,289,142	2.31	\$ 12,507,853
6/30/14	4,303,941	\$ 19,023,418	\$ 371,107	\$ 19,394,525	\$ 6,641,895	\$ 8,302,369	2.34	\$ 12,752,630
6/30/15	4,362,552	\$ 19,282,480	\$ 371,107	\$ 19,653,587	\$ 6,637,595	\$ 8,296,994	2.37	\$ 13,015,992
6/30/16	4,407,216	\$ 19,479,896	\$ 371,107	\$ 19,851,003	\$ 6,639,064	\$ 8,298,830	2.39	\$ 13,211,939
6/30/17	4,437,627	\$ 19,614,312	\$ 371,107	\$ 19,985,419	\$ 6,655,358	\$ 8,319,197	2.40	\$ 13,330,061
6/30/18	4,468,270	\$ 19,749,755	\$ 371,107	\$ 20,120,862	\$ 6,675,608	\$ 8,344,509	2.41	\$ 13,445,254
6/30/19	4,499,148	\$ 19,886,235	\$ 371,107	\$ 20,257,342	\$ 6,691,158	\$ 8,363,947	2.42	\$ 13,566,184
6/30/20	4,530,264	\$ 20,023,765	\$ 371,107	\$ 20,394,872	\$ 6,702,058	\$ 8,377,572	2.43	\$ 13,692,814
6/30/21	4,561,618	\$ 20,162,351	\$ 371,107	\$ 20,533,458	\$ 6,707,558	\$ 8,384,447	2.45	\$ 13,825,900
6/30/22	4,593,213	\$ 20,302,001	\$ 550,360	\$ 20,852,361	\$ 6,697,928	\$ 8,372,409	2.49	\$ 14,154,434
6/30/23	4,625,052	\$ 20,442,729	\$ 729,614	\$ 21,172,343	\$ 11,279,186	\$ 14,098,983	1.50	\$ 9,893,156
6/30/24	4,657,136	\$ 20,584,541	\$ 729,614	\$ 21,314,155	\$ 11,278,545	\$ 14,098,181	1.51	\$ 10,035,610
6/30/25	4,689,468	\$ 20,727,448	\$ 729,614	\$ 21,457,062	\$ 11,281,785	\$ 14,102,231	1.52	\$ 10,175,277
6/30/26	4,730,124	\$ 20,907,146	\$ 729,614	\$ 21,636,760	\$ 11,282,680	\$ 14,103,350	1.53	\$ 10,354,080
6/30/27	4,779,238	\$ 21,124,231	\$ 729,614	\$ 21,853,845	\$ 11,280,140	\$ 14,100,175	1.55	\$ 10,573,705
6/30/28	4,828,871	\$ 21,343,611	\$ 729,614	\$ 22,073,225	\$ 11,280,600	\$ 14,100,750	1.57	\$ 10,792,625
6/30/29	4,879,031	\$ 21,565,317	\$ 729,614	\$ 22,294,931	\$ 11,282,300	\$ 14,102,875	1.58	\$ 11,012,631
6/30/30	4,929,722	\$ 21,789,373	\$ 729,614	\$ 22,518,987	\$ 11,280,813	\$ 14,101,016	1.60	\$ 11,238,175
6/30/31	4,980,946	\$ 22,015,782	\$ 729,614	\$ 22,745,396	\$ 11,279,625	\$ 14,099,531	1.61	\$ 11,465,771
6/30/32	5,032,702	\$ 22,244,543	\$ 729,614	\$ 22,974,157	\$ 11,281,950	\$ 14,102,438	1.63	\$ 11,692,207

\* FY 2000 PFC revenues were collected for projects other than the Terminal Project. FY 2000 enplanements represent actual non-Southwest enplanements. FY 2001 collections for the Terminal Project will not commence until May 1, 2001 based on application procedure and approval requirements. In addition to current collections, \$3,557,718 in PFC reserve funds is included in the projection for FY 2001.

**Table IV.49**  
**Bradley International Airport**  
**Projected PFC Revenue Bond Retirement**

Fiscal Year	Future PFC Additional Capital Projects	PFC Net Annual Escrow	4.00% Escrow Cumulation Plus Interest	Cumulative PFC Restricted Funds Including DSR	Outstanding Principal	Annual PFC Bond Principal
				\$ 6,700,000		
2001	\$ -	\$ 5,889,073	\$ 5,889,073	\$ 12,589,073	109,865,000	\$ -
2002	\$ -	\$ 11,853,195	\$ 17,977,831	\$ 24,677,831	109,865,000	\$ -
2003	\$ -	\$ 9,750,486	\$ 28,447,430	\$ 35,147,430	109,215,000	\$ 650,000
2004	\$ -	\$ 9,184,084	\$ 38,769,411	\$ 45,469,411	108,515,000	\$ 700,000
2005	\$ 1,200,000	\$ 8,395,346	\$ 48,715,533	\$ 55,415,533	107,790,000	\$ 725,000
2006	\$ -	\$ 10,043,279	\$ 60,707,434	\$ 67,407,434	107,040,000	\$ 750,000
2007	\$ 1,200,000	\$ 9,233,138	\$ 72,368,869	\$ 79,068,869	106,240,000	\$ 800,000
2008	\$ 11,360,794	\$ (509,781)	\$ 74,753,843	\$ 81,453,843	105,410,000	\$ 830,000
2009	\$ -	\$ 11,271,586	\$ 89,015,583	\$ 95,715,583	104,540,000	\$ 870,000
2010	\$ -	\$ 11,690,698	\$ 104,266,904	\$ 110,966,904	103,610,000	\$ 930,000
2011	\$ 10,770,000	\$ 1,242,071	\$ 109,679,652	\$ 116,379,652	102,610,000	\$ 1,000,000
2012	\$ -	\$ 12,281,446	\$ 126,328,284	\$ 133,028,284	101,560,000	\$ 1,050,000
2013	\$ -	\$ 12,507,853	\$ 143,889,269	\$ 150,589,269	100,450,000	\$ 1,110,000
2014	\$ -	\$ 12,752,630	\$ 162,397,470	\$ 169,097,470	99,270,000	\$ 1,180,000
2015	\$ -	\$ 13,015,992	\$ 181,909,360	\$ 188,609,360	98,030,000	\$ 1,240,000
2016	\$ -	\$ 13,211,939	\$ 202,397,674	\$ 209,097,674	96,720,000	\$ 1,310,000
2017	\$ -	\$ 13,330,061	\$ 223,823,642	\$ 230,523,642	95,320,000	\$ 1,400,000
2018	\$ -	\$ 13,445,254	\$ 246,221,842	\$ 252,921,842	93,820,000	\$ 1,500,000
2019	\$ -	\$ 13,566,184	\$ 269,636,900	\$ 276,336,900	92,220,000	\$ 1,600,000
2020	\$ -	\$ 13,692,814	\$ 294,115,191	\$ 300,815,191	90,520,000	\$ 1,700,000
2021	\$ -	\$ 13,825,900	\$ 319,705,699	\$ 326,405,699	88,720,000	\$ 1,800,000
2022	\$ -	\$ 14,154,434	\$ 346,648,360	\$ 353,348,360	86,830,000	\$ 1,890,000
2023	\$ -	\$ 9,893,156	\$ 370,407,451	\$ 377,107,451	80,125,000	\$ 6,705,000
2024	\$ -	\$ 10,035,610	\$ 395,259,360	\$ 401,959,360	73,045,000	\$ 7,080,000
2025	\$ -	\$ 10,175,277	\$ 421,245,011	\$ 427,945,011	65,565,000	\$ 7,480,000
2026	\$ -	\$ 10,354,080	\$ 448,448,892	\$ 455,148,892	57,665,000	\$ 7,900,000
2027	\$ -	\$ 10,573,705	\$ 476,960,552	\$ 483,660,552	49,325,000	\$ 8,340,000
2028	\$ -	\$ 10,792,625	\$ 506,831,600	\$ 513,531,600	40,515,000	\$ 8,810,000
2029	\$ -	\$ 11,012,631	\$ 538,117,494	\$ 544,817,494	31,205,000	\$ 9,310,000
2030	\$ -	\$ 11,238,175	\$ 570,860,369	\$ 577,580,369	21,370,000	\$ 9,835,000
2031	\$ -	\$ 11,465,771	\$ 605,181,354	\$ 611,881,354	10,980,000	\$ 10,390,000
2032	\$ -	\$ 11,692,207	\$ 641,080,816	\$ 647,780,816	-	\$ 10,980,000

\$ 24,530,794

## **7) Application of Revenues**

It has been previously noted in this report that Bradley International Airport is obligated to pay debt service on its 1992 Refunding Bonds pursuant to the 1982 Indenture and that the Airport's new Series 2001 General Airport Revenue Bonds are being issued in support of the Terminal Improvement Project pursuant to a new 2001 Indenture. The Application of Airport Revenues is presented in Table IV.50 in accordance with these requirements.

The Airport's 1992 Refunding Bonds represent a prior lien on the Airport's gross operating revenues, as defined in the 1982 Indenture. As long as the 1992 Refunding Bonds are outstanding, all deposit requirements of the 1982 Indenture must be fulfilled before the State directs the 1982 Indenture Trustee to transfer funds for the purpose of the 2001 Indenture. When the 1992 Refunding Bonds are paid or otherwise defeased, the 1982 Indenture will no longer be in effect. PFCs are not considered to be part of the Airport's gross operating revenues under the 1982 Indenture. PFCs are considered as such under the 2001 Indenture and are "Pledged Revenues" to the extent of 1.25 times the annual PFC-eligible debt service.

### **1982 Indenture**

Coverage under the 1982 Indenture is shown in the upper portion of Table IV.50. Total Airport revenue consists of Airline Revenue, Non-Airline Revenue, Non-PFC Interest and funds held within the Airport Coverage Account maintained pursuant to the 1982 Indenture.

The airline revenue shown in Table IV.50 include all Terminal Building Rent, Landing Fees and Apron Fees generated pursuant to the Airport's compensatory rate setting approach. Also included are the projected revenues from the new FIS Building and the incremental rents and fees generated from the Terminal Improvement Project. All operating expense, amortization and debt service allocations to the airline cost centers previously addressed in this Report are reflected in the airline revenue projection, including Terminal Improvement Project allocated debt.

The non-airline revenue shown in Table IV.50 includes all concession revenue, land and building rents, fixed base operator fees and other operating revenue discussed in the Report. This includes only the minimum annual guaranteed vehicle-parking revenues from pursuant to the April 7, 2000 Construction, Financing and Operating Special Facility Lease Agreement, providing for the construction (presently ongoing) and operation of a 3,500 space parking garage at the Airport. This is because vehicle parking garage gross receipts are pledged to the Airport's Parking Garage Trustee for payment of debt service on the Airport's Special Obligation Parking Revenue Bonds, Series 2000 A and B. The minimum guarantee to the State is guaranteed by APCOA/Standard Parking, Inc. The minimum guarantee, and any additional profit sharing pursuant to the parking agreement, is treated as gross operating revenue pursuant to the Airport's 1982 Indenture.

Non-PFC interest income is calculated at 4.9% on the annual cumulative balance of Airport revenue after all operating expenses, debt service and additional capital costs, plus interest on the 1982 Indenture debt service and O&M reserve funds.

As indicated on Table IV.50, Total Airport Revenue is projected to increase from \$46.1 million in FY 2001 to \$116.4 million by 2030.

Operating Expenses are projected to increase from \$25.0 million in 2001 to \$73.5 million by 2030. The Operating Expense projection includes annual deposits to the O&M Reserve Account needed to maintain the required 25% reserve. Net Revenue for 1992 Refunding Bond debt service is determined by subtracting the

Operating Expense projection from the Total Airport Revenue Projection, which is then divided by 1992 Refunding Bond Debt Service to determine coverage. As indicated, minimum coverage of 2.17 is realized in FY 2001. Coverage increases steadily through final maturity of the 1992 Refunding Bonds in 2012.

### **2001 Indenture**

Coverage pursuant to the 2001 Indenture is determined by dividing 1982 Indenture Funds transferred after satisfaction of the 1982 Indenture deposit requirements, together with pledged PFC revenues, by the 2001 Bond debt service.

1982 Funds Transferred after satisfaction of the 1982 Indenture deposit requirements are projected by deducting 1992 Refunding Bond debt service and funds within the Airport Coverage Account from the projected Net Revenues for 1992 Refunding Bond Debt Service. As indicated in Table IV.50, these transfers are projected to increase from \$8.9 to \$18.3 million from 2001 through 2012. After maturity of the 1992 Refunding Bonds in 2013, net Airport revenues available for 2001 Bond debt service increase from approximately \$25 to \$42 million.

PFC revenues are also pledged as security for the 2001 Bonds to the extent of 1.25 times annual PFC-eligible debt service. Pledged PFC revenues will increase from \$8.1 to \$14.1 million consistent with the eligible debt service schedule.

As indicated on Table IV.50, minimum coverage of 1.64 is realized in FY 2005, well above the requirements of the 2001 Indenture. Coverage increases steadily through maturity of the 2001 Bonds in 2031.

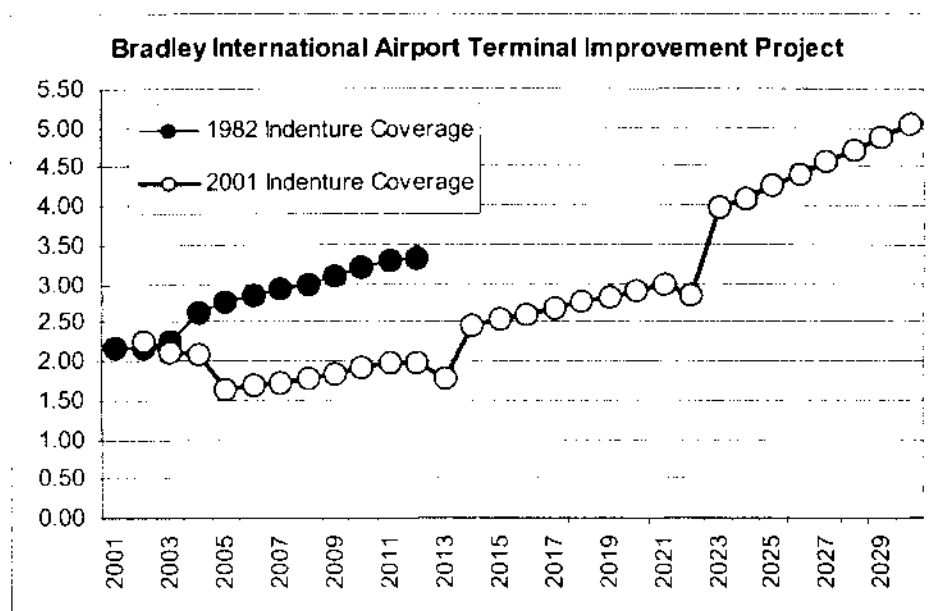




Table IV.50 (Page 1 of 3)  
 Bradley International Airport  
 Terminal Improvement Project - Application of Revenues

1982 Indenture	2001	2002	2003	2004	2005	2006
Airline Revenue	\$ 15,725,584	\$ 16,610,919	\$ 18,239,548	\$ 23,048,315	\$ 24,411,044	\$ 24,951,128
Non Airline Revenue	\$ 24,563,011	\$ 25,374,790	\$ 26,084,371	\$ 26,564,701	\$ 26,777,995	\$ 27,679,551
Non - PFC Interest	\$ 3,379,893	\$ 1,049,258	\$ 1,339,176	\$ 1,656,141	\$ 2,081,263	\$ 2,347,651
Airport Coverage Account	\$ 2,422,127	\$ 2,246,739	\$ 2,229,605	\$ 2,225,793	\$ 2,222,202	\$ 2,217,977
Total Airport Revenue	\$ 46,090,615	\$ 45,281,706	\$ 47,892,701	\$ 53,494,950	\$ 55,492,504	\$ 57,196,307
Operating Expenses	\$ 25,039,369	\$ 25,692,891	\$ 27,723,844	\$ 30,124,244	\$ 30,856,279	\$ 31,944,131
<b>Net Revenue for 1992</b>						
<b>Refunding Bond Debt Service</b>	\$ 21,051,246	\$ 19,588,814	\$ 20,168,857	\$ 23,370,705	\$ 24,636,225	\$ 25,252,176
1992 Refunding Bond Debt Service	\$ 9,688,508	\$ 8,986,957	\$ 8,918,421	\$ 8,903,174	\$ 8,888,806	\$ 8,871,906
Net Revenue	\$ 11,362,738	\$ 10,601,857	\$ 11,250,436	\$ 14,467,532	\$ 15,747,419	\$ 16,380,269
<b>1982 Indenture Coverage</b>	2.17	2.18	2.26	2.62	2.77	2.85
<b>2001 Indenture Coverage</b>						
1982 Indenture						
Airport Funds Transferred	\$ 8,940,611	\$ 8,355,118	\$ 9,020,831	\$ 12,241,738	\$ 13,525,217	\$ 14,162,293
2001 DSR & CF Interest Earnings	\$ -	\$ 734,667	\$ 352,965	\$ 247,062	\$ 358,507	\$ 358,507
Pledged PFCs	\$ -	\$ 8,068,474	\$ 8,242,041	\$ 8,266,572	\$ 8,255,478	\$ 8,240,634
Adjusted Revenue	\$ 8,940,611	\$ 17,158,259	\$ 17,615,837	\$ 20,755,372	\$ 22,139,203	\$ 22,761,434
Gross Terminal Project Debt Service	\$ -	\$ 7,650,504	\$ 8,313,204	\$ 9,920,203	\$ 13,538,253	\$ 13,523,628
2001 Indenture Coverage		2.24	2.12	2.09	1.64	1.68

1982 Indenture	2007	2008	2009	2010	2011	2012
Airline Revenue	\$ 25,573,893	\$ 26,014,929	\$ 26,639,817	\$ 27,314,602	\$ 27,979,322	\$ 28,186,081
Non Airline Revenue	\$ 28,581,320	\$ 29,634,480	\$ 30,591,151	\$ 31,634,893	\$ 32,593,924	\$ 33,475,511
Non - PFC Interest	\$ 2,629,234	\$ 2,926,394	\$ 3,311,036	\$ 3,734,133	\$ 4,202,415	\$ 4,711,302
Airport Coverage Account	\$ 2,213,757	\$ 2,210,369	\$ 2,204,739	\$ 2,201,198	\$ 2,196,480	\$ 2,191,577
Total Airport Revenue	\$ 58,998,205	\$ 60,786,173	\$ 62,746,743	\$ 64,884,825	\$ 66,972,140	\$ 68,564,470
Operating Expenses	\$ 33,070,621	\$ 34,237,129	\$ 35,445,081	\$ 36,695,958	\$ 37,991,290	\$ 39,332,665
<b>Net Revenue for 1992</b>						
<b>Refunding Bond Debt Service</b>	\$ 25,927,583	\$ 26,549,044	\$ 27,301,662	\$ 28,188,867	\$ 28,980,850	\$ 29,231,804
1992 Refunding Bond Debt Service	\$ 8,855,029	\$ 8,841,478	\$ 8,818,958	\$ 8,804,791	\$ 8,785,919	\$ 8,766,308
Net Revenue	\$ 17,072,555	\$ 17,707,566	\$ 18,482,704	\$ 19,384,076	\$ 20,194,931	\$ 20,465,497
<b>1982 Indenture Coverage</b>	2.93	3.00	3.10	3.20	3.30	3.33
<b>2001 Indenture Coverage</b>						
1982 Indenture						
Airport Funds Transferred	\$ 14,858,798	\$ 15,497,197	\$ 16,277,965	\$ 17,182,878	\$ 17,998,452	\$ 18,273,920
2001 DSR & CF Interest Earnings	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507
Pledged PFCs	\$ 8,254,697	\$ 8,241,259	\$ 8,238,134	\$ 8,256,884	\$ 8,284,072	\$ 8,282,509
Adjusted Revenue	\$ 23,472,002	\$ 24,096,963	\$ 24,874,607	\$ 25,798,270	\$ 26,641,031	\$ 26,914,937
Gross Terminal Project Debt Service	\$ 13,539,753	\$ 13,526,128	\$ 13,527,628	\$ 13,538,128	\$ 13,556,628	\$ 13,557,753
2001 Indenture Coverage	1.73	1.78	1.84	1.91	1.97	1.99

**Table IV.50 (Page 2 of 3)**  
**Bradley International Airport**  
**Terminal Improvement Project - Application of Revenues**

1982 Indenture	2013	2014	2015	2016	2017	2018
Airline Revenue	\$ 25,811,410	\$ 26,564,100	\$ 27,320,857	\$ 28,095,526	\$ 28,989,409	\$ 29,851,742
Non Airline Revenue	\$ 34,479,623	\$ 35,396,348	\$ 36,395,781	\$ 37,319,505	\$ 38,204,855	\$ 39,190,682
Non - PFC Interest	\$ 4,806,726	\$ 4,997,469	\$ 5,645,866	\$ 6,446,658	\$ 7,294,844	\$ 8,193,896
Airport Coverage Account	\$ 2,183,299	\$ -	\$ -	\$ -	\$ -	\$ -
Total Airport Revenue	\$ 67,281,058	\$ 66,957,918	\$ 69,362,504	\$ 71,861,688	\$ 74,489,108	\$ 77,236,320
Operating Expenses	\$ 40,721,727	\$ 42,160,177	\$ 43,649,780	\$ 45,192,362	\$ 46,789,814	\$ 48,444,097
<b>Net Revenue for 1992</b>						
<b>Refunding Bond Debt Service</b>	\$ 26,559,332	\$ 24,797,740	\$ 25,712,724	\$ 26,669,326	\$ 27,699,294	\$ 28,792,223
1992 Refunding Bond Debt Service	\$ 8,733,197	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenue	\$ 17,826,135	\$ 24,797,740	\$ 25,712,724	\$ 26,669,326	\$ 27,699,294	\$ 28,792,223
<b>1982 Indenture Coverage</b>	3.04	N/A	N/A	N/A	N/A	N/A
<b>2001 Indenture Coverage</b>						
1982 Indenture						
Airport Funds Transferred	\$ 15,642,835	\$ 24,797,740	\$ 25,712,724	\$ 26,669,326	\$ 27,699,294	\$ 28,792,223
2001 DSR & CF Interest Earnings	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507	\$ 358,507
Pledged PFCs	\$ 8,289,142	\$ 8,302,369	\$ 8,296,994	\$ 8,298,830	\$ 8,319,197	\$ 8,344,509
Adjusted Revenue	\$ 24,290,485	\$ 33,458,616	\$ 34,368,225	\$ 35,326,663	\$ 36,376,998	\$ 37,495,239
Gross Terminal Project Debt Service	\$ 13,562,837	\$ 13,576,971	\$ 13,573,534	\$ 13,574,824	\$ 13,588,615	\$ 13,612,778
2001 Indenture Coverage	1.79	2.46	2.53	2.60	2.68	2.75

1982 Indenture	2019	2020	2021	2022	2023	2024
Airline Revenue	\$ 30,756,825	\$ 31,711,724	\$ 32,734,684	\$ 30,799,141	\$ 30,809,599	\$ 31,890,939
Non Airline Revenue	\$ 40,089,674	\$ 41,082,101	\$ 42,049,130	\$ 43,017,197	\$ 44,119,290	\$ 45,135,774
Non - PFC Interest	\$ 9,146,608	\$ 10,150,751	\$ 11,213,100	\$ 12,335,410	\$ 13,372,221	\$ 14,758,132
Airport Coverage Account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Airport Revenue	\$ 79,993,107	\$ 82,944,576	\$ 85,996,914	\$ 86,151,748	\$ 88,301,110	\$ 91,784,845
Operating Expenses	\$ 50,157,240	\$ 51,931,346	\$ 53,768,592	\$ 55,671,235	\$ 57,641,612	\$ 59,682,141
<b>Net Revenue for 1992</b>						
<b>Refunding Bond Debt Service</b>	\$ 29,835,867	\$ 31,013,231	\$ 32,228,322	\$ 30,480,513	\$ 30,659,498	\$ 32,102,704
1992 Refunding Bond Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenue	\$ 29,835,867	\$ 31,013,231	\$ 32,228,322	\$ 30,480,513	\$ 30,659,498	\$ 32,102,704
<b>1982 Indenture Coverage</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>2001 Indenture Coverage</b>						
1982 Indenture						
Airport Funds Transferred	\$ 29,835,867	\$ 31,013,231	\$ 32,228,322	\$ 30,480,513	\$ 30,659,498	\$ 32,102,704
2001 DSR & CF Interest Earnings	\$ 358,507	\$ 358,507	\$ 358,507	\$ 179,254	\$ -	\$ -
Pledged PFCs	\$ 8,363,947	\$ 8,377,572	\$ 8,384,447	\$ 8,372,409	\$ 14,098,983	\$ 14,098,181
Adjusted Revenue	\$ 38,558,321	\$ 39,749,310	\$ 40,971,276	\$ 39,032,176	\$ 44,758,481	\$ 46,200,885
Gross Terminal Project Debt Service	\$ 13,628,613	\$ 13,635,778	\$ 13,639,993	\$ 13,635,313	\$ 11,279,186	\$ 11,278,545
2001 Indenture Coverage	2.83	2.92	3.00	2.86	3.97	4.10

Table IV.50 (Page 3 of 3)  
 Bradley International Airport  
 Terminal Improvement Project - Application of Revenues

1992 Indenture	2025	2026	2027	2028	2029	2030
Airline Revenue	\$ 33,025,806	\$ 34,164,770	\$ 35,336,935	\$ 36,501,900	\$ 37,684,679	\$ 38,944,125
Non Airline Revenue	\$ 48,577,113	\$ 47,710,937	\$ 48,877,892	\$ 50,092,742	\$ 51,331,397	\$ 52,602,832
Non - PFC Interest	\$ 16,215,187	\$ 17,765,804	\$ 19,398,003	\$ 21,114,246	\$ 22,916,729	\$ 24,807,650
Airport Coverage Account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Airport Revenue	\$ 95,798,106	\$ 99,641,510	\$ 103,612,790	\$ 107,708,888	\$ 111,932,765	\$ 116,354,608
Operating Expenses	\$ 61,795,332	\$ 63,883,779	\$ 66,250,174	\$ 68,587,302	\$ 71,028,048	\$ 73,535,805
Net Revenue for 1992						
Refunding Bond Debt Service	\$ 34,002,774	\$ 35,857,731	\$ 37,382,616	\$ 39,111,586	\$ 40,904,715	\$ 42,818,803
1992 Refunding Bond Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenue	\$ 34,002,774	\$ 35,857,731	\$ 37,382,616	\$ 39,111,586	\$ 40,904,715	\$ 42,818,803
1992 Indenture Coverage	N/A	N/A	N/A	N/A	N/A	N/A
2001 Indenture Coverage						
1992 Indenture						
Airport Funds Transferred	\$ 34,002,774	\$ 35,857,731	\$ 37,382,616	\$ 39,111,586	\$ 40,904,715	\$ 42,818,803
2001 DSR & CF Interest Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pledged PFCs	\$ 14,102,231	\$ 14,103,350	\$ 14,100,175	\$ 14,100,750	\$ 14,102,875	\$ 14,101,816
Adjusted Revenue	\$ 48,105,006	\$ 49,761,081	\$ 51,462,791	\$ 53,212,336	\$ 55,007,590	\$ 56,919,618
Gross Terminal Project Debt Service	\$ 11,281,785	\$ 11,282,680	\$ 11,280,140	\$ 11,280,600	\$ 11,282,300	\$ 11,280,813
2001 Indenture Coverage	4.26	4.41	4.56	4.72	4.88	5.05

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## **V. CONCLUSIONS AND RECOMMENDATIONS**

The Application of Revenues and associated debt service coverage ratios estimated in the previous Chapter of this Report for the 1982 and 2001 indentures satisfy the requirements for bond financing of the Terminal Improvement Project. Strong coverage is clearly demonstrated pursuant to both indentures based on conservative assumptions for passenger demand and Airport revenues as documented throughout this Report. Some of the more relevant, notable assumptions and conclusions include:

- ❑ The Airport's compensatory rate setting approach has worked well and strongly positioned the Airport to undertake the Terminal Improvement Project in terms of its available funds, and key ratios including outstanding debt, revenues, expenses and income per enplaned passenger.
- ❑ Use of the Base Case traffic forecast results in the forecast of passenger traffic in 2001 being 7.6% lower than actual 2000 enplaned passengers due to discounting of the Southwest Effect experienced at the Airport.
- ❑ The FY 2001 Budget is a conservative base year from which financial projections have been generated. Base year operating income of \$15.7 million compares with actual operating income of \$19.5 million in FY 2000.
- ❑ Operating and maintenance expenses are projected to increase at an overall annual rate of 3.55% as compared to the actual annual rate of increase from 1991 through 2000 3.28%. The rate of inflation used in concession revenue projections is 2.0%.
- ❑ The Airport has assessed and provided for \$173 million in additional capital project needs over the next 30 years.
- ❑ The wrapped structure of the financing plan provides a 20-year term for PFC non-eligible debt service, 72.35% of which is included in the airline rate bases. A 30-year term is provided for the PFC-eligible debt service. All PFC-eligible debt service will have been collected by 2013.

The Airport's signatory airlines support the Terminal Improvement Project and have granted the Airport Majority – in – Interest approval for it. This approval was granted with full knowledge of all of the financial implications including projected rental rates and increased airline revenues. Airline consultations conducted pursuant to the PFC Application process with all of the airlines serving the Airport produced virtually no objections to the project, again with full knowledge of the associated financial implications. Additional information concerning MII approval and PFC consultations is on file with the Connecticut Department of Transportation.

The Terminal Improvement Project is financially feasible. The airlines desire the project. Economic prosperity, the advent of low fare service by Southwest Airlines, very strong passenger growth in the past several years, capacity issues presented by the age of the Murphy Terminal also clearly demonstrate that the project is economically justified by passenger demand and well timed to facilitate anticipated growth.

The State should aggressively proceed with the expansion of its Terminal facilities.

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**APPENDIX B**

**BRADLEY INTERNATIONAL  
AIRPORT**

**FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2000 AND 1999**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

# **BRADLEY INTERNATIONAL AIRPORT TABLE OF CONTENTS**

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**DISANTO BERTOLINE & COMPANY, P.C.**  
*Certified Public Accountants & Consultants*

**INDEPENDENT AUDITORS' REPORT**

Mr. Robert F. Juliano  
Bureau Chief  
Bureau of Aviation and Ports  
Department of Transportation

We have audited the balance sheets of Bradley International Airport (an enterprise fund of the State of Connecticut) as of June 30, 2000 and 1999, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the management of Bradley International Airport. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bradley International Airport as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on insurance coverage as of June 30, 2000 (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

*DiSanto Bertoline & Company, P.C.*

Glastonbury, Connecticut  
October 13, 2000

**BRADLEY INTERNATIONAL AIRPORT  
BALANCE SHEETS  
JUNE 30, 2000 AND 1999**

ASSETS	2000		1999		LIABILITIES AND FUND EQUITY	2000		1999	
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash	\$	299,281	\$	483,170	Current maturities of revenue bonds payable	\$	3,595,000	\$	3,355,000
Short-term investments		1,962,329		1,883,719	Current maturities of subordinated refunding bonds payable		140,000		125,000
Accounts receivable, net of allowance for doubtful accounts of \$252,029 in 2000 and \$225,378 in 1999		3,525,225		3,361,937	Accounts payable - trade		3,087,662		3,255,599
Grants receivable		709,463		506,938	Accounts payable - projects		498,300		285,185
Other receivables		482,126		580,823	Prepaid rent		625,640		461,375
Due from State of Connecticut General Fund		10,497,680		9,127,269	Due to State of Connecticut General Fund:				
Prepaid expenses		108,431		108,958	Revenues collected		-		26
Total current assets		<u>17,584,535</u>		<u>16,052,814</u>	Grants		692,360		698,222
					Revenue bond interest payable		1,416,781		1,478,010
<b>RESTRICTED ASSETS</b>					Subordinated bond interest payable		170,146		124,898
Passenger Facility Charges					Lessee deposits		182,972		192,688
Cash		54,998		536,426	Due to customers		91,485		-
Charges receivable		1,647,941		1,037,215	Total current liabilities		<u>10,450,246</u>		<u>9,976,003</u>
Interest receivable		115,256		79,654					
Investments		20,232,391		18,964,177	<b>LONG TERM LIABILITIES</b>				
Bond Indenture:					Revenue bonds payable, less current maturities		71,215,000		74,810,000
Interest receivable		412,677		287,706	Subordinated refunding bonds payable, less current maturities		<u>3,020,000</u>		<u>3,160,000</u>
Investments:					Total long-term liabilities		<u>74,235,000</u>		<u>77,970,000</u>
Airport Coverage Account		2,282,502		2,286,146	Total liabilities		<u>84,685,246</u>		<u>87,946,003</u>
Bond Service Account		4,980,566		4,844,736					
Reserve Account		8,512,986		8,810,651	<b>CONTRIBUTED CAPITAL</b>				
Improvement Fund		14,821,611		18,546,111	Contributed capital - Federal		53,574,986		52,241,955
Operation and Maintenance Reserve Account		5,758,228		5,363,054	Contributed capital - State		45,375,760		45,375,760
General Airport Fund		16,688,764		13,975,707	Contributed capital - other		<u>4,923,660</u>		<u>4,923,660</u>
Subordinated Bond Service Account		153,939		159,100	Total contributed capital		<u>103,874,406</u>		<u>102,541,375</u>
Subordinated Redemption Account		142,939		127,237					
Subordinated Reserve Account		<u>428,350</u>		<u>428,350</u>	<b>RETAINED EARNINGS</b>		<u>55,738,950</u>		<u>36,546,951</u>
Total restricted assets		<u>76,233,148</u>		<u>75,446,270</u>	Total fund equity		<u>159,613,356</u>		<u>139,088,326</u>
					Total liabilities and fund equity		<u>\$ 244,298,602</u>		<u>\$ 227,034,329</u>
<b>PLANT, PROPERTY AND EQUIPMENT</b>									
Land		2,657,154		2,657,154					
Land improvements		120,326,302		115,470,714					
Buildings and improvements		70,683,253		70,934,466					
Machinery and equipment		11,474,532		11,698,681					
Construction in progress		<u>28,029,988</u>		<u>11,993,693</u>					
Total plant, property and equipment		<u>233,171,229</u>		<u>212,754,708</u>					
Less: accumulated depreciation		<u>86,326,074</u>		<u>81,073,757</u>					
Net plant, property and equipment		<u>146,845,155</u>		<u>131,680,951</u>					
<b>DEFERRED CHARGES</b>									
Deferred lease costs		2,145,656		2,221,386					
Deferred bond issuance costs		948,156		1,064,538					
Deferred planning and studies costs		<u>541,952</u>		<u>568,370</u>					
Total deferred charges		<u>3,635,764</u>		<u>3,854,294</u>					
Total assets		<u>\$ 244,298,602</u>		<u>\$ 227,034,329</u>					

*The accompanying notes are an integral part of these financial statements*

**BRADLEY INTERNATIONAL AIRPORT**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	2000	1999
OPERATING REVENUES		
Terminal building space	\$ 4,217,125	\$ 4,148,555
Passenger terminal apron	1,936,625	1,576,880
Baggage claim rent	948,198	881,579
Landing fees	7,895,650	6,424,882
Rental cars	6,790,804	5,663,030
Restaurants	2,599,846	2,313,132
Hotel concessions	453,772	406,017
Other concessions	2,918,834	2,453,951
Fixed base operations	668,475	650,539
Land and building rentals	2,363,926	2,261,768
Auto parking	10,029,716	9,073,162
Other operating revenue	484,220	505,403
Total operating revenues	<u>41,307,191</u>	<u>36,358,898</u>
OPERATING EXPENSES		
Salaries and wages	6,057,824	5,808,852
Overtime	631,179	757,854
Shift differential	25,493	26,669
Other pay	121,803	126,341
Fringe benefits	2,853,851	2,552,628
Indirect cost allocation	302,891	290,442
Other personal services	91,360	151,600
Contractual services	9,101,443	8,999,508
Commodities	746,210	632,689
Energy and utilities	1,828,913	1,849,479
Allocated expenses	54,240	46,420
Total operating expenses	<u>21,815,207</u>	<u>21,242,482</u>
INCOME FROM OPERATIONS	19,491,984	15,116,416
NON-OPERATING REVENUES (EXPENSES)		
Investment income	3,559,686	2,977,617
Depreciation	(8,487,629)	(8,151,583)
Amortization:		
Deferred planning and studies costs	(183,719)	(211,048)
Deferred bond issuance costs	(116,382)	(126,633)
Deferred lease costs	(75,730)	(75,730)
Bad debt expense	(26,651)	(10,231)
Revenue bond interest expense	(5,728,354)	(5,968,680)
Subordinated refunding bond interest expense	(289,301)	(300,631)
Gain (loss) on disposal of equipment	62,650	(1,321)
Total net non-operating expenses	<u>(11,285,430)</u>	<u>(11,868,240)</u>
NET INCOME BEFORE PFC REVENUE	8,206,554	3,248,176
PASSENGER FACILITY CHARGE REVENUE <i>(Note 13)</i>	<u>10,985,445</u>	<u>8,808,117</u>
NET INCOME	19,191,999	12,056,293
RETAINED EARNINGS, beginning of year	<u>36,546,951</u>	<u>24,490,658</u>
RETAINED EARNINGS, end of year	<u>\$ 55,738,950</u>	<u>\$ 36,546,951</u>

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

**BRADLEY INTERNATIONAL AIRPORT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 19,191,999	\$ 12,056,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,487,629	8,151,583
Interest expense	6,017,655	6,269,311
Investment income	(3,559,686)	(2,977,617)
(Gain) loss on disposal of equipment	(62,650)	1,321
Amortization:		
Deferred lease costs	75,730	75,730
Deferred bond issuance costs	116,382	126,633
Deferred planning and studies costs	183,719	211,048
Changes in operating assets and liabilities:		
Decrease (increase) in PFC restricted cash	481,428	(102,843)
Increase in accounts payable - projects	213,115	158,374
Increase in prepaid rent	164,265	155,384
Decrease (increase) in other receivables	98,697	(292)
Increase (decrease) in due to customers	91,485	(4,426)
Decrease in prepaid expenses	527	671
(Decrease) increase in due to State of Connecticut General Fund	(5,988)	520,575
(Decrease) increase in lessee deposits	(9,716)	46,174
Increase in PFC interest receivable	(35,602)	(23,669)
Increase in deferred charges	(157,301)	(603,572)
(Increase) decrease in accounts receivable, net	(163,288)	57,704
(Decrease) increase in accounts payable - trade	(167,937)	268,755
Increase in grants receivable	(202,525)	(113,143)
Increase in PFC charges receivable	(610,726)	(97,385)
(Increase) decrease in due from State of Connecticut General Fund	(1,370,411)	850,991
Net cash provided by operating activities	<u>28,776,801</u>	<u>25,027,600</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed capital	1,333,031	787,301
Repayment of subordinated refunding bonds	(125,000)	(115,000)
Repayment of revenue bonds	(3,355,000)	(3,125,000)
Bond interest paid	(6,083,636)	(6,330,325)
Capital expenditures for plant, property and equipment	(23,589,183)	(8,039,025)
Net cash used in capital and related financing activities	<u>(31,819,788)</u>	<u>(16,822,049)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	3,434,715	3,275,726
Net change in State Treasurer's Short-Term Investment Fund	(575,617)	(11,298,777)
Sale of investments	-	18,490,000
Purchase of investments	-	(18,500,000)
Net cash provided by (used in) investing activities	<u>2,859,098</u>	<u>(8,033,051)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<u>(183,889)</u>	<u>172,500</u>
CASH, beginning of year	<u>483,170</u>	<u>310,670</u>
CASH, end of year	<u><u>\$ 299,281</u></u>	<u><u>\$ 483,170</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 6,083,636	\$ 6,330,325

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

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2000 AND 1999**

**NOTE 1 - NATURE OF ORGANIZATION**

Bradley International Airport (Airport) is owned by the State of Connecticut (State) and is operated by the Bureau of Aviation and Ports of the State of Connecticut, Department of Transportation (Department). Under Public Act No. 81-406 of the General Assembly of the State of Connecticut, and pursuant to the Indenture of Trust (Indenture) entered into by the State of Connecticut with State Street Bank (formerly Fleet Bank), as trustee, dated October 1, 1982, the State issued Bradley International Airport, 1982 Series, Revenue Bonds in the aggregate principal amount of \$100,000,000. The Airport revenue bonds were issued on or after November 18, 1982; on that date the State established Bradley International Airport as an enterprise fund, thus maintaining separate accounting records for Airport operations in accordance with the Indenture. The State donated plant, property and equipment having a net book value of \$33,273,398 to the enterprise fund on November 18, 1982.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The State of Connecticut, including Bradley International Airport as an enterprise fund, has elected the application of accounting principles under "Alternative 1" of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Under Alternative 1, government entities using proprietary fund accounting follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

**GRANT RECOGNITION**

Grant amounts for support of plant, property and equipment acquisitions are recognized as capital contributions to the extent that related acquisition costs have been incurred.

**INVESTMENTS**

The Airport's policy is to present all investments at fair value except for money market investments, which the Airport has elected to report at amortized cost.

The fair value of investments traded on public markets is determined using quoted market prices. The Airport invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. The fair value of the Airport's position in the pool is the same as the value of the pool shares.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PLANT, PROPERTY AND EQUIPMENT**

Plant, property and equipment are stated at cost, which includes applicable capitalized interest and expenditures of Federal Aviation Administration and State contributions in aid of construction. Maintenance and repairs are charged to expense as incurred, while significant renewals and betterments are capitalized.

Depreciation is computed on a straight-line basis. The estimated useful lives of the major plant, property and equipment classifications are as follows: land improvements, 20 to 50 years; buildings and improvements, 10 to 40 years; and machinery and equipment, 3 to 15 years. Depreciation expense relating to both purchased and contributed assets is charged against operations.

**DEFERRED CHARGES**

Deferred bond issuance costs are amortized over the term of the related bonds on a straight-line basis, which yields results equivalent to the interest method.

Deferred planning and studies costs are amortized on a straight-line basis over a period of five years.

Deferred lease costs are amortized on a straight-line basis over the term of the related lease of 385 months.

**ALLOCATION OF EXPENSES**

The financial statements include certain allocations of expenses incurred jointly by the Department and the State.

Salaries of certain Bureau of Aviation and Ports management, finance and marketing personnel are attributable to all Department activities. For those specific personnel, salaries are allocated between the Airport and the Department's Transportation Fund. The salaries that were allocated to the Airport totaled approximately \$605,000 and \$594,000 for the years ended June 30, 2000 and 1999, respectively.

Fringe benefits costs, which are incurred at the State level, are applied as a percentage of salaries to all State governmental units, including the Airport. Various rates are charged for different fringe components. For the years ended June 30, 2000 and 1999 the principal rate charged was 42.30% and 36.48%, respectively, and the amounts charged totaled \$2,853,851 and \$2,552,628, respectively.

The costs of indirect services provided to the Airport by other units of the State, such as the Office of the State Treasurer, the Office of the State Comptroller and the Office of the Attorney General, are allocated to the Airport at a rate of 5% of Airport wages. These charges totaled \$302,891 and \$290,442 for the years ended June 30, 2000 and 1999, respectively.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS *(Continued)***  
**JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**STATEMENT OF CASH FLOWS**

For purposes of the statement of cash flows, the Airport considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The State Treasurer's Short-Term Investment Fund is excluded from cash equivalents because it is considered to be an investment. In addition, the cash balance relating to passenger facility charges is excluded from cash for purposes of the cash flow statement due to restrictions imposed on its use (*see Note 5*). The Airport had no cash equivalents at June 30, 2000 or June 30, 1999.

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Governmental Accounting Standards Board Statement No. 3 requires governmental organizations to categorize their cash deposits and investments into three levels of risk. Category 1 includes amounts insured or registered in the Airport's name or its agent in the Airport's name. Category 2 includes amounts which are uninsured or unregistered for which collateral or securities are held by a counterparty's trust department or agent in the name of the Airport. Category 3 includes amounts which are uninsured or unregistered or for which collateral or securities are held by the counterparty or its trust department, but not in the name of the Airport.

**CASH DEPOSITS**

For purposes of this disclosure, cash deposits include bank deposits. As of June 30, 2000, the carrying amount of the Airport's bank deposits and the bank balance totaled \$354,279, including the cash balance relating to passenger facility charges. Of this balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and \$254,279 was uninsured and uncollateralized (Category 3), as defined by Governmental Accounting Standards Board Statement No. 3. However, all bank deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal at least to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**INVESTMENTS**

See Note 5 for a description of the types of investment vehicles authorized for use by the Airport.

Investments as of June 30, 2000 consist of State Treasurer's Short-Term Investment Fund deposits totaling \$67,471,902 which are not required to be classified by risk category, and Federal Home Loan Bonds totaling \$8,492,703 which are registered in the Airport's name (Category 1).

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 4 - SHORT-TERM INVESTMENTS**

At June 30, 2000 and 1999 short-term investments consisted of unrestricted investments in the State Treasurer's Short-Term Investment Fund (see Note 3).

**NOTE 5 - RESTRICTED ASSETS**

Restricted assets consist of the following:

- Investments and related accrued interest receivable which are segregated into funds and accounts in accordance with the Indenture of Trust (Note 8) and;
- Cash, receivables, investments and related accrued interest receivable relating to passenger facility charges, which are restricted for expenditures for federally approved Airport improvement projects (Note 13).

The Indenture of Trust restricts investments to: a) direct and general obligations of, or obligations fully or unconditionally guaranteed by, the United States of America, b) obligations issued by certain federal agencies, c) certificates in short-term investment funds created and existing under Section 3-27a of the General Statutes, d) bank time deposits evidenced by certificates issued by any bank or trust company which is a member of the Federal Deposit Insurance Corporation (FDIC) and e) with the approval of the State Treasurer, repurchase agreements with any bank or trust company insured by the FDIC.

**NOTE 6 - PLANT, PROPERTY AND EQUIPMENT**

Changes in plant, property and equipment for the years ended June 30, 2000 and 1999 are as follows:

	Balance June 30, 1999	<u>Year ended June 30, 2000</u>		Balance June 30, 2000
		Additions/Re- classifications	Deletions/Re- classifications	
Land	\$ 2,657,154	\$ -	\$ -	\$ 2,657,154
Land improvements	115,470,714	4,855,588	-	120,326,302
Buildings and improvements	70,934,466	3,764,901	4,016,114	70,683,253
Machinery and equipment	11,698,681	553,359	777,508	11,474,532
Construction in progress	<u>11,993,693</u>	<u>25,366,419</u>	<u>9,330,124</u>	<u>28,029,988</u>
	\$212,754,708	\$34,540,267	\$14,123,746	\$233,171,229

	Balance June 30, 1998	<u>Year ended June 30, 1999</u>		Balance June 30, 1999
		Additions/Re- classifications	Deletions/Re- classifications	
Land	\$ 2,657,154	\$ -	\$ -	\$ 2,657,154
Land improvements	115,441,463	29,251	-	115,470,714
Buildings and improvements	70,796,182	138,284	-	70,934,466
Machinery and equipment	12,127,582	277,870	706,771	11,698,681
Construction in progress	<u>4,397,539</u>	<u>8,584,084</u>	<u>987,930</u>	<u>11,993,693</u>
	\$205,419,220	\$9,029,489	\$ 1,694,701	\$212,754,708



**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 7 - DEFERRED CHARGES**

Deferred bond issuance costs are comprised of the following:

	<u>2000</u>	<u>1999</u>
Costs relating to:		
Refunding escrow deposits	\$ 911,426	\$1,022,090
Subordinated refunding bonds	<u>36,729</u>	<u>42,448</u>
	<u>\$ 948,155</u>	<u>\$1,064,538</u>

Deferred planning and studies costs represent the cost of developing the master plan for the Airport improvement project and the cost of other plans and studies.

Deferred lease costs consist of the book value of an Airport building that was demolished in order for a concessionaire to build its facility on the site. At the end of the lease term ownership of the concessionaire's facility reverts to the Airport.

**NOTE 8 - AIRPORT REVENUE BONDS**

On October 1, 1992 the Airport redeemed its Bradley International Airport, 1982 Series Revenue Bonds through the issuance of Airport Revenue Refunding Bonds, Series 1992 in the amount of \$94,065,000. The bonds are secured by and payable solely from the gross operating revenues generated by the State from the operation of the Airport and other receipts, funds or monies pledged in the bond indenture.

The bonds are presented on the balance sheets as follows:

	<u>2000</u>	<u>1999</u>
Principal outstanding	\$74,810,000	\$78,165,000
Less: current maturities	<u>3,595,000</u>	<u>3,355,000</u>
Long-term portion	<u>\$71,215,000</u>	<u>\$74,810,000</u>

**DEBT SERVICE FUND**

A debt service fund has been established in accordance with the Indenture to provide for payment of principal at maturity and semi-annual interest payments due on April 1 and October 1 of each year. The maturity dates and interest rates of these bonds are as follows:

**\$7,455,000 SERIAL BONDS**

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>
October 1, 2000	3,595,000	7.35%
2001	3,860,000	7.35

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 8 - AIRPORT REVENUE BONDS (Continued)**

**DEBT SERVICE FUND (Continued)**

The following bonds mature on October 1, 2004 and 2012 and are subject to mandatory redemption as shown below:

**\$67,355,000 TERM BONDS**

<u>October 1, ____</u>	<u>Amount</u>	<u>Coupon</u>
2002	\$4,150,000	7.40%
2003	4,455,000	7.40
2004 (maturity)	4,785,000	7.40
2005	5,140,000	7.65
2006	5,530,000	7.65
2007	5,955,000	7.65
2008	6,405,000	7.65
2009	6,900,000	7.65
2010	7,430,000	7.65
2011	8,000,000	7.65
2012 (maturity)	8,605,000	7.65

Pursuant to the Indenture, the Bradley International Airport Revenue Fund (Revenue Fund) and certain sub-accounts therein have been established into which all Airport revenues are deposited. Such revenues shall be used and applied to the following funds and accounts in the following order of priority:

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
<b>BOND SERVICE ACCOUNT</b>	
One-twelfth of the principal of each serial bond which will become due and payable within the next twelve months, times the number of full or partial calendar months which have lapsed since the last annual installment, plus one sixth of the interest which will become due within the next six months, times the number of full or partial calendar months which have lapsed since the last semi-annual installment	Payment of principal and interest on outstanding bonds.
<b>RESERVE ACCOUNT</b>	
Maximum amount of principal and interest requirements for the current or any succeeding bond year on account of all bonds then outstanding.	Payment of principal and interest in the event of a deficiency in the Bond Service Account.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 8 - AIRPORT REVENUE BONDS (Continued)**

**DEBT SERVICE FUND (Continued)**

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
<b>INTERIM RESERVE ACCOUNT</b>	
\$150,000 per month for twenty-four months after the date of the Indenture, plus the deficiency from prior months and for the next twelve months thereafter, the sum of \$100,000 per month plus any deficiencies from prior months until the amount in such fund is equal to \$4,800,000.	This account was closed July 8, 1992 and the balance was transferred to the Revenue Fund.
<b>THE STATE OF CONNECTICUT</b>	
The remaining balance of current revenues equal to operating expenses for the next two months.	Payment of current expenses.
<b>OPERATION AND MAINTENANCE RESERVE ACCOUNT</b>	
Out of any balance remaining, one-twelfth of the amount, if any, necessary to make the amount deposited equal to not less than twenty-five percent of the budgeted current expenses for the then current fiscal year.	Payment of current expenses, whenever there are insufficient monies in the Revenue Fund for such purpose.
<b>NOTE REPAYMENT FUND</b>	
Out of any balance remaining, one-twelfth of the amount, if any, necessary to make the amount deposited equal to not less than twenty-five percent of the budgeted current expenses for the then current fiscal year.	Payment of principal and interest on any notes issued.
<b>IMPROVEMENT FUND</b>	
Out of the balance remaining as shall be designated by the State Bond Commission.	Payment of costs of any additions, expansions or improvements.
<b>AIRPORT COVERAGE ACCOUNT</b>	
Out of the balance, amounts equal to twenty-five percent of the sum of the amount required in the fiscal year to pay interest on the notes and bonds as when the same becomes due, and the amount required in such fiscal year to pay the principal of the bonds as when the same becomes due.	Same as the General Airport Fund, except that no transfers shall be made to the Note Repayment Fund and no transfers for any purpose can be made if unrestricted funds exist in the General Airport Fund.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 8 - AIRPORT REVENUE BONDS (Continued)**

**DEBT SERVICE FUND (Continued)**

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
GENERAL AIRPORT FUND	
The balance, if any, remaining after making the deposits required above.	Trust fund that shall transfer from time to time to the:
	1. Redemption Account, for the purpose of additions.
	2. Bond Service Account, for payments of principal and interest.
	3. Improvement Fund, for payment of the cost of additions, expansions, or improvements.
	4. Note Repayment Fund, for payment of principal and interest on any notes.
	5. Any authorized Airport purpose.

In addition, the Indenture of Trust established the Construction Fund to which the proceeds of bonds are deposited, along with any other monies received from any other source, for the acquisition or construction of Airport plant, property and equipment. Expenditures from the Construction Fund include all acquisition or construction costs associated with Airport plant, property and equipment. The Construction Fund was closed on June 28, 1996 upon completion of the planned projects.

**NOTE 9 - AIRPORT SUBORDINATED REFUNDING BONDS**

The State issued Airport Revenue Taxable Subordinated Refunding Bonds in the aggregate of \$3,855,000 dated August 1, 1989. These bonds bear interest at 9 1/8%, which is payable semi-annually on February 1 and August 1, and mature as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2000	\$140,000	2007	\$250,000
2001	150,000	2008	275,000
2002	160,000	2009	300,000
2003	175,000	2010	330,000
2004	195,000	2011	355,000
2005	210,000	2012	390,000
2006	230,000		

The bonds were issued in connection with a program undertaken by the State which provided for the current refunding on October 1, 1992 of the State's Airport Revenue Bonds 1982 Series (Note 8) through the issuance of Airport Revenue Refunding Bonds, Series 1992.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 9 - AIRPORT SUBORDINATED REFUNDING BONDS (Continued)**

The bonds are presented on the balance sheets as follows:

	<u>2000</u>	<u>1999</u>
Principal outstanding	\$3,160,000	\$3,285,000
Less: current maturities	<u>140,000</u>	<u>125,000</u>
Long-term portion	<u>\$3,020,000</u>	<u>\$3,160,000</u>

The following accounts have been established in accordance with the Subordinated Bond Indenture:

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
----------------------------------	--

**SUBORDINATED (CAPITALIZED)  
INTEREST ACCOUNT**

Receives a portion of the subordinated refunding bond proceeds for payment of interest on subordinated refunding bonds. Investment income is retained for use by the fund. Any remaining balance after authorized payments is transferred to the Subordinated General Account.

Payment of interest on initial subordinated refunding bonds and one day of interest on Series 1992 Refunding Bonds. This account was closed August 30, 1995 and the balance was transferred to the Subordinated General Account.

**SUBORDINATED COST OF ISSUANCE  
ACCOUNT**

Receives a portion of the subordinated refunding bond proceeds for payment of issuance costs and insurance. Investment income is retained for use by the fund. Any remaining balance after authorized payments is transferred to the Subordinated General Account.

Payment of issuance costs on initial subordinated refunding bonds and Series 1992 Refunding Bonds, including bond insurance. This account was closed August 30, 1995 and the balance was transferred to the Subordinated General Account.

**SUBORDINATED DEBT SERVICE FUND**

Also, in accordance with the Subordinated Bond Indenture, a Subordinated Debt Service Fund has been established for the payment of the principal and interest on the bonds. The Subordinated Debt Service Fund consists of the following accounts into which withdrawals from the General Airport Fund will be deposited in the following order:

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
----------------------------------	--

**SUBORDINATED BOND SERVICE  
ACCOUNT**

No later than any principal or interest payment due date, an amount equal to such principal or interest due on such date.

Payment of principal and interest on outstanding bonds.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 9 - AIRPORT SUBORDINATED REFUNDING BONDS (Continued)**

**SUBORDINATED DEBT SERVICE  
FUND(Continued)**

<u>Nature of Account or Fund</u>	<u>Nature of Authorized Expenditures</u>
<b>SUBORDINATED REDEMPTION ACCOUNT</b>	
No later than any amortization payment due date, an amount equal to the amortization requirement with respect to such payment.	Payment of amortization on outstanding bonds.
<b>SUBORDINATED RESERVE ACCOUNT</b>	
Maximum amount of principal and interest requirements for the current or any succeeding bond year on account of all bonds then outstanding.	Payment of principal and interest in the event of a deficiency in the aforementioned Subordinated Bond Service Account.
<b>SUBORDINATED PREMIUM ACCOUNT</b>	
At the direction of the State, amounts not to exceed the aggregate redemption premium on all 1982 Series Revenue Bonds	This account was closed July 22, 1994 and the balance was transferred to the General Airport Fund.
<b>SUBORDINATED GENERAL ACCOUNT</b>	
The balance, if any, remaining after the deposits required above.	Any authorized Airport purpose.

**NOTE 10 - MATURITIES OR MANDATORY REDEMPTION OF LONG-TERM DEBT**

Principal maturities or mandatory redemption on all Airport bonds are as follows:

Year ending June 30:	
2001	\$3,735,000
2002	4,010,000
2003	4,310,000
2004	4,630,000
2005	4,980,000
Thereafter	<u>56,305,000</u>
	<u>\$77,970,000</u>

**NOTE 11 - CONTRIBUTED CAPITAL**

The following summarizes changes in contributed capital for the years ended June 30, 2000 and 1999.

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Balance, June 30, 1998	\$51,462,151	\$45,368,263	\$4,923,660	\$101,754,074
Capital contributions	<u>779,804</u>	<u>7,497</u>	<u>-</u>	<u>787,301</u>
Balance, June 30, 1999	52,241,955	45,375,760	4,923,660	102,541,375
Capital contributions	<u>1,333,031</u>	<u>-</u>	<u>-</u>	<u>1,333,031</u>
Balance, June 30, 2000	<u>\$53,574,986</u>	<u>\$45,375,760</u>	<u>\$4,923,660</u>	<u>\$103,874,406</u>

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 12 - RETAINED EARNINGS**

Pursuant to the Indenture, the Airport has established reserves for retained earnings in various sub-accounts as follows:

<u>Description</u>	<u>2000</u>	<u>1999</u>
<b>PASSENGER FACILITY CHARGE RESERVE</b>		
Passenger facility charges are reserved for expenditures for federally approved Airport improvement projects.	\$ 22,050,586	\$ 20,617,472
<b>BOND INDENTURE RESERVES</b>		
<b>Revenue Fund</b>		
The Operation and Maintenance Reserve Account shall reserve not less than twenty-five percent of the budgeted current expenses for the then current fiscal year.	5,758,228	5,363,054
<b>Airport Coverage Account</b>		
The Airport Coverage Account shall reserve an amount equal to twenty-five percent of the sum of the amount required in the fiscal year to pay interest on the bonds as when the same becomes due and the amount required in such fiscal year to pay the principal of the bonds as when the same becomes due.	2,282,502	2,286,146
<b>General Airport Fund</b>		
The balance of Airport revenues remaining after required deposits have been made ( <i>see Note 8</i> ) shall be reserved in the General Airport Fund.	<u>16,688,764</u>	<u>13,975,707</u>
Retained earnings – reserved	46,780,080	42,242,379
Retained earnings – unreserved	<u>8,958,870</u>	<u>(5,695,428)</u>
Total retained earnings	<u>\$ 55,738,950</u>	<u>\$ 36,546,951</u>

**NOTE 13 - RESTRICTED REVENUE**

The following passenger facility charge revenue and investment income earned thereon is restricted for expenditures for federally approved Airport improvement projects:

	<u>2000</u>	<u>1999</u>
Passenger facility charge	\$ 9,862,523	\$7,962,592
Interest income	<u>1,122,922</u>	<u>845,525</u>
	<u>\$10,985,445</u>	<u>\$8,808,117</u>

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 14 - LEASES**

Substantial amounts of real property of the Airport are leased to various airlines and other tenants. The leases consist of month-to-month, cancelable space and use permits and noncancellable operating leases for land, buildings and terminal space. The leases expire over the next 39 years.

Future minimum rental income on noncancellable operating leases for the next five years is as follows:

Year ending June 30,	
2001	\$ 8,096,703
2002	8,088,778
2003	8,078,269
2004	8,075,919
2005	<u>7,993,421</u>
	<u>\$40,333,090</u>

Future minimum rental income for fiscal years ending June 30, 2001 through June 30, 2005 are estimated amounts based on 2001 rates because rental rates for some tenants are not currently determinable for these years.

**NOTE 15 - RETIREMENT PLAN**

**PLAN DESCRIPTION**

All employees of the Airport are participants in the Connecticut State Employee's Retirement System (SERS). SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the Connecticut General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries. SERS is administered by the State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division. No stand-alone financial reports are issued for SERS.

**FUNDING POLICY**

Tier I Plan B non-hazardous and hazardous duty members are required to contribute 2% and 4%, respectively, of their salary up to the social security taxable wage base plus 5% above that level; Tier I Plan C members are required to contribute 5% of their annual salary. Tier II non-hazardous duty employees are not required to contribute and hazardous duty employees are required to contribute 4% of their salary. All employees hired after June 30, 1997 are members of Tier IIA. Non-hazardous duty members of Tier IIA are required to contribute 2% of their salary and hazardous duty members are required to contribute 5% of their salary. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the state legislature. The employer rate is approximately 22% of annual covered payroll.



**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 15 - RETIREMENT PLAN (Continued)**

**ANNUAL PENSION COST**

For the year ended June 30, 2000 the Airport's annual pension cost of \$1,519,463 was equal to the Airport's required and actual contributions. The required contribution was determined as part of a June 30, 1998 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 8.5% investment rate of return (b) projected salary increases ranging from 3.25% to 14% per year and (c) cost of living increases of from 2.5% to 4.0% per year. For purposes of determining ongoing costs, the recognition of gains and losses is spread over five years. The resulting value is called the actuarial value of assets and is further adjusted as necessary so that the final actuarial value is within 20% of the market value of assets. Pursuant to a collectively bargained agreement, as of June 30, 1992, the unfunded actuarial liability is being amortized over forty years. The remaining amortization period at June 30, 2000 is 32 years.

**THREE-YEAR TREND INFORMATION**

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
1998	\$1,129,129	100%	\$ -
1999	1,334,603	100	-
2000	1,519,463	100	-

**REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF FUNDING  
PROGRESS (IN MILLIONS OF DOLLARS)**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL as a % of Covered Payroll (3)/(5)
June 30, 1992	\$3,425,886	\$6,668,685	\$3,242,799	51.37%	\$1,931,381	167.90%
June 30, 1993	3,696,177	7,189,740	3,493,563	51.41	2,144,793	162.89
June 30, 1994	3,944,521	7,329,181	3,384,660	53.82	2,155,860	157.00
June 30, 1995	4,209,236	7,838,211	3,628,975	53.70	2,325,787	156.03
June 30, 1996	4,604,227	8,138,610	3,534,383	56.57	2,385,533	148.16
June 30, 1997	5,130,967	8,833,203	3,702,236	58.09	2,225,186	166.38
June 30, 1998	5,669,866	9,592,408	3,922,542	59.11	2,338,957	167.70

The most recent actuarial valuation report available as of the date of this report is June 30, 1998.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 16 - RELATED PARTY TRANSACTIONS**

The State of Connecticut is responsible for processing the Airport's payroll, accounts payable and purchasing. As described in Note 8, funds are transferred to the State on a monthly basis for this purpose.

As described in Note 2, certain expenses, which are incurred directly by the State, are allocated to the Airport. As of June 30, 2000 and 1999, the liability for these expenses due to the State totaled \$302,891 and \$290,442, respectively, and is included in accounts payable - trade in the accompanying balance sheets.

In addition, the Airport receives certain grants and revenues on behalf of the State. Such amounts are remitted to the State on a regular basis.

**NOTE 17 - POSTRETIREMENT BENEFITS**

As employees of the State of Connecticut, the Airport's personnel are eligible to receive postretirement medical and life insurance coverage. The accounting for and funding of these benefits is done on a cash basis.

The cost of these benefits to the Airport for the years ended June 30, 2000 and 1999 cannot be determined because the Airport is charged for all fringe benefits by the State based upon a percentage of Airport payroll as described in Note 2.

**NOTE 18 - RISK MANAGEMENT**

The Airport is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. With the exception of certain vehicle-related liabilities for which the State retains some risk, all other risks are managed through the purchase of commercial insurance as required by the Indenture.

## **SUPPLEMENTAL INFORMATION**

**SCHEDULE I**

**BRADLEY INTERNATIONAL AIRPORT  
INSURANCE COVERAGE  
JUNE 30, 2000  
(Unaudited)**

Type of Insurance	Property Covered	Amount of Coverage
Comprehensive Crime Policy - Employees	Employee dishonesty bond on State employees	\$1,000,000 limit, \$100,000 deductible
	Burglary, robbery, hold-up, etc. (disappearance or destruction of money or securities only)	\$500,000 limit, \$100,000 deductible
Blanket All Risk Property Insurance	Fire and extended coverage on all State facilities includes physical damage for selected State owned vehicles over \$100,000 or leased vehicles Business interruption coverage for Bradley International Airport	Blanket limit any one occurrence, \$500,000 limit for property not at State, \$50,000,000 limit for earthquake or flood, \$250,000 deductible per occurrence Business interruption coverage subject to a \$65,000,000 sublimit
Data Processing Equipment and Media	Scheduled data processing equipment and media source materials, media tapes, cards, etc	\$25,000,000 per occurrence, various deductibles.
Master Equipment Policy	Scheduled equipment	\$4,006,810 limit, no aggregate limit, \$10,000 deductible per occurrence.
Automobile Liability	State employees and vehicles - liability, coverage includes the paramedics working at Bradley International Airport	\$500,000 combined single limit bodily injury/property damage in excess of \$500,000, \$500,000 self-insured retention
Excess Liability - Auto	State employees and vehicles, coverage includes the paramedics working at Bradley International Airport	\$24,000,000 each occurrence in excess of \$1,000,000
Airport Liability	All airports	\$100,000,000 for each for bodily injury, automobile bodily injury and property damage, personal injury, and medical malpractice, each occurrence and in the aggregate  \$10,000,000 advertisers liability aggregate limit  \$10,000,000 hangarkeepers legal liability  \$50,000 deductible per occurrence and in the aggregate for all of the above
Plate Glass	Bradley International Airport - Delta wing	Subject to terms and conditions of Property Insurance

## **APPENDIX C**

### **Summary of Airline Operating Agreements**

#### **Operating Agreements Entered into by Airlines**

*This section is a summary of certain provisions of such Operating Agreements. The summary does not purport to be complete or to follow the exact language of the Operating Agreements and is subject in all respects to the detailed provisions thereof, copies of which will be available for inspection at the office of the Commissioner of the Connecticut Department of Transportation.*

#### **Definitions**

*“Airfield Area”* means those portions of the Airport and related facilities, exclusive of hangars, hangar ramps, cargo buildings, cargo ramps, buildings and building areas (other than the crash, fire and rescue building and the control tower).

*“Airport Audit”* means a required audit of the books and accounts of the Airport conducted by an independent certified public accountant of recognized standing.

*“Airport Fiscal Year”* means the twelve (12) month period commencing on July 1 of each year and expiring on June 30 of the calendar year next ensuing, or such other period as designated by the State in accordance with law, with appropriate compensating adjustments, i.e., annualizing any period less than twelve (12) months.

*“Airport Operating Budget”* means the budget of Airport costs and expenses adopted with respect to each Airport Fiscal Year pursuant to Section 5(b) of Public Act No. 81-406 (or otherwise as provided by law), and consists of the Operating Expense Budget and the Capital Improvement Budget.

*“Airport Revenues”* means all the income, revenues, cash, accounts receivable and moneys derived by the State from any source whatsoever with respect to the operation of the Airport for the furnishing and supplying of the services, facilities and commodities thereof. The term “Airport Revenues” does not include tax receipts or moneys received as the proceeds of the Bonds or as grants or gifts, the use of which is limited by the grantor or donor to special projects or purposes not benefitting the public at the Airport generally, except to the extent that any such moneys are received as payments for the use of the Airport.

*“Annual Debt Service”* means the sum of principal amortization requirements (including premium, if any) and interest payments being or becoming due and payable by the State during any Airport Fiscal Year with respect to the Bonds. The Landing Fees and Terminal Building Rental rates in effect for the Initial Period include all debt service (including principal, sinking fund installments and premiums, if any, and interest) properly allocable to the Signatory Airlines with respect to the Bonds. The following shall be considered Annual Debt Service: (1) a one-time coverage payment, required in the first full Airport Fiscal Year following completion of the

premises to be leased by the Airline pursuant to the Capital Improvement Program in order to pay the Airline's pro rata share (based on debt service on State revenue obligations issued under the Indenture) of a special Airport Coverage Account established under the Indenture in connection with the 1.25 times coverage requirement imposed therein; and (2) any subsequent payments representing the Airline's pro rata share of the amount necessary to replace any withdrawals from said Airport Coverage Account made (i) to pay debt service when amounts available in the Bond Service Account, Improvement Fund and General Airport Fund established under the Indenture are sufficient for this purpose, or (ii) for Airport improvements which have received necessary Majority-in-Interest approval.

*"Apron Area"* means the aircraft parking and maneuvering areas adjacent to the Terminal Building.

*"Baggage Claim Area"* means those portions of the Airport and related facilities, providing for the collection, transport, handling and distribution of passenger baggage and related items.

*"Capital Improvement"* means, for any Airport Fiscal Year, (a) any item purchased or constructed for use in the Airfield Area Cost Center or Apron Area Cost Center which has a useful life of five (5) years or more, or which can extend the useful life of any existing asset included within the Airfield Area Cost Center or Apron Area Cost Center for a period of five (5) years or more, all as determined by the Cost Accounting System, and (b) any item purchased or constructed for use in the Terminal Building Cost Center which has a useful life of three (3) years or more, or which can extend the useful life of any existing asset included within the Terminal Building Cost Center for a period of three (3) years or more, all as determined by the Cost Accounting System.

*"Capital Improvement Budget"* means that portion of the budget of Capital Improvement costs and expenses to be expensed during an Airport Fiscal Year and adopted in conjunction with the Airport Operating Budget for such Airport Fiscal Year.

*"Capital Improvement Program"* means those expansions, improvements and renovations to the Airport described in Exhibit E to the Operating Agreement.

*"Construction Costs"* means the necessary and desirable costs and expenses pertaining or incident to the acquisition or construction of Capital Improvements, including all costs and expenses of the Capital Improvement Program.

*"Consulting Engineer"* means CE Maguire, Inc., or in case CE Maguire, Inc. ceases to serve as Consulting Engineer, such other architectural/engineering firm as may be selected by the State for purposes of the Operating Agreement, which is to be a firm specializing in and having a favorable reputation for the design and engineering of airports.

*"Cost Accounting System"* means the specific accounting system prepared by Arthur Andersen & Company and adopted by the State for the collection, allocation and reporting of the capital expenditures, revenues, operating expenses, assets and liabilities of the State with respect

to the Airport and its operations. The Cost Accounting System is to be established and operated pursuant to generally accepted accounting principles for airports consistently applied.

*“Cost Center”* means any one of the Airport cost areas identified in connection with the Cost Accounting System.

*“Initial Period”* means the period beginning on July 1, 1981 and ending (a) on June 30, 1986, or (b) on the date on which the Airline becomes liable under Section 4-2(a) of the Operating Agreement for the payment of rents on the premises leased by it pursuant to the Capital Improvement Program, whichever is earlier.

*“Majority-in-Interest”* as of any date means at least fifty percent (50%) in number of the Signatory Airlines which account for more than fifty percent (50%) of aggregate Revenue Aircraft Arrival Weight landed at the Airport during the immediately preceding calendar year.

*“Maximum Landing Weight”* means the maximum certified landing weight-approved by the FAA for aircraft landing at the Airport.

*“Operating Expense Budget”* means the budget of Operating Expenses for an Airport Fiscal Year adopted in conjunction with the Airport Operating Budget.

*“Operating Expenses”* means the reasonable, necessary and verifiable current expenses of the State, paid or accrued in accordance with the Cost Accounting System in administering, operating, maintaining, and repairing the Airport. Without limiting the generality of the foregoing, the term Operating Expenses includes (a) costs of collecting Airport Revenues and of making any refunds therefrom lawfully due others; (b) engineering, audit reports, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport; (c) costs of salaries, wages and other compensation of officers and employees with respect to the Airport, including all legally required payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance, if any, for the foregoing provided that the aggregate cost of such services with respect to the non-managerial personnel shall not be greater than that incurred with respect to other employees of the State providing similar services; (d) costs of routine maintenance, repairs, replacements, renewals and alterations not constituting Capital Improvements occurring in the usual course of business, which may include expenses not annually recurring; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed on the Airport or any part thereof or on the operation thereof, subject to any right the Airline may have to protest the same; (f) costs of utility services; (g) the costs and expenses of management services and general administrative overhead of the State allocable to the Airport; (h) costs of equipment, materials and supplies used in the ordinary course of Airport business not constituting Capital Improvements, including ordinary and current rentals of equipment or other property; (i) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, directly pertaining to the Airport or Airport Revenues or any other moneys held under the Indenture, as amended or supplemented from time to time, or required to be held or deposited thereunder; (j) costs of carrying out the provisions of the Indenture, as amended or supplemented from time to time to permit the acquisition and construction of Capital Improvements or the Capital Improvement Program, including trustee's

and paying agent's fees and expenses, costs of insurance required thereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport or Airport Revenues, and costs of recording, mailing and publication; (k) Annual Debt Service; (l) all other costs and expenses of administering, operating maintaining and repairing the Airport arising in the routine and normal course of business; and (m) any costs and expenses related to the Airport required to be paid (and reserves required to be kept) in accordance with the Cost Accounting System. Operating Expenses do not include Bond interest charges greater than those dictated by actual bond issues, depreciation on those facilities financed with Bonds or other contributions, nor any charge representing a return on any capital investment whatsoever. Notwithstanding the foregoing, the State may include other items of cost in the Operating Expense Budget, provided no such additional items not enumerated above are included in computing the rates, rents, fees and charges of the Airline.

*"Revenue Aircraft Arrival"* means the landing at the Airport of any and all aircraft owned, leased or operated by any air carrier or airline, that arrives at or depart from the Airport with passengers, cargo or mail and as more particularly described in the Operating Agreement.

*"Signatory Airlines"* means those airlines conducting regularly scheduled commercial flights at the Airport under agreements with the State substantially similar to the Operating Agreement.

*"Terminal Building"* means the Airport Terminal Building as it now exists and as it hereafter may be enlarged, improved or renovated.

*"User"* means, with respect to Airport facilities, any Signatory Airline and any other person or entity having the right to utilize such facilities by virtue of a lease or other arrangement.

#### **Term**

The term of the Airline Operating Agreements is July 1, 1981 to June 30, 2011, unless sooner terminated.

#### **Use of Airport**

A Signatory Airline is permitted to use the Airport in common with others so authorized, for, among other things, the operation of an air transportation system, the repair, maintenance, and storage of aircraft, the training of personnel, and the sale of aircraft and equipment and supplies related thereto.

#### **Space in Airport**

A Signatory Airline leases exclusive or joint space in the Terminal Building, in the Apron Area and in the Baggage Claim Area as provided in its Operating Agreement.



## **Rates, Rents, Fees and Charges**

*Terminal Building Rentals.* During the Initial Period a Signatory Airline pays fixed rents and charges for use of the Terminal as set forth in its Operating Agreement. These rents reflect the Airline's proportionate share (based on square footage use) of the estimated costs of the Terminal Building. After the Initial Period, the Terminal Building rental payable by a Signatory Airline is determined on a yearly basis in connection with the adoption of the Airport Operating Budget as follows: The State divides the Ground Space of the Terminal Building into the projected total Operating Expenses included in the Airport Operating Budget for such period and properly allocable to the Terminal Building Cost Center. The cost per square foot so calculated is multiplied by the total Terminal Building Rental Space leased by such Airline, except that the rates for Concourses A and B include the Annual Debt Service incurred with respect to the construction cost of such concourses, and the rate of the Terminal Building Cost Centers and all concourses other than Concourses A and B shall include the Annual Debt Service incurred with respect to the construction costs of the Capital Improvement Program.

*Landing Fees.* During the Initial Period, a Signatory Airline pays a specified landing fee. Such fee reflects such Airline's proportionate share (based on frequency of use) of the estimated cost of the Airfield Area. After the Initial Period, a Signatory Airline pays Landing Fees computed as follows: For each Landing Fee payment period, total Landing Fees payable by such Airline is determined by multiplying the Landing Fee coefficient (calculated as explained below) for the then current Airport Fiscal Year times the Airline's total landed weight at the Airport for that period (i.e., the total Revenue Aircraft Arrivals for the period attributable to the Airline times the Maximum Landing Weight for each such arrival). The Landing Fee coefficient for any Airport Fiscal Year is calculated as follows, based on the estimated figures included in the Airport Operating Budget for such Airport Fiscal Year: (i) Total aircraft arrivals for all Signatory Airlines stated as a percentage of total aircraft arrivals for all Users of the Airport (the "frequency factor"); (ii) Total gross landed weight (i.e., total aircraft arrivals times Maximum Landing Weight for each such arrival) for all Signatory Airlines stated as a percentage of total gross landed weight for all Users of the Airport (the "weight factor"); (iii) The total costs and expenses properly allocable to the Airfield Area Cost Center under the Airport Operating Budget is then multiplied by the expression  $[.35 \times \text{weight factor} + .65 \times \text{frequency factor}]$ , to arrive at the Signatory Airlines' total share of such costs and expenses (the "allocable cost"); (iv) The allocable cost is divided by the total landed weight for all Signatory Airlines, to arrive at the Landing Fee coefficient.

*Baggage Claim Area Charge.* During the term of its Operating Agreement, a Signatory Airline Pays a baggage claim area charge determined as follows: The total square footage of the Baggage Claim Area is multiplied by the cost per square foot of Terminal Building space. The portion of such cost allocated to and payable by such Airline is calculated as follows: Twenty percent (20%) of the total costs allocable to the Baggage Claim Area is divided equally among all Users of the Baggage Claim Area and the remaining eighty percent (80%) of such costs is allocated to such Users in proportion to the number of enplaning passengers attributable to each User as a percentage of the total number of enplaning passengers attributable to all Users, for the preceding month. Such charge is based on the estimated number of enplaning passengers

included in the Airport Operating Budget for the period, and is adjusted monthly as final figures become available.

*Apron Area Rentals.* After the Initial Period, such Airline pays an Apron Area Rental determined as follows: The total Operating Expenses properly allocable to the Apron Area Cost Center for such period is divided by the linear feet of the Apron Area. The cost per linear foot so calculated is then multiplied by the total linear feet of Apron Area space to be leased by the Airline during such period.

### **Payment of Rents, Fees and Charges**

A Signatory Airline transmits to the State (1) on the first day of each month that portion of the Terminal Building Rentals and Apron Area Rentals equal to one-twelfth (1/12) of the annual charge for the then current Airport Fiscal Year and (2) on the fifteenth day of each month payment for the preceding month's Landing Fees. A Signatory Airline pays its Baggage Claim Area Charge the first day of each month.

### **Reports**

A Signatory Airline submits to the State on the 15<sup>th</sup> day of each month a report which includes (i) the Revenue Aircraft Arrivals by type of aircraft and (ii) the number of enplaning passengers, for such preceding month. In addition, within 120 days prior to the commencement of each Airport Fiscal Year, a Signatory Airline provides the State with an estimate of its total landed weight for the next ensuing Airport Fiscal Year. This information is used by the State in establishing a Signatory Airline's Landing Fees and Baggage Claim Area Charge.

### **Adoption of Operating Budget**

Within ninety days prior to the beginning of each Airport Fiscal Year beginning with the Airport Fiscal Year commencing July 1, 1983, the State is to provide the Signatory Airlines with a copy of its proposed Airport Operating Budget for such ensuing Airport Fiscal Year, which proposed Airport Operating Budget is to incorporate (i) a schedule of rates, rents, fees and charges for such Airport Fiscal Year, and (ii) estimates made by the State of total arrivals, total Revenue Aircraft Arrivals and total enplaning passengers for each Signatory Carrier and for all Users, for such Airport Fiscal Year. Each Signatory Airline is to review such proposed Airport Operating Budget and provide its comments to the State within sixty days prior to the beginning of the ensuing Airport Fiscal Year. Within forty-five days prior to the beginning of each such Airport Fiscal Year, if the Signatory Airlines (or any of them) has an unresolved dispute with the State regarding the Airport Operating Budget, then such Signatory Airline or Airlines is or are entitled to meet with the Commissioner of Transportation of the State to discuss such disagreement. If, after such a meeting, a Majority-in-Interest of the Signatory Airlines does not approve the resulting proposed schedule of rates, rentals, fees and charges within thirty-five days prior to the beginning of the Airport Fiscal Year, the State may do one of the following: (a) it may adjust the rates, rentals, fees and charges to a point where a Majority-in-Interest of the Signatory Airlines approves thereof, or (b) it may adopt said schedule of rates, rentals, fees and charges and collect the same from the Signatory Airlines. Pending a final determination in any

action or proceeding brought by or on behalf of any or all of the Signatory Airlines challenging such rates, rentals, fees or charges, each Signatory Airline will make payment at the rates established by the State and the State agrees to cause the increment between the prior rates, rents, fees and charges and the invoiced rates, rents, fees and charges to be held in escrow in an interest-bearing account pending the aforesaid final determination. The principal so deposited in escrow will be paid to the State and/or the Signatory Airline or Airlines in accordance with the terms of said final determination, and the earnings on said amount are to be paid to the State and/or the Signatory Airline or Airlines on a pro rata basis in accordance with the division of the escrowed principal.

### **Operating Expenses in Excess of Amounts Budgeted**

A Signatory Airline is to pay its properly allocable share of any items, other than Capital Improvements, which were not included in the then current Airport Operating Budget, without such items having been approved by a Majority-in-Interest if such expenditure is to pay for an emergency repair which, if not made, would have the effect of closing the Airport to scheduled airlines' flight operations within forty-eight hours; or will not exceed certain specified dollar limits with respect to each of the Terminal Building, Airfield and Apron Areas; or are extraordinary snow and ice removal expenses.

### **Annual Carry Forward of Expense Surpluses and Deficits**

If in any Airport Fiscal Year the State fails through the imposition of its rates, rents, fees and charges to recover the full amount of the costs properly allocable to each Airline during such Airport Fiscal Year on account of its use of the facilities of the Airport, then the State is entitled to carry forward the amount of this deficit as an additional item of allocable cost in computing the schedule of rates, rents, fees and charges for the Airport Fiscal Year next following the Airport Fiscal Year during which the final Airport Audit is received which reflects such deficit. Conversely, if in any Airport Fiscal Year the State recovers through the imposition of its rates, rents, fees and charges revenues exceeding the full amount of the costs properly allocable to a Signatory Airline during such Airport Fiscal Year on account of its use of the facilities of the Airport, then the State is required to carry forward the amount of this surplus as an offset to allocable costs in computing the schedule of rates, rents, fees and charges for the Airport Fiscal Year next following the Airport Fiscal Year during which the final Airport Audit is received which reflects such surplus.

### **Capital Improvements**

*Limitation on total costs of Capital Improvement Program.* If, upon the receipt of final bids with respect to the Capital Improvement Program (or any portion thereof), the lowest responsible bid or bids for such Construction Costs exceeds the estimate as set forth in the Operating Agreement, then the State will negotiate with the Signatory Airlines (or any of them) during the two-week period following receipt of such bid or bids and will use its best efforts to modify the Capital Improvement Program or reduce the Construction Costs represented by such lowest bid or bids until such costs are within the estimates set forth in the Use Agreement. Prior to agreeing to any change order with respect to the acquisition or construction of the Capital

Improvement Program which would cause the Construction Costs attributable to the portion of the Capital Improvement Program to which such change order applies to exceed the estimate set forth in the Operating Agreement, the State is to negotiate with the Signatory Airlines (or any of them) during a period of five business days immediately following the receipt by the Signatory Airlines of notice of the proposed change order with respect to the necessity for such change order, and to use its best efforts to modify the Capital Improvement Program or reduce the Construction Costs represented by such change order until such Construction Costs are within the estimates set forth in the Operating Agreement.

*Recovery of Capital Improvement Costs Under Rates, Rentals, Uses and Charges.* The State may take into account all properly allocable costs and expenses incurred in effecting the Capital Improvement Program at the Airport in determining the schedule of rates, rents, fees and charges applicable to each Signatory Airline. However, with respect to all other Capital Improvements, no such cost or expense may be charged to an Airline *unless*, within fifty days of being formally notified of a proposed Capital Improvement (either by distribution of a proposed Capital Improvement Budget or otherwise), a Majority-in-Interest of the Signatory Airlines approves such Capital Improvement. This limitation, however, does not apply to (1) Capital Improvements required by law, (2) Capital Improvements involving the repair of casualty damage to Airport property the cost of which exceeds the proceeds of applicable insurance, provided that the reconstruction or replacement of such damaged property is required in order to fulfill a contractual obligation of the State, or, if determined to be economically feasible, to maintain a source of revenue to the State, (3) Capital Improvements involving a special facility which a Signatory Airline or a third party has agreed in writing to lease from the State and with respect to which such Signatory Airline or third party will pay rentals to the State sufficient to permit such special facility to be administered, operated, maintained and repaired without affecting the Operating Expenses allocable to the Signatory Airlines, and (4) certain other Capital Improvements provided their costs remain within certain specified dollar limits.

### **Revenues to Remain at Airport**

The State has agreed that during the term of the Operating Agreements the Airport Revenues will not be applied except for Airport purposes, including without limitation, the administration, operation, maintenance and repair of the Airport, the retirement and redemption of the Bonds and the financing of Capital Improvements authorized pursuant to the Operating Agreements.

### **Default**

Upon failure of a Signatory Airline to pay its rates, rents, fees or charges or to keep any of its covenants and agreements, and its failure to cure such default within thirty days after it receives notice of its default, the State may terminate its Operating Agreement, enter and take possession of such Airline's property located on the demised premises, and dispose of such property by sale.

### **State's Right to Terminate**

The State may declare an Operating Agreement terminated in its entirety upon or after the happening of any one or more of the following events: (1) The filing by the Signatory Airline of a voluntary petition in bankruptcy or any assignment for the benefit of creditors of all or any part of such Airline's assets; (2) The adjudication of such Airline as a bankrupt pursuant to any involuntary bankruptcy proceedings; (3) The taking of jurisdiction by a court of competent jurisdiction of such Airline or its assets pursuant to proceedings brought under the provisions of any Federal reorganization act; (4) The appointment of a receiver or trustee of such Airline's assets by a court of competent jurisdiction or a voluntary agreement with such Airline's creditors; or (5) The voluntary abandonment by such Airline of the conduct of its air transportation business at the Airport.

### **Signatory Airline's Right to Terminate**

A Signatory Airline may declare its Operating Agreement terminated in its entirety upon or after the happening of any one of the following events: (1) The issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of said Airport or of any part thereof for airport purposes and the remaining in force of such injunction for a period of at least sixty (60) days; (2) The breach by the State of any of the covenants or agreements contained in the Operating Agreement and the failure of the State to remedy such breach within sixty (60) days; (3) The inability of such Airline to use its demised premises and the Airport facilities for a longer period than ninety (90) days due to war, earthquake or acts of God; (4) The erection of any obstacle on or in the vicinity of the Airport which would occasion a modification of such Airline's air carrier operating certificate or similar authorizations establishing minimum safety standards for the operations of such Airline; (5) Any action of any governmental authority, board, agency or officer having jurisdiction thereof preventing such Airline from conducting its air transport business at the Airport by the taking, directly or indirectly, in whole or a substantial part, of the demised premises or premises required for actual operation of such Airline's aircraft to and from the Airport; (6) The taking through the process of eminent domain of all or a substantial part of the premises and space leased by the Airline; (7) Any action or inaction of any governmental authority, board, agency or officer having jurisdiction thereof preventing such Airline from conducting its air transport business at the Airport; provided, however, that such Airline is not deemed to have been prevented from conducting its air transport business at the Airport by reason of commercial impracticability resulting from any such governmental action or inaction.

### **Annual Audit**

The State is to have an Airport Audit conducted annually at its own expense and to make such audit available to a Signatory Airline for execution.

### **Assignment and Subletting**

A Signatory Airline may not assign the Operating Agreement or any part thereof or sublet the premises or any part thereof leased under such Operating Agreement, without the prior

written approval of the State, except to a successor upon merger, consolidation or reorganization or voluntary sale or transfer of substantially all of its assets.

### **Insurance**

A Signatory Airline agrees to secure and maintain for the duration of its Operating Agreement, the following insurance policies naming the State as an additional insured: \$50,000,000 single limit for all damages arising out of bodily injuries or death of one or more persons in any one accident or occurrence and \$50,000,000 single limit for all damages arising out of injury to or destruction of property in any one accident or occurrence.

### **Other Provisions**

The Operating Agreements include other provisions including without limitation, agreements regarding the operation and maintenance of the Airport, damage or destruction of buildings, indemnification, and compliance with federal and State statutes, regulations and orders.

**APPENDIX D**  
**Summaries of Principal Financing Documents**

**D-1 Bradley International Airport 2001 Indenture**

**SUMMARY OF CERTAIN PROVISIONS OF THE 2001 INDENTURE**

*The following statements are summaries of certain provisions of the Trust Indenture dated as of March 1, 2001, as supplemented (as used in this Appendix D-1, the "2001 Indenture"), in connection with the issuance of the Bonds (as used in this Appendix D-1, the "Series 2001 Bonds"). All such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the 2001 Indenture.*

**Definitions of Certain Terms**

The following are definitions of certain terms used in the 2001 Indenture:

"*Accounts*" means any of the accounts created by or referred to in the 2001 Indenture, including any sub-accounts therein.

"*Accreted Value*" means, with respect to each Compound Interest Bond, the principal amount of such Compound Interest Bond, plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Compound Interest Bond, and, with respect to any calculation on a date other than a compounding date, the Accreted Value means the Accreted Value as of the preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Compound Interest Bond.

"*Act*" means C.G.S. Chapter 266a, as amended, as the same may be amended from time to time.

"*Additional Bonds*" means Bonds, other than the Series 2001 Bonds, issued after the date of the Series 2001 Bonds pursuant to the 2001 Indenture. The term "Additional Bonds" includes Senior Lien Bonds, Subordinate Lien Bonds and Hybrid Bonds.

"*Additional Interest*" means, for any period during which any Pledged Bonds are owned by a Credit Issuer pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal principal amount of Bonds at the Bond Rate.

"*Airlines*" means all of the air transportation companies now or hereafter entering into Operating Agreements.

"*Airport*" means Bradley International Airport and all related improvements and facilities now in existence and as hereafter acquired, added, extended, improved and equipped and will include (i) any property or facilities purchased with funds of, or revenues derived from, Bradley International Airport, and (ii) any other property or facilities allocated by the State or

otherwise to Bradley International Airport; less any portion thereof sold or otherwise disposed of pursuant to the 2001 Indenture.

*"Airport Consultant"* means a firm of consultants experienced in the planning, management or financial feasibility of airports or airport-related projects and having a nationally recognized reputation for such work, which has been retained by the State or whose selection has been approved by the State.

*"Annual Operating Budget"* means the annual operating budget of the State relating to the Operating Expenses of the Airport, adopted or in effect for a particular Fiscal Year.

*"Authorized Officer"* or *"Authorized Officers"* means any person or persons specifically authorized to take on behalf of the State the action intended, and if there is no such specific authorization, will mean the Treasurer or the Commissioner; provided that, unless the Trustee is otherwise advised by an Authorized Officer, the Bureau Chief of the Bureau of Aviation and Ports of the Department of Transportation, or his designated delegate, will be authorized to execute and deliver requisitions for disbursements from the accounts of the Construction Fund in accordance with the 2001 Indenture and the applicable provisions of a Supplemental Indenture.

*"Balloon Bonds"* means any series of Bonds 25% or more of the original principal amount of which (i) is due in any 12-month period or (ii) may, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid in any 12-month period; provided that, in calculating the principal amount of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount will be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

*"Balloon Date"* means any Principal Maturity Date or Put Date for Balloon Bonds in a Balloon Year.

*"Balloon Year"* means any 12-month period in which more than 25% of the original principal amount of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid.

*"Beneficiaries"* means the holders of any Bonds and the parties to Contracts (other than the State).

*"Bond Counsel"* means any firm of nationally recognized counsel experienced in matters relating to tax-exempt financing retained by the State.

*"Bond Insurance Policy"* means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 2001 Bonds. The Bond Insurance Policy shall be a "Credit Facility" for purposes of the 2001 Indenture.



*"Bond Insurer"* means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, as issuer of the Bond Insurance Policy. The Bond Insurer shall be a "Credit Issuer" for purposes of the 2001 Indenture.

*"Bond Rate"* means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

*"Bond Register"* or *"Register"* means the registration books maintained and to be maintained by the Bond Registrar for registration and transfer of Bonds pursuant to the 2001 Indenture.

*"Bond Registrar"* means any bank or trust company designated as such by the State in the 2001 Indenture with respect to any of the Bonds. Such Bond Registrar will perform the duties required of the Bond Registrar in the 2001 Indenture.

*"Bond Service Account"* means the Bond Service Account within the Debt Service Fund established by the 2001 Indenture.

*"Bonds"* means any revenue bonds authorized by and authenticated and delivered pursuant to the 2001 Indenture, including the Series 2001 Bonds and any Additional Bonds.

*"Business Day"* means any day of the year, other than a Saturday or Sunday, or a day on which banks located in the cities in which the principal offices of the Trustee and any Paying Agent are located and in Hartford, Connecticut are legally authorized to be closed, and on which the Trustee and the Paying Agent are open.

*"Capitalized Interest Account"* means the Capitalized Interest Account within the Debt Service Fund established by the 2001 Indenture.

The term *"category"* or *"category of Revenues"* means an objectively definable portion of Revenues related to a particular type of service, activity or facility, including the categories of General Revenues, PFC Revenues, Released Revenues and Special Purpose Revenues and subcategories within such categories. A "category of Revenues," unless otherwise determined by the State, includes Investment Earnings or other moneys in funds or amounts derived from such portion of Revenues.

*"Code"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

*"Commissioner"* means the Commissioner of the Department of Transportation, or his authorized designee.

*"Commitment,"* when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Bonds on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

*"Compound Interest Bonds"* means Bonds that bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

*"Construction Fund"* means the Construction Fund established by the 2001 Indenture.

*"Construction Period"* means the period between the beginning of the acquisition, construction and installation of the Project to be financed from the proceeds of any series of Bonds, and the date of completion thereof, as evidenced in accordance with the 2001 Indenture.

*"Contracts"* means all Credit Facility Agreements, including any related Reimbursement Obligations, all agreements with respect to Reserve Account Credit Facilities, including any related Reimbursement Obligations, all Qualified Hedge Agreements and any agreement made pursuant to the 2001 Indenture.

*"Cost of Issuance Fund"* means the Cost of Issuance Fund (including the Series 2001A Account and the Series 2001B Account therein) established by the 2001 Indenture.

*"Costs,"* with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, install or otherwise implement the Project, including improvements to another Project, and will include, but will not be limited to, the following costs and expenses relating to such Project and the reimbursement to the State for any such items previously paid by the State, all to the extent permitted by the Act:

- (i) the cost of all lands, real or personal properties, rights, easements and franchises acquired;
- (ii) the cost of all financing charges and interest prior to and during construction and for up to six months after completion of construction (or such longer period as may be permitted by State law);
- (iii) the cost of the acquisition, construction, reconstruction, implementation, installation or equipping of the Project;
- (iv) the cost of engineering, architectural, planning, development and supervisory services, fiscal agents' and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expenses, and such other expenses as may be necessary or incident to any financing with Bond proceeds;
- (v) the cost of placing the Project in operation;
- (vi) the cost of condemnation of property necessary for construction, implementation and operation;
- (vii) the costs of issuing any Bonds to finance the Project; and

(viii) any other costs which may be incidental to the Project prior to completion and implementation.

*"Credit Facility"* means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution that is used by the State to perform one or more of the following tasks: (i) enhancing the State's credit by assuring owners of any of the Bonds that principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Indenture; or (iii) remarketing any Bonds so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Bonds). The term "Credit Facility" will not include a Reserve Account Credit Facility.

*"Credit Facility Agreement"* means an agreement between the State and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility and may include a related Reimbursement Obligation. The term "Credit Facility Agreement" will not include an agreement with respect to a Reserve Account Credit Facility.

*"Credit Issuer"* means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term "Credit Issuer" will not include any Reserve Account Credit Facility Provider. Whenever in the 2001 Indenture the consent of the Credit Issuer is required, such consent will only be required from the Credit Issuer whose Credit Facility is issued with respect to the Bonds for which the consent is required.

*"Debt Service Fund"* means the Debt Service Fund established by the 2001 Indenture.

*"Debt Service Requirements"* means the total principal and interest coming due, whether at maturity or upon mandatory redemption, in any specified period, provided:

(i) If any Bonds Outstanding or proposed to be issued will bear interest at a Variable Rate, including Hedged Bonds if the interest thereon calculated as set forth below is expected to vary and Bonds secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period will be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the State, either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Advisor.

(ii) If any Compound Interest Bonds are Outstanding or proposed to be issued, the total principal and interest coming due in any specified period will be determined in accordance with the Supplemental Indenture authorizing such Compound Interest Bonds.

(iii) With respect to any Bonds secured by a Credit Facility, the Debt Service Requirements therefor will include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding amount of any Reimbursement Obligation and interest thereon, (3) any Additional Interest owed on Pledged Bonds, and (4) any remarketing agent fees: provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Bonds, (b) the Reimbursement Obligation provides for payments by the State or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer, upon the execution of the Credit Facility Agreement, would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Bonds as Hedged Bonds, then interest on such Bonds will be calculated by adding (x) the amount of interest payable on such Bonds pursuant to their terms and (y) the amount of payments for interest to be made by the State under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the State or as interest on such Bonds as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Bonds will be calculated as if there were no Credit Facility.

(iv) With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder will be calculated by adding (x) the amount of interest payable by the State on such Hedged Bonds pursuant to their terms and (y) the amount of Hedge Payments payable by the State under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the State on the related Hedged Bonds will be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (*i.e.*, which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") will be computed by assuming that the variables comprising the calculation (*e.g.*, indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(v) For the purpose of calculating the Debt Service Requirements on Balloon Bonds (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation, such bonds will be assumed

to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which will be the interest rate certified by a Financial Advisor to be the interest rate at which the State could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however, that if the maturity of such Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Bonds will be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Bonds to maturity (including the Commitment) and at the interest rate applicable to such Bonds. For the purpose of calculating the Debt Service Requirements on Balloon Bonds (a) which are not subject to a Commitment and (b) which have a Balloon Year commencing within 12 months from the date of calculation, the principal payable on such Bonds during the Balloon Year will be calculated as if paid on the Balloon Date.

(vi) The principal of and interest on Bonds, amounts for interest under a Credit Facility and Hedge Payments will be excluded from the determination of the Debt Service Requirements to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in a fund under the 2001 Indenture; provided that, such amounts on deposit will not be taken into account and such exclusion will not apply during any Forecast Period established for purposes of meeting the requirements to issue Additional Senior Lien Bonds under the 2001 Indenture.

*"Debt Service Reserve Account"* means the Debt Service Reserve Account (including the Series 2001A Subaccount and the Series 2001B Subaccount therein) within the Debt Service Fund established by the 2001 Indenture.

*"Debt Service Reserve Requirement"* means, with respect to any series of Bonds for which a subaccount in the Debt Service Reserve Account has been established, such amount as is designated in the Supplemental Indenture for that series of Bonds as the required balance for that subaccount. The Debt Service Reserve Requirement for the Series 2001A Bonds will be an amount equal to the Maximum Annual Debt Service Requirement on the Series 2001A Bonds. The Debt Service Reserve Requirement for the Series 2001B Bonds will be an amount equal to 10% of the par amount of the Series 2001B Bonds.

*"Department of Transportation"* means the Department of Transportation of the State.

*"Depository"* means the depository of each fund established under the 2001 Indenture, and any successor depository of such fund hereafter designated by the State from time to time by Supplemental Indenture.

*"DTC"* means The Depository Trust Company (a limited purpose trust company), New York, New York, until any successor depository will have become such pursuant to the applicable provisions of the 2001 Indenture and, thereafter, "DTC" will mean the successor depository. Any

such depository will be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interests in Bonds, and to effect transfers of beneficial interests in the Bonds, in a book entry form.

*"Escrow Deposit Agreement"* means the Escrow Deposit Agreement, dated as of March 1, 2001, between the State and the trustee for the Series 1992 Bonds relating to the refunding, defeasance and redemption of the Refunded Series 1992 Bonds.

*"Event of Default"* means any of the events defined as such in the 2001 Indenture.

*"Favorable Opinion of Bond Counsel"* means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Counsel, which will be a Bond Counsel, to the effect that such action is permitted under the Act and the 2001 Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from taxation under the laws of the State (to the extent those Bonds were issued on the basis that the interest thereon was excluded from gross income for purposes of federal income taxation and/or exempt from State taxation and subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

*"Financial Advisor"* means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the State for the purpose of passing on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the State, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

*"First Supplemental Indenture"* means the First Supplemental Trust Indenture, dated as of March 1, 2001, between the State and the Trustee, supplementing the 2001 Indenture, authorizing the Series 2001 Bonds.

*"Fiscal Year"* means the Fiscal Year of the Airport, currently beginning on July 1 and ending June 30 in each year, as designated by the Department of Transportation or the State pursuant to the Act.

*"Fitch"* means Fitch, Inc., or, if such entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

*"Forecast Period"* means the first complete Fiscal Year beginning after the later of (i) the Fiscal Year in which any proposed Additional Bonds are to be issued or (ii) the Fiscal Year in which any Project to be financed with the proceeds of any proposed Additional Bonds is expected to be completed.

*"Funds"* means any of the funds created by or referred to in the 2001 Indenture, including any accounts and sub-accounts therein.

*"General Airport Fund"* means the General Airport Fund (including the Deposit Account therein) established by the 2001 Indenture.

*"General Revenue Account"* means the General Revenue Account within the Revenue Fund established by the 2001 Indenture.

*"General Revenue Bonds"* means Bonds secured by a Senior Lien on General Revenues, including the Series 2001 Bonds. General Revenue Bonds will be subordinate in right of payment to the Series 1992 Bonds.

*"General Revenue Enhancement Account"* means the General Revenue Enhancement Account within the Revenue Fund established by the 2001 Indenture.

*"General Revenue Facilities"* means the Airport, including PFC Facilities, but not including Special Purpose Facilities and Released Revenue Facilities.

*"General Revenues"* means all Revenues other than PFC Revenues, Special Purpose Revenues and Released Revenues.

*"Government Loans"* means loans to the State by the government of the United States or by any department, authority, or agency thereof for the purpose of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the Airport.

*"Government Obligations"* means (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P, or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above the full and timely payment of which securities receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States. In the event that, at any time, there are no obligations then existing which qualify as "Government Obligations," then the State may specify alternative obligations to be used in lieu of "Government Obligations" for purposes of the 2001 Indenture, provided that (i) each Credit Issuer with a Credit Facility then in effect with respect to any Bonds affected thereby consents to such substitution and (ii) each Rating Agency with a Rating then in effect with respect to any Bonds affected thereby indicates in

writing to the State that such substitution will not, by itself, result in a reduction or withdrawal of such Rating.

*"Hedge Agreement"* means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the State determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

*"Hedged Bonds"* means any Bonds for which the State will have entered into a Qualified Hedge Agreement.

*"Hedge Payments"* means amounts payable by the State pursuant to any Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

*"Hedge Period"* means the period during which a Hedge Agreement is in effect.

*"Hedge Receipts"* means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

*"Holder"* or *"Holder of a Bond"* or *"Bondholder"* means the Person in whose name a Bond is registered on the Register.

*"Hybrid Bonds"* means Bonds which are not Subordinate Lien Bonds and either (i) have no Senior Lien on any Revenues, (ii) have no lien on any Revenues or (iii) have a Senior Lien on some Revenues in addition to a Subordinate Lien on some Revenues.

*"Improvement Fund"* means the Improvement Fund (including the Deposit Account therein) established by the 2001 Indenture.

*"Independent Certified Public Accountant"* means a firm of certified public accountants which are "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accounts, of recognized standing, and which does not devote its full time to the State (but which may be regularly retained by the State).

*"Interest Payment Date"* means each date on which interest is to become due on any Bonds, as established in the Supplemental Indenture for such Bonds.



*"Investment Earnings"* means all interest received on and profits derived from investments made with Revenues or any other moneys in the funds and accounts established under the 2001 Indenture.

*"Maximum Annual Debt Service Requirement"* for a series of Bonds means the largest Debt Service Requirements for such series during any Fiscal Year after the date of calculation.

*"Moody's"* means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

*"Net Revenues"* means, for each category of Revenues, Revenues net of related Operating Expenses; provided that *"Net General Revenues"* means General Revenues net of all Operating Expenses of the Airport (other than Operating Expenses with respect to Special Purpose Facilities and Released Revenue Facilities) and includes all amounts in the General Revenue Enhancement Account.

*"Operating Agreements"* means, collectively, all agreements as in effect from time to time between the State or the Airport and any tenants or users of the Airport for the use of Airport facilities, including, but not limited to, airlines, rental car companies and providers of retail or other commercial services.

*"Operating Expenses"* means all expenses reasonably incurred in connection with the administration, operation, maintenance and repair of the Airport, including without limitation salaries, wages, the cost of materials, services and supplies, rentals of leased property, if any, management fees, utility costs, taxes and payments in lieu of taxes, the cost of audits, Paying Agent's and Bond Registrar's fees, payment of premiums for insurance required by the 2001 Indenture and other insurance which the State deems prudent to carry on the Airport and its operations and personnel, and, generally, all expenses which are properly allocable to the operation and promotion of the Airport. *"Operating Expenses"* does not include any payments on Bonds, Contracts (including continuing commissions or commitment fees, remarketing agent fees, Additional Interest or amounts equivalent to principal on related Bonds) or Other Airport Obligations, any capital expenditures or related depreciation or amortization thereon or any deposits required to be made to the funds and accounts established under the 2001 Indenture. *"Operating Expenses"* are to be calculated on an accrual basis. To the extent Operating Expenses are allocable to particular related facilities, a lien on the portion of Revenues related thereto will not provide a claim on such Revenues ahead of the use thereof for payment of such allocable Operating Expenses.

*"Opinion of Counsel"* means a written legal opinion from an attorney or a firm of attorneys experienced in the matters to be covered in the opinion.

*"Other Airport Obligations"* means obligations of any kind, including but not limited to, Government Loans, revenue bonds, capital leases, Hedge Agreements which are not Qualified Hedge Agreements, installment purchase agreements or notes (but excluding Bonds and

Contracts), incurred or issued by the State to finance or refinance the cost of acquiring, constructing, reconstructing, improving, bettering or extending any part of the Airport or any other cost relating to the Airport, which do not have a lien on any category of Revenues, except pursuant to the 2001 Indenture.

*"Outstanding"* means, when used in reference to the Bonds, all Bonds that have been duly authenticated and delivered under the 2001 Indenture, with the exception of (a) Bonds in lieu of which other Bonds have been issued to replace lost, mutilated, stolen or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the 2001 Indenture, and (c) Bonds for the payment of which provision has been made in accordance with the 2001 Indenture. In determining the principal amount of Compound Interest Bonds Outstanding under the 2001 Indenture, the Accreted Value of such Compound Interest Bonds at the time of determination will be used.

The term *"parity"* or *"parity secured"* when applied to two or more series of Bonds means each such series of Bonds has a lien of equal rank on the same category of Revenues; provided the existence of an additional lien on a different category of Revenues securing one or more series of such Bonds does not prevent such one or more series from being *"parity secured"* with the other Bonds with respect to the category of Revenues on which they have liens of equal rank.

*"Parking Lease"* means the Construction, Financing and Operating Special Facility Lease Agreement, dated as of March 1, 2000, between the State and APCOA Bradley Parking Company, LLC, as the same may be amended from time to time, relating to the parking facilities at the Airport.

*"Paying Agent"* means any bank or trust company authorized by the State pursuant to the 2001 Indenture to pay the principal of, premium, if any, or interest on any Bonds on behalf of the State. Such Paying Agent will perform the duties required of the Paying Agent in the 2001 Indenture.

*"Payments Account"* means the Payments Account within the Debt Service Fund established by the 2001 Indenture.

*"Permitted Investments"* means to the extent permitted by law:

- (a) such obligations, securities and investments as are set forth in Section 3-20(f) of the Connecticut General Statutes, as the same may be amended from time to time, or any subsequent statutory provision applicable to the State or the Airport;

- (b) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes, as amended by Section 14 of the Public Act No. 84-254, or any successor provision; and

(c) participation certificates in the Tax-Exempt Proceeds Fund created and existing under Section 3-24a et seq. of the Connecticut General Statutes, as the same may be amended from time to time.

*"Person" or "person"* means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, authority, government or agency or political subdivision thereof.

*"PFC Act"* means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, as amended from time to time.

*"PFC Component"* means that portion of the Debt Service Requirements on the Series 2001A Bonds allocated to the PFC Facilities and expected to be paid from PFC Revenues.

*"PFC Coverage Account"* means the PFC Coverage Account within the PFC Revenue Fund established by the 2001 Indenture.

*"PFC Escrow Account"* means the PFC Escrow Account within the PFC Revenue Fund established by the 2001 Indenture.

*"PFC Facilities"* means facilities for the construction and implementation of which the Airport has received approval to expend PFC Revenues under the PFC Act, including facilities financed with PFC Revenue Bonds.

*"PFC Regulations"* means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

*"PFC Revenue Bonds"* means Bonds secured by a Senior Lien on PFC Revenues.

*"PFC Revenue Fund"* means the PFC Revenue Fund established by the 2001 Indenture.

*"PFC Revenues"* means all income and revenue received by or required to be remitted to the State or the Airport from the passenger facility charges imposed by the State at the Airport pursuant to the PFC Act and the PFC Regulations, including any interest earned after such charges have been remitted to the State or the Airport as provided in the PFC Regulations, all of which may be pledged pursuant to the PFC Act and PFC Regulations §158.13.

*"Pledged Bond"* means any Bond purchased and held by a Credit Issuer pursuant to a Credit Facility Agreement. A Bond will be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Issuer pursuant to a Credit Facility Agreement.

*"Pledged Bond Rate"* means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

*"Pledged Revenues"* means all Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the following funds and accounts: (i) the Revenue Fund, including the General Revenue Account and the General Revenue Enhancement Account, but excluding the Released Revenue Account and amounts in the

Revenue Fund required to be used to pay Operating Expenses, (ii) the PFC Revenue Fund, including the PFC Coverage Account, but excluding the PFC Escrow Account, (iii) the Debt Service Fund, including the Bond Service Account, the Payments Account, the Capitalized Interest Account and the Debt Service Reserve Account, (iv) the Construction Fund, including the Series 2001 Project Account, and (v) the Cost of Issuance Fund, including the Series 2001A Account and the Series 2001B Account. In addition to the exclusions identified in the preceding sentence, "Pledged Revenues" does not include (i) moneys and securities from time to time on deposit in the General Airport Fund, including the Deposit Account therein, (ii) moneys and securities from time to time on deposit in the Improvement Fund, including the Deposit Account therein, and (iii) any amounts required in the 2001 Indenture to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Account. In accordance with the PFC Act and the PFC Regulations, the use of PFC Revenues is limited to the allowable costs of PFC Facilities.

The term "*principal*" means the principal amount of any Bond and includes the Accreted Value of any Compound Interest Bonds. All references to principal will be construed as if they were also references to Accreted Value with respect to Compound Interest Bonds.

"*Principal Maturity Date*" means each date on which principal is to become due on any Bonds, by maturity or mandatory sinking fund redemption, as established in the Supplemental Indenture for such Bonds.

"*Prior Indenture*" means the Indenture of Trust, dated as of October 1, 1982, as supplemented by the First Supplemental Indenture, dated as of August 1, 1989, between the State and State Street Bank and Trust Company, as successor trustee, relating to the Series 1992 Bonds.

"*Project*" means the acquisition, construction, reconstruction, improvement, betterment, extension, implementation or equipping of the Airport and, as described in the 2001 Indenture, any specific capital facilities or group of related capital projects at the Airport, in each case, financed, in whole or in part, with the proceeds of any Bonds.

"*Put Date*" means any date on which a Bondholder may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid.

"*Qualified Hedge Agreement*" means any Hedge Agreement with a Qualified Hedge Provider.

"*Qualified Hedge Provider*" means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the third highest Rating category of each Rating Agency, but, if there is no Credit Facility with respect to the related Hedged Bonds, in no event lower than any Rating on the related Hedged Bonds at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating categories which each Rating Agency indicates in writing to the State will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Bonds that is in effect prior to entering into the

Hedge Agreement. An entity's status as a "Qualified Hedged Provider" is determined only at the time the State enters into a Hedge Agreement with such entity and cannot be redetermined with respect to that Hedge Agreement.

*"Rating"* means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses and numerical gradations.

*"Rating Agencies"* or *"Rating Agency"* means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the State. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies will not include such Rating Agency.

*"Rebate Account"* means the Rebate Account established by the 2001 Indenture.

*"Refunded Series 1992 Bonds"* means that portion of the outstanding Series 1992 Bonds to be refunded with the proceeds of the Series 2001B Bonds, as specified in the Escrow Deposit Agreement.

*"Regular Record Date"* means, as to each series of Bonds, each of the dates designated as a Regular Record Date in the applicable Supplemental Indenture.

*"Reimbursement Obligation"* means the obligation of the State to directly reimburse any Credit Issuer for amounts paid under a Credit Facility or any Reserve Account Credit Facility Provider for amounts paid under a Reserve Account Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer's fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer's payments based on such variables.

The term *"related"* means, when used to refer to Bonds, subaccounts, category of Revenues or liens, the item modified by such term has a definite relationship to the subject as described in the 2001 Indenture. The term *"related"* means, when used to refer to Operating Expenses, (i) for Special Purpose Revenue Bonds or Special Purpose Revenues, Operating Expenses with respect to Special Purpose Facilities, (ii) for Released Revenue Bonds or Released Revenues, Operating Expenses with respect to Released Revenue Facilities and (iii) for General Revenue Bonds or General Revenues, all Operating Expenses of the Airport less Operating Expenses with respect to Special Purpose Facilities and Released Revenue Facilities. There are no Operating Expenses related to PFC Revenues or PFC Revenue Bonds.

*"Released Revenue Account"* means the Released Revenue Account within the Revenue Fund established by the 2001 Indenture.

*"Released Revenue Bonds"* means Bonds secured by a Senior Lien on one or more categories of Released Revenues. The Series 2000 Garage Bonds are Released Revenue Bonds.

*"Released Revenue Facilities"* means the portion of the Airport with respect to which Released Revenues arise or from which they are generated, other than PFC Facilities. The parking facilities at the Airport subject to the Parking Lease are Released Revenue Facilities.

*"Released Revenues"* means particular categories of Revenues which would otherwise be General Revenues but have been identified in accordance with the 2001 Indenture and therefore do not constitute a part of General Revenues, until the State has acted to include such categories of Revenues within General Revenues again. The gross revenues derived from the parking facilities at the Airport subject to the Parking Lease initially are Released Revenues; provided that, amounts payable to the State in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport, subject to the provisions of the Prior Indenture.

*"Reserve Account Credit Facility"* means any letter of credit, insurance policy, line of credit, surety bond or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, together with any substitute or replacement therefor, if any, and related Reimbursement Obligation, if any, complying with the provisions of the 2001 Indenture, thereby fulfilling all or a portion of a Debt Service Reserve Requirement.

*"Reserve Account Credit Facility Provider"* means any provider of a Reserve Account Credit Facility.

*"Revenue Fund"* means the Revenue Fund established by the 2001 Indenture.

*"Revenues"* means (i) all revenues, income, receipts and money derived from the ownership and operation of the Airport, including without limitation all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the State, Investment Earnings and all other income received from, and gain from, securities and other investments and amounts earned on amounts deposited in funds and accounts under the 2001 Indenture or otherwise maintained with respect to the Airport, (ii) all grants from governmental units or public agencies for the benefit of the Airport which are not restricted by law or the payor to application for a particular purpose which would prevent their use for the payment of certain Bonds or Contracts, and (iii) gifts or grants which are unrestricted as to use by the grantor or donor; provided "Revenues" includes PFC Revenues. The term "Revenues" does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the State in respect of a liability or are to be used to repair or replace portions of the Airport. "Revenues" are to be calculated on an accrual basis.

*"Senior Lien"* means a lien on one or more categories of Revenues that entitles the Beneficiaries of such lien to have a claim on such Revenues prior to any other Person and ahead of the use of such Revenues for any purpose other than payment of Operating Expenses or the payment of amounts with respect to the Series 1992 Bonds; provided one or more series of Bonds, Contracts and related Beneficiaries may have parity Senior Liens on the same categories of Revenues pursuant to the terms of the 2001 Indenture. Except as otherwise specifically set forth herein, the Series 1992 Bonds will be considered to have a lien on General Revenues which is prior to the Senior Lien hereunder securing any Bonds, to the extent that such General Revenues are "Gross Operating Revenues" for purposes of the Prior Indenture.

*"Senior Lien Bonds"* means General Revenue Bonds, PFC Revenue Bonds and Released Revenue Bonds but not Subordinate Lien Bonds, provided *"Senior Lien Bonds"* also includes Additional Senior Lien Bonds issued in compliance with the 2001 Indenture and obligations secured by a Senior Lien pursuant to the 2001 Indenture. A Hybrid Bond may be a Senior Lien Bond if it has a Senior Lien on a category of Revenues but then will only be a Senior Lien Bond as to such category. Senior Lien Bonds initially will be subordinate to the Series 1992 Bonds in right of payment from General Revenues, to the extent that such General Revenues are "Gross Operating Revenues" for purposes of the Prior Indenture.

The term *"series"* means all Bonds which (i) are issued on the same date, (ii) have the same tax status (tax-exempt or taxable under the Code and subject or not subject to the alternative minimum income tax), and (iii) have the same lien status and priority with respect to each category of Revenues on which any such Bonds have a lien; as well as all Bonds delivered in lieu of or in substitution for such Bonds pursuant to provisions of the 2001 Indenture with respect to exchange, transfer and replacement (for mutilation, loss, theft or destruction) of Bonds.

*"Series 1992 Bonds"* means the State's \$94,065,000 Airport Revenue Refunding Bonds (Bradley International Airport, Series 1992) issued on September 30, 1992 and outstanding as of the date of this Official Statement in the principal amount of \$71,215,000.

*"Series 2000 Garage Bonds"* means, collectively, the State's \$47,665,000 Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000 A, dated as of March 15, 2000, and the State's \$6,135,000 Bradley International Airport Special Obligation Parking Revenue Bonds, Taxable Series 2000 B, dated as of April 1, 2000.

*"Series 2001 Bonds"* means, collectively, the Series 2001A Bonds and the Series 2001B Bonds.

*"Series 2001 Project"* means the Projects listed in the First Supplemental Indenture.

*"Series 2001 Project Account"* means the account of the Construction Fund to be funded with proceeds of Series 2001 Bonds and used to pay Costs of the Series 2001 Project.

*"Series 2001A Bonds"* means the State's Bradley International Airport General Airport Revenue Bonds, Series 2001A, in the original aggregate principal amount of \$194,000,000, issued under the First Supplemental Indenture.

*"Series 2001B Bonds"* means the State's Bradley International Airport General Airport Revenue Refunding Bonds, Series 2001B, in the original aggregate principal amount of \$19,180,000, issued under the First Supplemental Indenture.

*"Special Purpose Facilities"* means facilities located at the Airport and owned by the State for which Special Purpose Revenue Bonds are issued and which (i) will not result, upon completion, in a material reduction in Net General Revenues, (ii) will not be of such a type or design that the subsequent closing thereof (with the functions thereof not provided by a substitute facility) will materially impair the general operations of the Airport and (iii) the State has designated, either in the 2001 Indenture or by notice to the Trustee, as "Special Purpose

Facilities"; provided such facilities, if operated by the State, cease to be Special Purpose Facilities (and become General Revenue Facilities) when there are no longer any Outstanding Special Purpose Revenue Bonds related thereto. For purposes of this definition, a "material reduction" in Net General Revenues will be deemed to occur if the Net General Revenues for the first complete Fiscal Year following completion of such facilities will be either (1) more than 10% below Net General Revenues during the preceding Fiscal Year or (2) less than the amount required by Indenture.

*"Special Purpose Revenue Bonds"* means Bonds secured by a Senior Lien on Special Purpose Revenues.

*"Special Purpose Revenues"* means Revenues arising from or generated by one or more Special Purpose Facilities.

*"Special Record Date"* means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to the 2001 Indenture.

*"Standard & Poor's" or "S&P"* means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

*"State"* means the State of Connecticut.

*"Subordinate Lien"* means a lien on one or more categories of Revenues which is not a Senior Lien.

*"Subordinate Lien Bonds"* means Bonds which only have a Subordinate Lien and obligations secured by a Subordinate Lien pursuant to the 2001 Indenture.

*"Supplemental Indenture"* means an indenture supplemental to the 2001 Indenture (which indenture itself may be supplemented by one or more indentures) to be adopted prior to and authorizing the issuance and delivery of any series of Bonds, including the First Supplemental Indenture. Such an indenture as supplemented will establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Compound Interest Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, the liens relating to such Bonds, the Contracts, if any, relating to such Bonds, and such other details as the State may determine.

*"Tax-Exempt Bonds"* means any Bonds the interest on which has been determined, in an opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.



*"Term Bonds"* means Bonds which mature on one Principal Maturity Date yet a portion of which are required to be redeemed, prior to maturity, under a schedule of mandatory redemptions established by the 2001 Indenture.

*"Treasurer"* means the Treasurer of the State or, in the absence of the Treasurer, the Deputy Treasurer, or the Treasurer's designated delegate.

*"Trustee"* means State Street Bank and Trust Company, a bank and trust company organized and existing under the laws of the Commonwealth of Massachusetts, duly authorized to exercise corporate trust powers in the State of Connecticut, having a place of business in Hartford, Connecticut, until a successor Trustee will have become such pursuant to the applicable provisions of the 2001 Indenture, and thereafter "Trustee" will mean the successor Trustee.

*"2001 Indenture"* means the Trust Indenture as the same may be modified, amended or supplemented from time to time in accordance with the terms hereof, and, unless the context clearly indicates otherwise, includes any and all Supplemental Indentures.

*"Variable Rate"* means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds so long as that maturity of Bonds remains Outstanding.

## **THE 2001 INDENTURE**

*The following is a summary of certain provisions of the 2001 Indenture. Reference is made to the 2001 Indenture for the detailed provisions thereof.*

### **Security**

The Debt Service Requirements on all Bonds will be equally and ratably payable from, and secured by a pledge of and lien on, the Pledged Revenues as provided in the 2001 Indenture, except as otherwise provided with respect to the separate accounts of the Debt Service Reserve Account, and except as otherwise provided in the 2001 Indenture in connection with Subordinate Lien Bonds, Hybrid Bonds and Released Revenue Bonds.

Nothing in the 2001 Indenture will prevent payment of Debt Service Requirements on one series of Bonds from being otherwise secured and protected from sources or by property and instruments not applicable to another series of Bonds.

**The Bonds and related Contracts shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture, nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such Pledged Revenues or the receipts, funds and moneys pledged pursuant to the 2001 Indenture. The issuance of Bonds and the entering into of related Contracts pursuant to the 2001 Indenture shall not directly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds and any related Contracts shall not**

**constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the 2001 Indenture.**

Bonds issued pursuant to the 2001 Indenture will be subordinate to the Series 1992 Bonds in right of payment from General Revenues, to the extent that such General Revenues are "Gross Operating Revenues" for purposes of the Prior Indenture.

In accordance with the PFC Act and the PFC Regulations, the use of PFC Revenues is limited to the allowable costs of PFC Facilities.

### **Pledge of Revenues; Special Obligations; Contract Liens**

All Pledged Revenues are pledged to the prompt payment of the principal of, premium, if any, and interest on the Bonds, obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the 2001 Indenture and the State's obligations under the Contracts; provided:

(1) General Revenues will secure only (A) General Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on General Revenues, (C) Hybrid Bonds which have a lien on General Revenues, and (D) any related Contracts with respect to such Bonds.

(2) PFC Revenues will secure only (A) PFC Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on PFC Revenues, (C) Hybrid Bonds which have a lien on PFC Revenues, and (D) any related Contracts with respect to such Bonds. PFC Revenues also may be applied to pay the allowable costs of PFC Facilities.

(3) Special Purpose Revenues will secure only (A) the related Special Purpose Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on any related Special Purpose Revenues, (C) Hybrid Bonds which have a lien on any related Special Purpose Revenues, and (D) any related Contracts with respect to such Bonds.

(4) Released Revenues will secure only (A) the related Released Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on any related Released Revenues, (C) Hybrid Bonds which have a lien on any related Released Revenues, (D) any related Contracts with respect to such Bonds and (E) separate agreements pursuant to the 2001 Indenture.

(5) A Contract may have a Senior Lien or a Subordinate Lien on a related category of Revenues, or no lien at all on Revenues, but (A) no Contract will have a lien on Revenues that is senior to the lien on the category of Revenues securing the Bonds related to the Contract, and (B) the lien of the Contract will be on parity with the lien of the related Bonds only to the extent that the payment of principal of, premium, if any, and interest on such Bonds is made through such Contract as evidenced by Reimbursement Obligations; provided other amounts due on a Contract may be secured by a lien ranking immediately following such lien with the priority set forth in the 2001 Indenture.

(6) Notwithstanding anything else in the 2001 Indenture to the contrary, (A) payment of the Series 1992 Bonds is secured by a lien on all General Revenues, to the extent such General Revenues are "Gross Operating Revenues" for purposes of the Prior Indenture, on a basis senior at all times to the lien securing any Bonds or related Contracts, and (B) for so long as the Parking Lease is in effect, all gross parking revenues subject to the Parking Lease will be Released Revenues and will be applied as set forth in the Parking Lease and in the trust indenture and custody agreement entered into by the State in connection with the State's issuance of the Series 2000 Garage Bonds; provided that, amounts payable to the State in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport, subject to the provisions of the Prior Indenture.

Other Airport Obligations (other than obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the 2001 Indenture) will not be secured by a lien on any category of Revenues and Hybrid Bonds described in clause (ii) of the definition thereof will not have a lien on any category of Revenues, but such obligations, prior to an Event of Default, nevertheless may be paid from Revenues as described in the 2001 Indenture.

#### **Funds and Accounts**

The following funds, accounts and subaccounts with respect to the Airport are established by the 2001 Indenture and the moneys deposited in such funds, accounts and subaccounts will be held in trust for the purposes set forth in the 2001 Indenture:

(A) Bradley International Airport Revenue Fund

- (1) General Revenue Account
- (2) General Revenue Enhancement Account
- (3) Released Revenue Account

Amounts on deposit from time to time in the General Revenue Account and the General Revenue Enhancement Account will constitute Pledged Revenues.

(B) Bradley International Airport PFC Revenue Fund

- (1) PFC Coverage Account
- (2) PFC Escrow Account

Amounts on deposit from time to time in the PFC Coverage Account will constitute Pledged Revenues.

(C) Bradley International Airport Debt Service Fund

- (1) Bond Service Account
- (2) Payments Account
- (3) Debt Service Reserve Account
  - (a) Series 2001A Subaccount
  - (b) Series 2001B Subaccount

- (4) Capitalized Interest Account
  - (a) Series 2001 Subaccount

Amounts on deposit from time to time in the accounts of the Debt Service Fund will constitute Pledged Revenues.

- (D) Bradley International Airport General Airport Fund
  - (1) Deposit Account

- (E) Bradley International Airport Improvement Fund
  - (1) Deposit Account

- (F) Bradley International Airport Construction Fund
  - (1) Series 2001 Project Account

Amounts on deposit from time to time in the Series 2001 Project Account will constitute Pledged Revenues.

- (G) Bradley International Airport Cost of Issuance Fund
  - (1) Series 2001A Account
  - (2) Series 2001B Account

Amounts on deposit from time to time in the Series 2001A Account and the Series 2001B Account will constitute Pledged Revenues.

- (H) Bradley International Airport Rebate Account

#### **Revenue Fund and PFC Revenue Fund**

The State will deposit and continue to deposit, from time to time as and when received, (i) all Revenues (other than PFC Revenues, Released Revenues relating to the Parking Lease and Special Purpose Revenues) and (ii) all PFC Revenues in the Revenue Fund.

The amounts deposited into the Revenue Fund immediately will be allocated to the account within the Revenue Fund designated therefor as follows:

- (i) General Revenues will be deposited to the General Revenue Account;
- (ii) Released Revenues will be deposited to the Released Revenue Account; provided that (A) Released Revenues relating to the Parking Lease will be deposited and applied as set forth in the Parking Lease and (B) to the extent so provided in the Supplemental Indenture or other agreement establishing additional categories of Released Revenues, such Released Revenues may be deposited as set forth therein without being deposited in the Revenue Fund; and
- (iii) Special Purpose Revenues will be deposited and applied as set forth in the agreements establishing the related Special Purpose Facilities.

Moneys in the Revenue Fund will be applied by or at the direction of the State from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the State in its sole discretion:

(i) to pay Operating Expenses (including amounts transferred from time to time to the Department of Transportation to pay Operating Expenses in accordance with the requirements of Section 15-101m of the Act), provided that (A) amounts in the Revenue Fund may be applied to pay Operating Expenses, but only to the extent that such Operating Expenses have not been paid in accordance with the provisions of the Prior Indenture and (B) amounts in the Released Revenue Account will be used only for Operating Expenses of the related Released Revenue Facilities;

(ii) to deposit into the Debt Service Fund the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account will be used only for deposits to accounts or subaccounts relating to Bonds which have a lien on any Released Revenues or for other permitted purposes pursuant to the 2001 Indenture;

(iii) to deposit into the Debt Service Reserve Account the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account will be used only for deposits to accounts or subaccounts relating to Bonds which have a lien on any Released Revenues or for other permitted purposes pursuant to the 2001 Indenture;

(iv) to deposit into the Rebate Account the amounts required by the 2001 Indenture, provided that, amounts in the Released Revenue Account will be used only for deposits to accounts or subaccounts relating to Bonds which have a lien on any Released Revenues or for other permitted purposes pursuant to the 2001 Indenture;

(v) to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related Bonds, provided that, for any payments on a Contract, amounts may be drawn only from the accounts or subaccounts relating to the Revenues securing the Bonds related to such Contract, and, unless otherwise provided in the related Supplemental Indenture because a Credit Facility is intended to be drawn on for payments on Bonds, only after all payments then due with respect to the related Bonds have been made;

(vi) to pay any amounts required to be paid with respect to any Other Airport Obligations, provided that, for any payments with respect to any Other Airport Obligations, if such Other Airport Obligations relate to Released Revenue Facilities, then such payments will be made from available amounts in the Released Revenue Account and otherwise, such payments will be made from the General Revenue Account;

(vii) for transfer to the General Revenue Enhancement Account, the General Airport Fund or the Improvement Fund; and

(viii) for any other lawful purpose related to the Airport.

Upon the occurrence and continuation of an Event of Default, moneys in the Revenue Fund will be applied in accordance with the 2001 Indenture.

No payments may be made to a subaccount of the Bond Service Account or the Payments Account related to Subordinate Lien Bonds or Hybrid Bonds, or with respect to Contracts related to such Subordinate Lien Bonds or Hybrid Bonds, unless all required payments have been made with respect to Bonds, or Contracts related to Bonds, which have a lien on a category of Revenues prior to the lien of such Subordinate Lien Bonds or Hybrid Bonds. No payments may be made with respect to any Other Airport Obligations unless all required payments have been made with respect to Bonds and on all Contracts; provided if required by the terms thereof, obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the 2001 Indenture will be paid with the other Senior Lien Bonds or Subordinate Lien Bonds.

If at any time the amounts in the Bond Service Account are less than the amounts required by the 2001 Indenture, and there are not on deposit in the General Airport Fund available moneys sufficient to cure any such deficiency, then the Trustee will withdraw from accounts or subaccounts related to Subordinate Lien Bonds and Hybrid Bonds (taking such amounts first from accounts or subaccounts related to Subordinate Lien Bonds, pro rata, and second from Hybrid Bonds, pro rata) and deposit in the Bond Service Account the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

PFC Revenues will be deposited initially into the PFC Coverage Account in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds, as set forth in the First Supplemental Indenture. Thereafter PFC Revenues received during such Fiscal Year will be deposited into the PFC Escrow Account. In connection with the subsequent issuance of Additional PFC Revenue Bonds payable in whole or in part by a Senior Lien on PFC Revenues, PFC Revenues will be deposited into the PFC Coverage Account in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for such Fiscal Year on the Series 2001A Bonds and such Additional PFC Revenue Bonds; provided that, the State may specify in the related Supplemental Indenture a different flow of funds for the related PFC Revenues consistent with then applicable law relating to the application of PFC Revenues. In the event that the State is unable to deposit into the PFC Coverage Account in any Fiscal Year the amount specified in this paragraph, such inability will not be an Event of Default unless it results in an Event of Default under the default provisions of the 2001 Indenture relating to unpaid interest or unpaid principal or premium on any Senior Lien Bond or under any related Contract. In determining compliance with the deposit requirements into the PFC Coverage Account set forth above, the calculation of the amount deposited for any Fiscal Year shall include: (i) any balance remaining on deposit in the PFC Coverage Account from the preceding Fiscal Year and (ii) any amounts transferred during such Fiscal Year from the PFC Coverage Account to the Bond Service Account.

The amount on deposit in the PFC Coverage Account will be transferred from time to time (but in any event, not later than the Business Day prior to the payment date on which such

amount is to be used) by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds and any Additional PFC Revenue Bonds. Amounts in the PFC Coverage Account will be used only for deposits to accounts or subaccounts relating to Bonds which have a lien on PFC Revenues. Amounts in the PFC Escrow Account may be (i) transferred by the State to the Deposit Account of the Improvement Fund to pay allowable costs of PFC Facilities, (ii) transferred to the Bond Service Account or the Payments Account to be used for payments on related Bonds and Contracts or (iii) used for such other purpose as may be permitted pursuant to applicable law. When no PFC Revenue Bonds remain Outstanding, any amounts on deposit in the PFC Coverage Account shall be transferred to the PFC Escrow Account and all PFC Revenues subsequently collected shall be deposited into the PFC Escrow Account.

### **Debt Service Fund**

*Deposits to Bond Service Account and Payments Account.* Sufficient moneys will be paid in periodic installments from the General Revenue Account into (i) the Bond Service Account for the purpose of paying the Bonds as they become due and payable and (ii) the Payments Account for the purpose of making payments under Contracts. Amounts held in the Bond Service Account will not be used to pay Additional Interest. Amounts on deposit in the PFC Coverage Account to be applied for the purposes set forth in this Section will be transferred by the Trustee on the Business Day immediately preceding the applicable Interest Payment Date, Principal Maturity Date or other payment date.

*Interest Payments.* Unless otherwise provided in the paragraph immediately above or in a Supplemental Indenture, on or before the 10<sup>th</sup> day preceding each Interest Payment Date for a series of Bonds, the State will direct the Trustee to deposit in the Bond Service Account an amount which, together with any other moneys already on deposit therein, in the PFC Coverage Account or in the Capitalized Interest Account and available to make such payment, is not less than the interest (excluding Additional Interest) coming due on such Bonds on such Interest Payment Date. Moneys so deposited into the Bond Service Account will be used solely to pay interest (excluding Additional Interest) on the Bonds when due or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all interest payments on the Bonds. The State will also direct the Trustee to deposit and continue to deposit all Hedge Receipts under related Qualified Hedge Agreements and any payments from a Credit Issuer under a Credit Facility Agreement in the Bond Service Account from time to time as and when received.

*Principal Payments.* Unless otherwise provided in the first paragraph of this Section or in a Supplemental Indenture, on or before the 10<sup>th</sup> day preceding each Principal Maturity Date for a series of Bonds, the State will direct the Trustee to deposit in the Bond Service Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than the principal coming due on such Bonds on such Principal Maturity Date. Moneys so deposited into the Bond Service Account will be used solely for the payment of principal of the Bonds as the same become due and payable at maturity or upon redemption or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all principal payments on the Bonds.

*Hedge Payments and Contract Payments.* Unless otherwise provided in the first paragraph of this Section or in a Supplemental Indenture or a Hedge Agreement, on or before the 10<sup>th</sup> day preceding each payment date for Hedge Payments under Qualified Hedge Agreements, the State will direct the Trustee to deposit in the Payments Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than such Hedge Payments coming due on such payment date. Moneys so deposited into the Payments Account will be used solely to pay Hedge Payments under Qualified Hedge Agreements when due. Unless otherwise provided in the first paragraph of this Section or in a Supplemental Indenture or a Contract, on or before the 10th day preceding each payment date for amounts due on Contracts (other than Qualified Hedge Agreements or for Reimbursement Obligations), including Additional Interest, continuing commission or commitment fees and remarketing fees, the State will direct the Trustee to deposit in the Payments Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than the amount coming due on such payment date. Moneys so deposited into the Payments Account will be used solely for such payments when due.

*Application of Moneys to Retire Bonds.* No further payments need be made into the Bond Service Account whenever the amount available for such purpose therein, if added to the amounts then available or allocated for such purpose in the Capitalized Interest Account, the PFC Coverage Account and any applicable subaccount of the Debt Service Reserve Account (without taking into account any amount available to be drawn on any applicable Reserve Account Credit Facility), is sufficient to retire all the Bonds then Outstanding and related Contracts and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in the Bond Service Account will be used or applied to the optional purchase or redemption of Bonds prior to maturity unless: (i) provision has been made for the payment of all of the Bonds of the same series and all other Bonds having a parity or higher ranking lien on any category of Revenues securing such Bonds; or (ii) such Bonds are Senior Lien Bonds and such moneys are applied to the purchase and cancellation of such Bonds which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Bonds are purchased at a price not more than would be required for mandatory redemption, and such Bonds are cancelled upon purchase and credited against the redemption otherwise to be made on such mandatory redemption date; or (iii) such Bonds are Senior Lien Bonds and such moneys are applied to the purchase and cancellation of such Bonds at a price less than the amount of principal which would be payable on such Bonds, together with interest accrued through the date of purchase, and such Bonds are cancelled upon purchase; or (iv) such Bonds are Senior Lien Bonds and such moneys are in excess of the then required balance in the Bond Service Account allocated to such Bonds and are applied to redeem a part of such Bonds on the next succeeding optional redemption date for which the required notice of redemption may be given.

Whenever at the end of each Fiscal Year the amount of moneys in any account or subaccount of the Debt Service Fund exceeds the amount then currently required to be held therein, the excess will be transferred to the related account in the Revenue Fund; provided any



excess in a subaccount of the Debt Service Reserve Account will be transferred to the Bond Service Account.

### **Capitalized Interest Account**

Amounts on deposit in the Capitalized Interest Account of the Debt Service Fund will be transferred by the Trustee to the Bond Service Account of the Debt Service Fund at the times and in the amounts set forth in the applicable Supplemental Indenture authorizing a series of Bonds and will be applied to pay interest when due on such series of Bonds.

### **Debt Service Reserve Account**

Upon the issuance of the Series 2001 Bonds, the State will deposit into one or more subaccounts of the Debt Service Reserve Account the amount specified in the First Supplemental Indenture. There will be deposited into the same or separate subaccounts of the Debt Service Reserve Account the amounts, if any, specified in Supplemental Indentures with respect to Additional Bonds. After the issuance of any Additional Bonds, any increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of Additional Bonds which also are secured by an existing subaccount of the Debt Service Reserve Account will be accumulated, to the extent not covered by deposits from Bond proceeds or funds on hand, over a period not exceeding 61 months from date of delivery of such Additional Bonds in monthly deposits, none of which is less than 1/60 of the amount to be accumulated. The balance of each subaccount of the Debt Service Reserve Account will be maintained at an amount equal to the Debt Service Reserve Requirement for the related Bonds (or such lesser amount that is required to be accumulated in such subaccount of the Debt Service Reserve Account in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Additional Bonds or upon the failure of the State to provide a substitute Reserve Account Credit Facility in certain events). There will be transferred from the General Revenue Account on a *pro rata basis* (1) to each subaccount of the Debt Service Reserve Account relating to Bonds secured by a Senior Lien on General Revenues the amount necessary to restore the amount of cash and securities in such subaccount of the Debt Service Reserve Account to an amount equal to the difference between (a) the Debt Service Reserve Requirement for the related Bonds (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Account after the issuance of Additional Bonds or upon the failure of the State to provide a substitute Reserve Account Credit Facility in certain events), and (b) the portion of the required balance of such subaccount of the Debt Service Reserve Account satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down.

Whenever for any reason the amount in the Bond Service Account available to make such payment, together with amounts available to make such payment on deposit in the Capitalized Interest Account and the PFC Coverage Account, is insufficient to pay all interest or principal falling due on any General Revenue Bonds within the next seven days, the State will make up any deficiency by transfers from the General Airport Fund. Whenever, on the date that such interest or principal is due on any Senior Lien Bonds, there are insufficient moneys in the Bond Service Account available to make such payment, the Trustee will, without further instructions,

apply so much as may be needed of the moneys in the related subaccount, if any, of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency will be remedied by not more than twelve equal monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are available in the related account or accounts of the Revenue Fund for such purpose after all required transfers set forth above have been made.

The State may elect to satisfy in whole or in part the Debt Service Reserve Requirement for any Bonds by means of a Reserve Account Credit Facility delivered to the Trustee, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the greater of the then current Rating on the related series of Bonds or the second highest long-term Rating of such Rating Agency; (B) the State will not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Bonds; (C) each Reserve Account Credit Facility will have a term of at least one year (or, if less, the remaining term of the related series of Bonds) and will entitle the Trustee to draw upon or demand payment and receive the amount so requested in immediately available funds in sufficient time to allow the Trustee to make the required payment from the Debt Service Reserve Account; (D) the Reserve Account Credit Facility will permit a drawing by the Trustee for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and (ii) the State fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Account of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if the Rating issued by the Rating Agency to the Reserve Account Credit Facility Provider is withdrawn or reduced below the greater of the Rating assigned to the related series of Bonds immediately prior to such action by the Rating Agency or the second highest long-term Rating of such Rating Agency, the State will provide a substitute Reserve Account Credit Facility within 60 days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than 24 equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such 60-day period; and (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the State will provide a substitute Reserve Account Credit Facility within 60 days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than 24 equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such 60-day period. If the events described in either clauses (E) or (F) above occur, the Trustee will not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from the Reserve Account Credit Facility will be deposited directly into the Bond Service Account, and such deposit will constitute the application of amounts in the related subaccount of the Debt Service

Reserve Account. Repayment of any draw-down on the Reserve Account Credit Facility (other than repayments which reinstate the Reserve Account Credit Facility) and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility will be secured by a lien on Revenues subordinate to the lien of the related Bonds for payments into the Bond Service Account and the Rebate Account and payments on any Credit Facility Agreement securing the related Bonds.

Any such Reserve Account Credit Facility will be delivered to the Trustee and pledged to the benefit of the owners of all of the Bonds secured by it. The State reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the 2001 Indenture without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment will not, in the written opinion of Bond Counsel filed with the State and the Trustee, impair or reduce the security granted to the owners of Bonds or any of them.

### **General Airport Fund**

In addition to the deposits to be made to the General Airport Fund pursuant to the 2001 Indenture as described above under "Revenue Fund and PFC Revenue Fund," the State will deposit into the Deposit Account of the General Airport Fund all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Deposit Account of the General Airport Fund will be used first to prevent default in the payment of interest on or principal of any General Revenue Bonds when due (prior to application of amounts in the Debt Service Reserve Account for such purpose) and then will be applied by the State from time to time, as and when the State will determine, to the following purposes and in the order of priority determined by the State in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under the 2001 Indenture, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the Airport or any part thereof which may then be due and owing, (d) for transfer to the Improvement Fund to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the Airport deemed necessary by the State (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), (e) to acquire any Senior Lien Bonds (other than Special Purpose Revenue Bonds) by redemption or by purchase in the open market at a price not exceeding the then applicable redemption prices as provided and in accordance with the terms and conditions of the 2001 Indenture, prior to their respective maturities, and when so used for such purposes the moneys will be withdrawn from the General Airport Fund and deposited into the Bond Service Account, (f) for transfer to the General Revenue Enhancement Account and (g) for any other authorized Airport purposes.

### **Improvement Fund**

The State will deposit into the Deposit Account of the Improvement Fund all amounts to be transferred into the Improvement Fund pursuant to the 2001 Indenture from the General Airport Fund and the PFC Escrow Account. Amounts on deposit in the Improvement Fund will

be available only to pay costs of capital improvements at the Airport and related expenditures, as determined by the State, and will not otherwise be available for any other purpose under the 2001 Indenture until the costs of such capital improvements and related expenditures have been paid or reimbursed.

Except as otherwise directed by the State, but only to the extent permitted by applicable law, amounts transferred into the Improvement Fund from the PFC Escrow Account will be applied only to pay costs of acquisition of or capital improvements to PFC Facilities.

### **Construction Fund**

Proceeds of the Series 2001A Bonds will be deposited into the Series 2001 Project Account in the amount set forth in the First Supplemental Indenture. Disbursements from the Series 2001 Project Account of the Construction Fund will be made by the Trustee, upon receipt of a requisition submitted by an Authorized Officer of the State in the form set forth in the First Supplemental Indenture, only to pay for Costs of facilities at the Airport.

Except as otherwise provided in a Supplemental Indenture, completion of a Project will be evidenced by the submission by the State of a final disbursement requisition in connection with such Project. If any money remains in the Accounts in the Construction Fund created for the proceeds of a series of Bonds at the end of the Construction Period related thereto and payment, or provision for payment, in full of the costs of the Projects to be financed with the proceeds of that series of Bonds has been made, then such money will be used promptly, unless otherwise provided in the Supplemental Indenture relating thereto, for one or more of the following purposes at the direction of an Authorized Officer: (i) payment of Costs of additional Projects; (ii) payment of interest as it becomes due on that series of Bonds until all such excess amount is so used; (iii) retirement at their maturity of principal of Bonds issued to pay costs of Projects; (iv) deposit into the Bond Service Account for payment of Debt Service Requirements on Bonds other than Bonds of that series of Bonds; (v) purchase of Bonds in the open market; and (vi) redemption of Bonds to the extent permitted under the applicable Supplemental Indenture; provided that (A) with respect to clauses (ii) through (vi), such use and the manner in which it is proposed to be made will not, in the opinion of Bond Counsel or under ruling of the Internal Revenue Service, adversely affect the exclusion of the interest on any series of Bonds from the gross income of the Holders thereof for federal income tax purposes (to the extent that such Bonds were issued as Tax-Exempt Bonds), and (B) any money remaining in an Account in the Construction Fund for a Project after completion of the Project will be invested in accordance with the Code in such manner as not to adversely affect the exclusion of the interest on the Bonds from the gross income of the Holders thereof (to the extent that such Bonds were issued as Tax-Exempt Bonds).

In the event of the occurrence of an Event of Default under the 2001 Indenture, the balance in the Construction Fund will be deposited into the Debt Service Fund and applied as set forth in the Indenture. See "Defaults and Remedies" below.

### **Cost of Issuance Fund**

Amounts on deposit in an account of the Cost of Issuance Fund will be applied by the Trustee at the direction of an Authorized Officer of the State to pay costs of issuance of the applicable series of Bonds to the extent such costs qualify for payment from proceeds of the Bonds in accordance with the Code or as otherwise provided in the applicable Supplemental Indenture. Any moneys remaining in such account and not spent for such purpose will be transferred to the related Project Account and applied to pay costs of Projects. An amount of proceeds of the Series 2001 Bonds as set forth in the First Supplemental Indenture will be deposited into the Series 2001A Account and the Series 2001B Account of the Cost of Issuance Fund.

### **Application of Proceeds of Refunding Bonds**

Proceeds of Bonds issued for refunding purposes (including refunding outstanding Series 1992 Bonds) will be deposited in such funds or accounts, including escrow funds held by an escrow trustee, as may be specified in the applicable Supplemental Indenture. Proceeds of the Series 2001B Bonds will be deposited into an escrow fund in the amount specified in the First Supplemental Indenture.

### **Rebate Account**

Amounts credited to the Rebate Account will be free and clear of any lien under the 2001 Indenture and will not be a part of the Pledged Revenues. Provision will be made in the Supplemental Indenture for each series of Bonds for the calculation of any amounts required to be paid to the United States pursuant to Section 148(f) of the Code or other applicable law and for the deposit of such amount in the Rebate Account.

### **Investment of Funds and Accounts**

Moneys in the funds and accounts established under the 2001 Indenture will be invested and reinvested at the direction of the State in Permitted Investments bearing interest at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under the Code) and containing such maturities as are deemed suitable by the State. In the absence of direction from the State as to the investment of any particular amount, such amount will be invested in the investments described in clause (b) of the definition of "Permitted Investments," pending receipt of such direction. The Trustee is authorized, in making or disposing of any investment permitted by the 2001 Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether or not such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Except as otherwise provided below or in a related Supplemental Indenture, Investment Earnings in each fund and account will be deposited into the General Revenue Account of the Revenue Fund. Investment Earnings from the investment of moneys in:

- (1) each subaccount of the Debt Service Reserve Account will be retained in such subaccount of the Debt Service Reserve Account at all times that the balance is less than

the respective Debt Service Reserve Requirement; thereafter and at all times that the balance of such subaccount of the Debt Service Reserve Account is equal to or greater than the respective Debt Service Reserve Requirement, such Investment Earnings will be deposited in the Bond Service Account and/or the Capitalized Interest Account, as directed in the related Supplemental Indenture to be applied to pay Debt Service Requirements on the related series of Bonds.

(2) the Construction Fund, the Bond Service Account and the Cost of Issuance Fund will be deposited as described in the related Supplemental Indenture into the Project Account to pay Costs of the Project and/or into the Bond Service Account and/or the Capitalized Interest Account to be applied to pay Debt Service Requirements on the related series of Bonds.

(3) the Capitalized Interest Account will be retained in such account.

(4) each account of the PFC Revenue Fund will be retained in such account.

The Supplemental Indenture authorizing the issuance of any Bonds may specify maturity limitations and different allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Bonds.

Moneys in each of such funds will be accounted for as a separate and special fund apart from all other funds of the State, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the State so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

### **Covenants of the State**

*General Covenants.* In addition to any other covenants and agreements of the State contained in the 2001 Indenture, the State further covenants and agrees with the Holders and the Trustee as follows:

(i) *Payment of Debt Service Requirements.* The State will pay all the Debt Service Requirements, or cause them to be paid, solely from the sources provided under the 2001 Indenture, on the dates, at the places and in the manner provided in the 2001 Indenture.

(ii) *Performance of Covenants and Agreements.* The State will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the 2001 Indenture, each Supplemental Indenture, the Bonds and related Contracts that are executed, authenticated and delivered under the 2001 Indenture.

(iii) *Register.* The State agrees that at reasonable times and under reasonable regulations established by the Bond Registrar, the Register may be

inspected and copied by the Trustee, by the State, by Holders of 25% or more in aggregate principal amount of the Bonds then Outstanding, or a designated representative thereof.

(iv) *Enforcement of State's Obligations.* Each obligation of the State required to be undertaken pursuant to the 2001 Indenture and the Bonds is binding upon the State, and upon each officer or employee thereof as from time to time may have the authority under law to take any action on behalf of the State that may be necessary to perform all or any part of that obligation.

(v) *No Additional Bonds Under Prior Indenture.* The State covenants that it will not issue additional bonds under the Prior Indenture.

(vi) *Release of Funds Under Prior Indenture.* The State covenants that, for so long as the Series 1992 Bonds remain Outstanding it will cause from time to time (but in sufficient time to allow the Trustee to timely make the deposits required under the 2001 Indenture) the trustee for the Series 1992 Bonds to withdraw and pay to the Trustee all moneys then on deposit in the General Airport Fund under the Prior Indenture and available for withdrawal pursuant to the Prior Indenture for deposit into the Revenue Fund hereunder in accordance with the 2001 Indenture.

(vii) *Operating Agreements.* The State will take all reasonable steps to enforce compliance by the other parties thereto with their obligations and agreements under any Operating Agreements, including the obligation of each Airline as a "Collecting Carrier" to collect and remit to the State all passenger facility charges at the Airport required by the PFC Regulations to be so collected and remitted; provided that the State may elect to let lapse without replacement, from time to time, any or all of the Operating Agreements and Concession Agreements from time to time in effect.

*Rate Covenant.* The State will continuously own, control, operate, and maintain the Airport in an efficient and economical manner and on a revenue producing basis and will at all times prescribe, fix, maintain and collect rates, fees and other charges for the services and facilities furnished by the Airport in an amount sufficient to:

(a)(i) pay all of the Airport's Operating Expenses as they become due and payable, (ii) pay all Debt Service Requirements on Bonds when due and payable, (iii) make all required deposits, if any, into the Debt Service Reserve Account and the Rebate Account, (iv) pay amounts required to be paid under any Contract or Other Airport Obligation when due and payable, and (v) remedy all deficiencies in required payments or deposits into the funds and accounts created under the 2001 Indenture;

(b) provide Net General Revenues in each Fiscal Year equal to at least:

(i) 120% of the Debt Service Requirements on all Bonds secured by a Senior Lien on General Revenues (including as Net General Revenues amounts

on deposit in the General Revenue Enhancement Account and, for so long as any such Bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account) and

(ii) 110% of the Debt Service Requirements on all Bonds secured by a Senior Lien on General Revenues (including as Net General Revenues, for so long as any such Bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account, but not including amounts on deposit in the General Revenue Enhancement Account); and

(c) provide PFC Revenues in each Fiscal Year equal to at least 100% (or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Debt Service Requirements on PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues.

In connection with the issuance of Bonds under the 2001 Indenture which are not secured by a Senior Lien on General Revenues and/or PFC Revenues, the Supplemental Indenture authorizing such Bonds will specify the applicable rate covenant required to be met with respect to the related Revenues. In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State must specify in the related Supplemental Indenture the rate covenant provision to be applicable with respect to such Bonds in accordance with clause (c) above under "Rate Covenant"; provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) shall indicate in writing to the State that the use of such rate covenant provision for purposes of clause (c) above under "Rate Covenant" will not, by itself, result in a reduction or withdrawal of such Rating. In no event will this provision be construed as requiring the Airport to impose passenger facility charges in excess of amounts permitted pursuant to the PFC Act.

If the State fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this Section in any Fiscal Year, but the State in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there will be no Event of Default as described in clause (d) under "Defaults and Remedies - Events of Default" until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this Section.

The rates, fees, and other charges will be classified in a reasonable manner to cover users of the services and facilities furnished by the Airport so that, as nearly as practicable, such rates, fees and other charges will be uniform in application to all users falling within any reasonable class.

*After-Acquired Property, Further Assurances.* All property and rights of every kind, real, personal or mixed, tangible or intangible, that may be acquired by the State out of the Pledged Revenues or used directly in connection with the Airport after the date hereof, and all such property constituting Pledged Revenues, will become and be subject to the 2001 Indenture immediately upon



the acquisition or deposit thereof, without any further pledge or assignment, as fully and completely as though now owned by the State and specifically described and pledged in the granting clauses of the 2001 Indenture. At any and all times the State will do, execute, acknowledge and deliver, or will cause to be done, all such further acts and things, and cause to be executed, acknowledged and delivered all such further pledges, assignments and assurances for the better pledging, assigning, assuring and confirming unto the Trustee any and all properties and rights pledged under the 2001 Indenture and assigned or intended to be pledged and assigned, as the Trustee may reasonably require for better accomplishing the provisions and purposes of the 2001 Indenture, and for securing the payment of the Debt Service Requirements.

*Annual Operating Budget; Audited Financial Statements.* The State agrees to adopt an Annual Operating Budget for the Airport for each Fiscal Year which will permit the State to be in compliance with the rate covenant as stated above. The State also will cause to be prepared annual financial statements for the Airport which will be audited by a firm of independent certified public accountants of recognized standing selected by the State. Such audit report will be prepared in accordance with applicable State law and relevant accounting standards and will be completed within 120 days of the end of each Fiscal Year. The Annual Operating Budget and the annual audit of the Airport will make distinctions among different categories of Revenues to comply with, and evidence compliance with, the provisions of the 2001 Indenture. The State will make available to the Trustee, who will make available to any Holder so requesting, a copy of the Annual Operating Budget then in effect and the most recent annual audited financial statements of the Airport.

*Maintenance of the Airport in Good Condition; Compliance with Applicable Laws.* The State covenants that it has and will continue to enforce reasonable rules and regulations governing the Airport and the operation thereof, that it will operate the Airport in an efficient and economical manner and will at all times maintain the Airport in good repair and in sound operating condition, that it will make all necessary repairs, renewals and replacements to the Airport, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Airport and the State's operation thereof, including, but not limited to, the PFC Act and the PFC Regulations. The State will not take, or allow any person to take, any action or omit to take any action which would (i) cause the Administrator of the Federal Aviation Administration, Department of Transportation, or any successor to the powers and authority of such Administrator, to suspend or revoke the Airport's operating certificates issued under the Federal Aviation Act of 1958, or any successor statute, or (ii) cause the termination or reduction of the State's authority to impose passenger facility charges or prevent the collection and use of PFC Revenues as contemplated by the 2001 Indenture.

*Insurance.* The State will carry insurance (except to the extent such insurance is carried by an Airline or other obligor pursuant to an Operating Agreement) with generally recognized responsible insurers with policies payable to the State and the Trustee, as their interests may appear, against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport. To the extent permitted under applicable law, the State may elect to self-insure any risk for which insurance otherwise would be required. The costs of any insurance will be paid as an Operating Expense. Proceeds

of insurance will be applied for the purpose for which such proceeds were received. To the extent not otherwise applied to satisfy an obligation of the State to another Person, such insurance proceeds will be applied to repair or restore any loss or damage to the facilities of the Airport as a result of which such insurance proceeds were paid or such insurance proceeds will be deposited into the applicable account of the Revenue Fund.

*Sale, Lease or Encumbrance of Airport.* Except as expressly permitted in the 2001 Indenture, the State will not sell, lease, encumber or in any manner dispose of the Airport as a whole or in part until all of the Bonds and all interest thereon have been paid in full or provision for payment has been made in accordance with the 2001 Indenture.

The State has and reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the Airport in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the Airport; (ii) such property is not useful in the operation of the Airport; (iii) such property is not profitable in the operation of the Airport; or (iv) the disposition of such property will be advantageous to the Airport and will not materially adversely affect the security for the Bondholders. All proceeds of any such sale or disposition received by the State will be deposited in the Revenue Fund unless the State directs that amount be deposited in the Improvement Fund or the State is required to deliver such amounts to another Person.

*Tax Covenants.* To the extent that any series of Bonds is issued as Tax-Exempt Bonds, the State will comply with applicable tax covenants included in the related Supplemental Indenture, including making any required deposits into the Rebate Account for payment to the United States.

### **Additional Bonds**

*Delivery of Additional Bonds.* If the State determines to issue Additional Bonds, then in connection with such issuance the Trustee must receive, among other things, a written opinion of Bond Counsel, to the effect that:

(1) when executed for and in the name and on behalf of the State and when authenticated and released by the Trustee, those Bonds

(A) will be legal, valid and binding special obligations of the State, enforceable in accordance with their terms, subject to reasonable exceptions for bankruptcy, insolvency and similar laws and the application of equitable principles, and

(B) will be secured under the 2001 Indenture equally and on a parity with all other outstanding Bonds secured by a Senior Lien on the same category of Revenues as to the security of the 2001 Indenture (to the extent provided thereby and as specified in the applicable Supplemental Indenture), including the pledge of the Pledged Revenues thereunder, to provide for payment of the Debt Service

Requirements on the Bonds, except as otherwise provided therein in connection with Subordinate Lien Bonds; and

- (2) the issuance of the Bonds will not cause the interest on the outstanding Bonds to become includable in the gross income of the Holders for federal income tax purposes (to the extent those Bonds were issued as Tax-Exempt Bonds).

*Additional Senior Lien Bonds.* (a) Additional Senior Lien Bonds may be issued to refund any portion or all of a series of Senior Lien Bonds at maturity, upon redemption in accordance with their terms, upon defeasance, or upon payment or redemption with the consent of the owners of such Senior Lien Bonds, and the refunding Bonds so issued will constitute Senior Lien Bonds secured on a parity with any Bonds secured on a parity with the refunded Bonds, if all of the following conditions are satisfied:

- (1) the State has obtained and delivered to the Trustee a report from an Independent Certified Public Accountant demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Lien Bonds, including payments on related Contracts, which are secured on a parity basis with the Bonds to be refunded, all on a present value basis; or

- (2) as an alternative to, and in lieu of, satisfying the requirements of clause (1) above, all Outstanding Senior Lien Bonds which are secured on a parity with the Bonds to be refunded are being refunded under arrangements which immediately result in making provision for the payment of such Bonds; and

- (3) the requirements of clauses (2) and (5) of subsection (b) below, in addition to other requirements applicable to the delivery of Additional Bonds under the 2001 Indenture, are met with respect to such refunding Bonds.

(b) Additional Senior Lien Bonds (including refunding Bonds which do not meet the requirements of subsection (a) above) also may be issued on a parity with Outstanding Senior Lien Bonds pursuant to a Supplemental Indenture, and the Bonds so issued will be secured on a parity with such Outstanding Senior Lien Bonds, if all of the following conditions are satisfied:

- (1) There has been procured and filed with the State and the Trustee either:

- (A) a report by an Independent Certified Public Accountant to the effect that the historical related Net Revenues (for General Revenues, without consideration of (i) amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) for each of the two most recent audited Fiscal Years, were equal to at least 120% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all related Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith, or

(B) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period the forecasted related Net Revenues (for General Revenues, without consideration of (i) any amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) are expected to equal at least 125% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith.

The report by the Independent Certified Public Accountant that is required by clause (b)(1)(A) above may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the Airport, imposed prior to the date of delivery of the proposed Additional Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used. Such pro forma adjustments, if any, must be based upon a report of an Airport Consultant as to the amount of related Revenues which would have been received during such period had the new rate schedule been in effect throughout such period.

In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State must specify in the related Supplemental Indenture the percentage applicable to the issuance of additional PFC Revenue Bonds for purposes of clauses (A) and (B) above under "Additional Senior Lien Bonds;" provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) shall indicate in writing to the State that the use of such percentage for purposes of clauses (A) and (B) above under "Additional Senior Lien Bonds" will not, by itself, result in a reduction or withdrawal of such Rating.

(2) The State has received and delivered to the Trustee, at or before issuance of the Additional Bonds, a report from an Independent Certified Public Accountant to the effect that the payments required to be made into each account or subaccount of the Debt Service Fund have been made and the balance in each account or subaccount of the Debt Service Fund and the Debt Service Reserve Account (to the extent that amounts are required to be on deposit therein) is not less than the balance required by the 2001 Indenture as of the date of issuance of the proposed Additional Bonds.

(3) If Senior Lien Bonds which are to be secured on a parity with such Additional Bonds are secured by amounts on deposit in a subaccount of the Debt Service Reserve Account, the Supplemental Indenture authorizing the proposed Additional Bonds must require (i) that the amount to be accumulated and maintained in such subaccount of the Debt Service Reserve Account, or in another subaccount of the Debt Service Reserve Account relating to such Additional Bonds, be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Lien Bonds which will be Outstanding and secured on a parity with the Additional Bonds immediately after the issuance of the proposed Additional Bonds and (ii) that the amount

of such increase be deposited in such subaccount on or before the date and at least as fast as the rate specified in the 2001 Indenture.

(4) The Supplemental Indenture authorizing the proposed Additional Bonds must require the proceeds of such proposed Additional Bonds to be used solely to make capital improvements to the Airport, to fund interest on the proposed Additional Bonds, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of subsection (a) above), and to pay expenses incidental thereto and to the issuance of the proposed Additional Bonds.

(5) If any Additional Bonds would bear interest at a Variable Rate, the Supplemental Indenture under which such Additional Bonds are issued provides a maximum rate of interest per annum which such Additional Bonds may bear.

(c) Additional Senior Lien Bonds (including refunding Bonds which do not meet the requirements of subsection (a) above) which will not be secured on a parity with any Outstanding Senior Lien Bonds (because there are none with a Senior Lien on such Revenues) may be issued, and the Bonds so issued will be Senior Lien Bonds, if all of the conditions of the 2001 Indenture are satisfied.

(d) Obligations which would be Other Airport Obligations but for the existence of a Senior Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Senior Lien Bonds, if all of the conditions of the 2001 Indenture are satisfied treating such obligations as Additional Bonds and the issuance and security documents therefor as Supplemental Indentures.

(e) If the Additional Senior Lien Bonds are to have Senior Liens on more than one category of Revenues, the requirements of subsection (b)(1) above must be met with respect to each category of Revenues to the extent that such category of Revenues is pledged to secure such Additional Senior Lien Bonds.

(f) Additional Senior Lien Bonds may be issued to refund any portion or all of the outstanding Series 1992 Bonds at maturity, upon redemption in accordance with their terms, upon defeasance, or upon payment or redemption with the consent of the owners of such Series 1992 Bonds, and the Bonds so issued will be Senior Lien Bonds secured on a parity with the Bonds, if all of the following conditions are satisfied:

(i) the State has obtained and delivered to the Trustee a report from an Independent Certified Public Accountant demonstrating that the refunding will reduce the total aggregate debt service payments on Outstanding Senior Lien Bonds secured by a Senior Lien on General Revenues and on the Series 1992 Bonds (if any) to remain outstanding under the Prior Indenture, including payments on related Contracts, all on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Series 1992 Bonds are being refunded under arrangements which immediately result in making provision for the payment of such Series 1992 Bonds; and

(3) the requirements of issuing Additional Bonds under the 2001 Indenture and subsections (b)(2) and (5) above under "Additional Bonds" are met with respect to such refunding Bonds.

*Additional Subordinate Lien Bonds.* (a) Bonds also may be issued on a Subordinate Lien basis pursuant to a Supplemental Indenture, payable from, unless such Bonds are to be secured by PFC Revenues, moneys which otherwise would be deposited in the General Airport Fund, and the Bonds so issued will constitute Subordinate Lien Bonds, if all of the following conditions are satisfied:

(1) The Supplemental Indenture authorizing the Subordinate Lien Bonds provides that such Subordinate Lien Bonds will be junior and subordinate in lien and right of payment (A) directly, to any Outstanding Senior Lien Bonds or Senior Lien Bonds issued in the future which have a Senior Lien on a category of Revenues as to which such proposed Additional Bonds have a Subordinate Lien, and (B) indirectly (as a result of the requirements in the 2001 Indenture, to withdraw certain amounts at certain times from subaccounts related to Subordinate Lien Bonds), to any other Outstanding Senior Lien Bonds or Senior Lien Bonds issued in the future.

(2) The Supplemental Indenture authorizing the Subordinate Lien Bonds, unless such Bonds are to be secured by PFC Revenues, establishes funds and accounts for the moneys which would otherwise be deposited in the General Airport Fund, to be used to pay debt service on the Subordinate Lien Bonds, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor. If Subordinate Lien Bonds are to be secured by PFC Revenues, the Supplemental Indenture establishes funds and accounts for the moneys securing such Bonds, to be used to pay debt service on such Bonds, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor.

(3) The requirements of clauses (4) and (5) of subsection (b) under "Additional Senior Lien Bonds" above, in addition to other requirements applicable to the delivery of Additional Bonds under the 2001 Indenture, are met with respect to such Subordinate Lien Bonds.

In connection with the issuance by the State of Subordinate Lien Bonds, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) shall indicate in writing to the State that the issuance of such Subordinate Lien Bonds will not, by itself, result in a reduction or withdrawal of such Rating.

(b) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the State or the Airport or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the State or the Airport, whether or not involving insolvency or bankruptcy, the owners of all Senior Lien Bonds then Outstanding and parties to related Contracts or Hedge Agreements will be entitled to receive payment in full of all principal and interest due on all such Senior Lien Bonds and related

Contracts or Hedge Agreements in accordance with the provisions of the 2001 Indenture and related Contracts or Hedge Agreements before the owners of any Subordinate Lien Bonds having a Subordinate Lien on a category of Revenues as to which such Senior Lien Bonds have a Senior Lien or related Contracts or Hedge Agreements are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the 2001 Indenture on account of principal of, premium, if any, or interest on the Subordinate Lien Bonds or related Contracts or Hedge Agreements.

(c) In the event that any of the Subordinate Lien Bonds are declared due and payable before their expressed maturities because of the occurrence of an event of default (under circumstances when the provisions of subsection (b) immediately above will not be applicable), no owners of such Subordinate Lien Bonds or parties to related Contracts or Hedge Agreements may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the 2001 Indenture of principal of, premium, if any, or interest on such Subordinate Lien Bonds, payments on related Contracts or Hedge Payments under related Hedge Agreements, until the owners of all Senior Lien Bonds Outstanding having a Senior Lien on a category of Revenues as to which such Subordinate Lien Bonds have a Subordinate Lien and parties to related Contracts or Hedge Agreements have received payment in full of all principal and interest on all such Senior Lien Bonds and all payments on related Contracts or Hedge Agreements.

(d) If any Event of Default has occurred and is continuing (under circumstances when the provisions of subsection (b) immediately above will not be applicable), the owners of all Senior Lien Bonds then Outstanding and parties to related Contracts or Hedge Agreements will be entitled to receive payment in full of all principal and interest then due on all such Senior Lien Bonds and related Contracts or Hedge Agreements before the owners of the Subordinate Lien Bonds or parties to related Contracts or Hedge Agreements are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the 2001 Indenture of principal of, premium, if any, or interest on the Subordinate Lien Bonds or payments under related Contracts or Hedge Agreements.

(e) Obligations which would be Other Airport Obligations but for the existence of a Subordinate Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Subordinate Lien Bonds, if all of the conditions of subsections (a) through (d) immediately above are satisfied treating such obligations as Subordinate Lien Bonds and the issuance and security documents therefor as Supplemental Indentures.

*Additional Special Purpose Revenue Bonds; Hybrid Bonds; Other Airport Obligations.* Additional Special Purpose Bonds may be issued after compliance with any requirements therefor set forth in any Supplemental Indenture related to such Bonds or Outstanding Special Purpose Bonds which will be secured on a parity with such Additional Special Purpose Bonds.

Bonds may be issued which are Hybrid Bonds, if, to the extent such Bonds will have a Senior Lien on a category of Revenues, the applicable requirements of the 2001 Indenture are met and, to the extent such Bonds will have a Subordinate Lien on a category of Revenues, the

applicable requirements of the 2001 Indenture are met. The Bonds so issued will be treated as Subordinate Lien Bonds for purposes of the 2001 Indenture provided such treatment will not be applicable if an Event of Default has occurred with respect to Bonds that have a parity Senior Lien on the same category of Revenues as the Senior Lien on the same category of Revenues securing such Hybrid Bonds.

Hybrid Bonds which have no liens on a category of Revenues and Other Airport Obligations (other than obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the 2001 Indenture) may not be accelerated for purposes of being paid from Revenues and, upon an event described in clause (b) above under "Additional Subordinate Lien Bonds," or an Event of Default, may not be paid from Revenues until the owners of all Senior Lien Bonds, Subordinate Lien Bonds and related Contracts or Hedge Agreements have been paid in full.

*Released Revenues; Securitizations.* A separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the Airport may be withdrawn from General Revenues and thereafter treated as Released Revenues for all purposes, including the security for Released Revenue Bonds, if all of the following conditions are met:

(1) Filing with the State and the Trustee of a report of an Independent Certified Public Accountant to the effect that historical Net General Revenues, determined excluding the category of Revenues proposed to become Released Revenues and without consideration of any amounts in the General Revenue Enhancement Account, for each of the two most recent audited Fiscal Years prior to the date of such report were equal to at least 150% of the Maximum Annual Debt Service Requirement on all General Revenue Bonds which will be Outstanding after the category of Revenues becomes Released Revenues;

(2) Rating Agency confirmation that the ratings on the respective Outstanding General Revenue Bonds will not be reduced as a result of such withdrawal of Released Revenues;

(3) Filing with the State and the Trustee of a written request of an Authorized Officer to release such category of Revenues, accompanied by a written certificate of the Authorized Officer and certifying the State is in compliance with all requirements of the 2001 Indenture; and

(4) Either the report described in clause (1) above must include statements to the effect that, or there must be filed a separate report of an Independent Certified Public Accountant to the effect that, there are sufficient internal accounting and fiscal operations management practices in place at the Airport to provide an adequate basis for the additional accounting and related procedures required as a result of the release of revenues from General Revenues and the subsequent treatment thereof as Released Revenues.



Upon compliance with the provisions described above, Released Revenues may be sold, leased or loaned to a related or unrelated Person in a securitization or other similar transaction wherein the State either receives the current estimated or present value calculated value of such Released Revenues or expects to receive a fee or other denominated amounts for the lease or loan of such Released Revenues.

For purposes of the 2001 Indenture, for so long as the Parking Lease remains in effect, the Series 2000 Garage Bonds are Released Revenue Bonds, the parking facilities at the Airport are Released Revenue Facilities and the gross revenues derived from such parking facilities are Released Revenues, all without otherwise complying with the requirements of the 2001 Indenture. Amounts payable to the State, however, in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport, subject to the provisions of the Prior Indenture.

*Special Purpose Facilities.* Facilities at the Airport may be designated by the State as "Special Purpose Facilities" by the filing with the State and the Trustee of a certificate of an Authorized Officer with respect thereto if such facilities meet the definition of Special Purpose Facilities in the 2001 Indenture. At the date of execution of the 2001 Indenture, there are no "Special Purpose Facilities."

*Accession of Subordinate Lien Bonds and Related Contracts to Senior Lien Status.* By proceedings authorizing Subordinate Lien Bonds or a lien permitted by the 2001 Indenture, the State may provide for the accession of such Subordinate Lien Bonds and related Contracts to the status of complete parity with any Senior Lien Bonds and related Contracts with a lien on the same category of Revenues if, as of the date of accession, the conditions of 2001 Indenture are satisfied, on a basis that includes all Outstanding Senior Lien Bonds with a lien on the same category of Revenues and such Subordinate Lien Bonds, and if on the date of accession:

(a) The subaccount of the Debt Service Reserve Account, if any, relating to the Senior Lien Bonds contains an amount equal to the Debt Service Reserve Requirement computed on a basis that includes all Outstanding Senior Lien Bonds with a lien on the same category of Revenues and such Subordinate Lien Bonds; and

(b) The accounts of the Debt Service Fund contain the amounts which would have been required to be accumulated therein on the date of accession if the Subordinate Lien Bonds had originally been issued as Senior Lien Bonds with a lien on the same category of Revenues.

*Credit Facilities and Hedge Agreements.* In connection with the issuance of any Bonds, the State may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer, or providing funds for the purchase of such Bonds by the State. In connection therewith the State will enter into Credit Facility Agreements with such Credit Issuers providing for, among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The State may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby

with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the State in the applicable Supplemental Indenture. The State may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation will be created for purposes of the 2001 Indenture until amounts are paid under such Credit Facility. Any such Reimbursement Obligation will be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to principal and interest payments with respect to such Bonds will include principal and interest (except for Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) will be fully subordinate to the payment of debt service on the related class of Bonds. Any such Credit Facility will be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Supplemental Indenture. Notwithstanding the other provisions hereof, the State's obligations under a Credit Facility which requires the Credit Issuer to make all interest payments due on the Bonds may be secured to the extent of such amounts by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the 2001 Indenture to secure the related Bonds, or may be wholly or partially subordinate in lien and right of payment to the payment of the Bonds, as determined by the State.

In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the State may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The State will authorize the execution, delivery, and performance of each Qualified Hedge Agreement in a Supplemental Indenture, in which it will designate the related Hedged Bonds. The State's obligation to pay Hedge Payments on a Qualified Hedge Agreement may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the 2001 Indenture to secure the related Hedged Bonds, or may be wholly or partially subordinate in lien and right of payment to the payment of the Bonds, as determined by the State.

### **Defeasance**

If (i) the State pays all of the Outstanding Bonds, or causes them to be paid and discharged, or if there otherwise will be paid to the Holders of the Outstanding Bonds, all the Debt Service Requirements due or to become due thereon, and (ii) provision also is made for the payment of all other amounts payable under the 2001 Indenture, including all fees and expenses of the Trustee, then the 2001 Indenture will cease, terminate and become null and void (except for those provisions described below).

Thereupon, and subject to the provisions below, if applicable, (i) the Trustee will release the 2001 Indenture (except for those provisions surviving by reason of the provisions below in the event the Bonds are deemed paid and discharged pursuant to the 2001 Indenture) and will sign and deliver to the State any instruments or documents in writing as required to evidence that release and

discharge or as reasonably may be requested by the State, and (ii) the Trustee and any other Paying Agents will assign and deliver to the State any property then subject to the lien of the 2001 Indenture and which then may be in their possession, except amounts in the Debt Service Fund or other funds or accounts required to be held by the Trustee and the Paying Agents under the 2001 Indenture or otherwise for the payment of the Debt Service Requirements.

All or any part of the Bonds or any series of Bonds will be deemed to have been paid and discharged within the meaning of the 2001 Indenture, if: (a) the Trustee as paying agent or any Paying Agents receive, in trust for and irrevocably committed thereto, sufficient cash, or (b) the Trustee receives, in trust for and irrevocably committed thereto, Government Obligations that are certified by an independent public accounting firm or verification firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in the 2001 Indenture, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the 2001 Indenture) for the payment of all the Debt Service Requirements on those Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment has occurred on any maturity or redemption date, then for the payment of all the Debt Service Requirements thereon to the date of the tender of payment; provided that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption will have been duly given or irrevocable provision satisfactory to the Trustee will have been duly made for the giving of that notice.

Any money held by the Trustee, as described above, may be invested by the Trustee only in Government Obligations having maturity dates, or having redemption dates which, at the option of the holder of those obligations, will be not later than the date or dates at which money will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, such investments is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for such purposes, that income, interest or increment will be transferred at the time of that determination to the State free of any trust or lien.

Prior to any discharge of Bonds under the 2001 Indenture being effective, there must be delivered to the Trustee and the State a Favorable Opinion of Bond Counsel with respect to such discharge.

If any Bonds are deemed paid and discharged pursuant to the 2001 Indenture, the Trustee will cause a written notice to be given within 15 days after such Bonds are so deemed paid and discharged to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice will state the numbers of the Bonds deemed paid and discharged or state that all Bonds of a particular series are deemed paid and discharged, set forth a description of the obligations held pursuant to the 2001 Indenture and specify any date or dates on which any of the Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the 2001 Indenture. The State may reserve the right to substitute obligations held pursuant to the 2001 Indenture with other obligations meeting the requirements of the 2001 Indenture, provided that such notice must state that the State has reserved such right; provided further that, prior to such substitution, there will be delivered to the State and the Trustee a Favorable Opinion of Bond Counsel with respect to such substitution.

Notwithstanding the foregoing, any provisions of the Supplemental Indenture and the 2001 Indenture that relate to the maturity of Bonds; the interest payments and dates thereof; the optional and mandatory redemption provisions; the credit against mandatory sinking fund requirements; the exchange, transfer and registration of Bonds; the replacement of mutilated, destroyed, lost or wrongfully taken Bonds; the safekeeping and cancellation of Bonds; the non-presentment of Bonds; the holding of money in trust; the payment or reimbursement of fees, charges and expenses of the Trustee, Bond Registrar and any Paying Agents and authenticating agents; the repayments to the State from the Debt Service Fund; covenants with respect to maintaining tax status of the Bonds; any provisions relating to the receipt or application of PFC Revenues required to remain in effect as a matter of federal law; the duties of the State, the Trustee, the Paying Agent and the Bond Registrar in connection with all of the foregoing; and the Trustee's rights described in the 2001 Indenture, will remain in effect and be binding upon the State, the Trustee, the Bond Registrar, the authenticating agents, the Paying Agents and the Holders notwithstanding the release and discharge of the 2001 Indenture. The provisions of the 2001 Indenture relating to defeasance will survive the release, discharge and satisfaction of the 2001 Indenture.

### **The Trustee**

In case a default or an Event of Default has occurred and is continuing under the 2001 Indenture (of which the Trustee has been notified, or is deemed to have notice), the Trustee will exercise those rights and powers vested in it by the 2001 Indenture, and will use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee will not be required to take notice, and will not be deemed to have notice, of any default or Event of Default under the 2001 Indenture except Events of Default described in paragraphs (a) and (b) under "Defaults and Remedies – Events of Default" below, unless the Trustee has actual notice thereof or is notified specifically of the default or Event of Default in a written instrument or document delivered to it by the State or by the Holders of at least 25% of the aggregate principal amount of the Senior Lien Bonds then Outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above. As used in the 2001 Indenture, the Trustee will be deemed to have "knowledge" of a particular fact or event if an officer or administrator of the Trustee's corporate trust administration is deemed to have notice as described above or has actual knowledge thereof.

Before taking action under the 2001 Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it by the State or the Holders for the reimbursement of all reasonable and necessary out-of-pocket expenses (including reasonable counsel fees) that it may incur and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its negligence or willful default.

in the event that payment of principal of or interest on any Bonds is secured by any Credit Facility, the Trustee will take such actions as require nominal expenditure of moneys by it to secure payment pursuant to the terms of such Credit Facility.

The Trustee may resign at any time from the trusts created by the 2001 Indenture by giving prior written notice of the resignation to the State, Bond Registrar, any Paying Agents and any authenticating agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the Register at the close of business three days prior to the mailing. The resignation will take effect only upon the appointment of a successor Trustee and the acceptance by the successor Trustee of the duties of the Trustee under the 2001 Indenture.

The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the State, Bond Registrar, any Paying Agents and authenticating agents and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Senior Lien Bonds then Outstanding.

The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the 2001 Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the State, or the Holders of not less than 20% in aggregate principal amount of the Senior Lien Bonds then Outstanding under the 2001 Indenture.

Any removal of a Trustee under the 2001 Indenture will take effect only upon the appointment of a successor Trustee and the acceptance by the successor Trustee of the duties of the Trustee under the 2001 Indenture.

Any successor Trustee appointed pursuant to the 2001 Indenture must (i) be a trust company or a bank having the powers of a trust company, (ii) be in good standing within the State, (iii) be duly authorized to exercise trust powers within the State, (iv) be subject to examination by federal or state authorities, (v) be willing to accept the trusteeship under the terms and conditions of the 2001 Indenture, and (vi) have an unimpaired reported capital and surplus of not less than \$50,000,000.

## **Defaults and Remedies**

*Events of Default.* The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the 2001 Indenture:

(a) Failure to pay interest on any Senior Lien Bond or under any related Contract when and as that interest will become due and payable;

(b) Failure to pay the principal of or any premium on any Senior Lien Bond when and as that principal or premium will become due and payable, whether at stated maturity, by redemption or otherwise;

(c) Failure by the State to perform any obligation in respect to any subaccount in the Debt Service Reserve Account relating to Senior Lien Bonds which default will continue for 30 days thereafter;

(d) Failure by the State to observe or perform any other covenant, agreement or obligation of the State contained in the 2001 Indenture or in the Senior Lien Bonds or in any related Contract and the continuation of that failure for a period of 90 days after written notice of that failure is given to the State, which notice may be given by the Trustee in its discretion and will be given by the Trustee at the written request of the Holders of not less than, or a Credit Issuer securing not less than, 25% in aggregate principal amount of Senior Lien Bonds then Outstanding; provided that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, then that failure will not constitute an Event of Default so long as the State institutes curative action within the applicable period and diligently pursues that action to completion;

(e) Occurrence of an Event of Default under any Supplemental Indenture relating to Senior Lien Bonds or any related Contract;

(f) Failure by any Credit Issuer to pay the purchase price of Senior Lien Bonds under any Credit Facility then in effect;

(g) Delivery to the Trustee by a Credit Issuer of written notice stating that an "Event of Default" has occurred under any Credit Facility Agreement relating to Senior Lien Bonds; or

(h) Delivery to the Trustee by a Qualified Hedge Provider of written notice stating that an "Event of Default" has occurred under any Hedge Agreement;

provided if the Event of Default relates solely to Bonds or related Contracts related to a particular category of Revenues and no other event has occurred which, with the lapse of time or the delivery of notice or both, could become an Event of Default with respect to any other Bonds or related Contracts then Outstanding, such Event of Default will be deemed to apply solely to the related Bonds and Contracts and the provisions of the 2001 Indenture will otherwise remain in full force and effect with respect to all other Bonds and related Contracts.

The term "default" or "failure" as used in the 2001 Indenture means a default or failure by the State in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the 2001 Indenture or in the Senior Lien Bonds or related Contracts, exclusive of any period of grace or notice required to constitute a default or failure as an Event of Default, as provided above.

Notwithstanding the foregoing, if, by reason of Force Majeure, as defined in the 2001 Indenture, the State is unable to observe or perform any covenant, agreement or obligation that would give rise to an Event of Default under the 2001 Indenture, the State will not be deemed in default during the continuance of such inability. However, the State promptly will give notice to the Trustee of the existence of an event of Force Majeure and will use its best efforts to remove the

effects thereof; provided that the settlement of strikes or other such disturbances will be entirely within its discretion.

*Notice of Default.* If an Event of Default occurs, the Trustee will give written notice of the Event of Default, by registered or certified mail, to the State, the Bond Registrar, every Paying Agent and authenticating agent and each party to a related Contract within five days after the Trustee has knowledge of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to the 2001 Indenture, the Trustee will give written notice thereof, within 30 days after the Trustee's receipt of notice of its occurrence, to the Holders of all Senior Lien Bonds then Outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice; provided that, except in the case of a default in the payment of the principal of or interest or any premium on any Bond or in the payment of any Debt Service Fund Requirements, the Trustee will be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of notice to the Holders is in the interests of the Holders.

*Remedies.* Subject to the provisions of the 2001 Indenture permitting waivers of Events of Default, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of the Debt Service Requirements or the observance and performance of any other covenant, agreement or obligation under the 2001 Indenture, any Credit Facility or any other instrument providing security, directly or indirectly, for the Senior Lien Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Senior Lien Bonds then Outstanding, the Trustee (subject to the provisions of the 2001 Indenture relating to the rights and obligations of the Trustee and permitting waivers of Events of Defaults, and to any direction by the Holders of a majority of the aggregate principal amount of the Senior Lien Bonds then Outstanding as to the method and place of conducting proceedings to be taken in connection with the enforcement of the terms and conditions of the 2001 Indenture) is required to exercise any rights and powers conferred by the 2001 Indenture.

From and after an Event of Default, notwithstanding the other provisions of the 2001 Indenture, deposits into the Bond Service Account and the Payments Account will be made monthly in an amount equal to the pro rata amount required to be on deposit in such Account on the next date on which a payment from such Account is required to be made, determined as of the date of such Event or Default or, if later, the date of the preceding payment.

Anything to the contrary in the 2001 Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Senior Lien Bonds then Outstanding will have the right at any time to direct, by an instrument or document or instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 2001 Indenture or any other proceedings under the 2001 Indenture; provided that (i) any direction will not be other than in accordance with the provisions of law and of the 2001 Indenture, (ii) any direction will be subject to the provisions of the 2001 Indenture, and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction.

If an Event of Default occurs and continues, the Trustee will be entitled, as a matter of right and to the extent permitted by applicable law, to the appointment of a receiver for all or any part of the Airport and all of the Pledged Revenues, and the State consents to the appointment of such a receiver and covenants not to oppose any such appointment.

*Application of Money.* If an Event of Default occurs and has not been remedied, the Trustee will apply all Pledged Revenues as follows and in the following order of priority (subject to clause (e) below):

(a) Fees, Expenses and Advances of Trustee and any Paying Agent and the Bond Registrar – to the payment of any fees of, and of all costs, expenses, liabilities and advances paid, incurred or made by the Trustee and any Paying Agent and the Bond Registrar in the collection of money pursuant to any right given or action taken under the provisions of the 2001 Indenture (including, without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the 2001 Indenture), provided that the amounts payable under this clause (a), if related to a particular series and therefore to a particular category of Revenues, will be paid first from such category and second from other categories of Revenues in amounts as determined by the Trustee, and if not so related to a particular series or category of Revenues, then from all Revenues as determined by the Trustee:

(b) Operating Expenses and Renewals and Replacements – then, within each category of Revenues, to the payment of all reasonable and necessary related Operating Expenses and major renewals and replacements to the related facilities at the Airport.

(c) Principal or Redemption Price, Interest on Senior Lien Bonds and Payments on related Contracts – then, within each category of Revenues, to the payment of the interest and principal or redemption price then due on the related Senior Lien Bonds and payments then due under related Contracts, all such moneys to be applied as follows:

first: to the payment to the Holders entitled thereto of all installments of interest then due on the Senior Lien Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Lien Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Holders entitled thereto, without any discrimination or preference. If some of the Senior Lien Bonds bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such interest, the moneys in the Debt Service Reserve Account will be applied (to the extent necessary) to the payment of all interest falling due on the dates upon which such interest is payable to and including the date six months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account plus any other moneys available for such purpose in the Bond Service Account will be set aside for the payment of interest on Senior Lien Bonds of each class (a class consisting of all



Senior Lien Bonds payable as to interest on the same dates) *pro rata* among Senior Lien Bonds of the various classes on a daily basis so that there accrues to each Holder of a Senior Lien Bond throughout each Fiscal Year the same proportion of the total interest payable to such Holder of a Senior Lien Bond as so accrues to every other Holder of a Senior Lien Bond during the Fiscal Year. As to any Compound Interest Bond which is a Senior Lien Bond, such interest will accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it will be paid to the Holder of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) will be treated as principal of such Bonds.

second: to interest portions of Reimbursement Obligations related to Senior Lien Bonds pursuant to the terms of the related Contracts.

third: to the payment to the Holders entitled thereto of the unpaid principal of any of the Senior Lien Bonds which will have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2001 Indenture), in the order of their due dates, with interest upon such Senior Lien Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Senior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Holders entitled thereto without any discrimination or preference. If some of the Senior Lien Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such principal falling due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph first above will be applied to the extent necessary to the payment of all principal falling due prior to the date 12 months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available for such purpose in the Bond Service Account will be set aside for the payment of principal of Senior Lien Bonds of each class (a class consisting of all Senior Lien Bonds payable as to principal on the same date) *pro rata* among Senior Lien Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total principal payable on each such Senior Lien Bond as will be equal among all classes of Senior Lien Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Compound Interest Bond which is a Senior Lien Bond (except for interest which has been paid under paragraph first) will be treated as principal for purposes of this paragraph third.

fourth: to the payment of the principal portions of Reimbursement Obligations related to Senior Lien Bonds pursuant to the terms of the related Contracts.

fifth: to the payment of the redemption premium on and the principal of any Senior Lien Bonds called for optional redemption pursuant to their terms.

sixth: to the payment of all other amounts then due on Contracts related to Senior Lien Bonds.

(d) If a series of Senior Lien Bonds has a Senior Lien on more than one category of Revenues, payments will be made thereto under clause (c) *pro rata* as to the number of Senior Liens; provided if after such payments amounts are owed on such Bonds and amounts are remaining hereunder, payments thereon will be made from any category of Revenues as to which such series has a Senior Lien. If any amounts remain after payment under clause (c), further payments will be made with respect to all Subordinate Lien Bonds and Hybrid Bonds (to the extent not already paid) upon the same order and priority as used for Senior Lien Bonds under clause (c) within lien classifications as provided in the related Supplemental Indenture.

(e) Notwithstanding anything else in the 2001 Indenture to the contrary, payments made pursuant to clauses (b), (c) and (d) will be made by category of Revenues to related Bonds such that:

(i) Amounts traceable to General Revenues are used only for General Revenue Bonds and related Contracts;

(ii) Amounts traceable to PFC Revenues are used only for PFC Revenue Bonds and related Contracts to the extent permitted by the PFC Act and the PFC Regulations;

(iii) Amounts traceable to Released Revenues are used only for Released Revenue Bonds and related Contracts or otherwise as permitted by the 2001 Indenture; and

(iv) Amounts not traceable to particular categories of Revenues will be used first as General Revenues for purposes of this Section, then as PFC Revenues, then as other Released Revenues, and then as Special Purpose Revenues.

(f) Whenever money is to be applied, that money will be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee will direct the application of that money, it will fix the date upon which the application is to be made, and upon that date, interest will cease to accrue on the amounts of principal, if any, to be paid on that date, provided the money is available therefor. The Trustee will give notice of the deposit with it of any

money and of the fixing of that date, all consistent with the requirements of the 2001 Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee will not be required to make payment of principal of and any premium on a Bond to the Holder thereof, until the Bond is presented to the Trustee for appropriate endorsement or for cancellation if it is to be paid fully.

In accordance with the Act, Holders have no authority to appoint a separate trustee to represent them. A Holder will not have any right to institute any suit, action or proceeding for the enforcement of the 2001 Indenture, for the execution of any trust under the 2001 Indenture, or for the exercise of any other remedy under the 2001 Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the 2001 Indenture, or of which it is deemed to have notice thereunder,

(b) the Holders of at least a majority in aggregate principal amount of Senior Lien Bonds then Outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the 2001 Indenture or to institute the suit, action or proceeding in its own name, and have offered indemnity to the Trustee as provided in the 2001 Indenture, and

(c) the Trustee, for 60 days thereafter, has failed or refused to exercise the remedies, rights and powers granted in the 2001 Indenture or to institute the suit, action or proceeding in its own name.

Nothing in the 2001 Indenture will affect or impair, however, the right of any Holder to enforce the payment of the Debt Service Requirements on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

*Waivers of Events of Default.* Except as otherwise provided, the Trustee will waive any Event of Default under the 2001 Indenture and its consequences upon the written request of the Holders of

(a) at least a majority in aggregate principal amount of all Senior Lien Bonds then Outstanding in respect of which an Event of Default in the payment of the Debt Service Requirements exists, or

(b) at least 25% in aggregate principal amount of all Senior Lien Bonds then Outstanding, in the case of any other Event of Default.

Such written request will take priority over other actions requested or authorized by the Holders.

There will not be so waived, however, any Event of Default described in the 2001 Indenture, unless at the time of that waiver, payments of principal of and interest and premium on the Bonds then due and payable, plus interest to the extent permitted by law on any overdue installments of

interest at the rate borne by the Bonds in respect of which the default has occurred, has been duly paid or provision has been duly made therefor by deposit with the Trustee or Paying Agents. If such a waiver occurs, or any suit, action or proceedings taken by the Trustee on account of any Event of Default has been discontinued, abandoned or determined adversely to it, then the State, the Trustee and the Holders will be restored to their former positions and rights under the 2001 Indenture, respectively. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Supplemental Trust Indentures**

*Supplemental Indentures Not Requiring Consent of Bondholders.* The State and the Trustee, from time to time and at any time, subject to the conditions and restrictions in the 2001 Indenture, may enter into one or more Supplemental Indentures which thereafter will form a part of the 2001 Indenture, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the State in the 2001 Indenture other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power reserved in the 2001 Indenture to or conferred upon the State (including but not limited to the right to issue Additional Bonds);

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the 2001 Indenture, or in regard to matters or questions arising under the 2001 Indenture, as the State may deem necessary or desirable and not inconsistent with the 2001 Indenture;

(c) to subject to the lien and pledge of the 2001 Indenture additional revenues, receipts, properties, or other collateral;

(d) to evidence the appointment of successors to any depositories, Paying Agent(s), or Bond Registrar(s);

(e) to modify, amend or supplement the 2001 Indenture in such manner as to permit the qualification of the 2001 Indenture under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the 2001 Indenture such other terms, conditions and provisions as may be permitted or required by such Trust Indenture Act of 1939 or similar federal statute;

(f) to make any modification or amendment of the 2001 Indenture required in order to make any Bonds eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

(g) to modify any of the provisions of the 2001 Indenture in any respect if such modification will not become effective until after all the Bonds Outstanding immediately prior to the effective date of such Supplemental Indenture ceases to be Outstanding and if any Bonds issued contemporaneously with or after the effective date of such Supplemental Indenture will contain a specific reference to the modifications contained in such subsequent proceedings;

(h) to modify the provisions of the 2001 Indenture with respect to the disposition of any moneys remaining in the Construction Fund upon the completion of any Project or to revise, enlarge or reduce the definition or description of any particular Project;

(i) to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

(j) to modify the 2001 Indenture to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

(k) to provide for the issuance of Additional Bonds or Subordinate Lien Bonds permitted to be issued under the 2001 Indenture, including specifying matters as contemplated by provisions of the 2001 Indenture relating to issuance of Additional Bonds and applicable rate covenant provisions and such other modification of the provisions of the 2001 Indenture relating to such Additional Bonds or Subordinate Lien Bonds which the State deems necessary or desirable for that purpose;

(l) to make such modifications in the provisions of the 2001 Indenture as may be deemed necessary by the State to accommodate the issuance of the Bonds which (i) are Compound Interest Bonds (including, but not limited to, provisions for determining the Debt Service Requirements for such Compound Interest Bonds and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate;

(m) to permit the State to sell or assign, in whole or in part, ownership of the Airport and/or the authority to control, operate and/or maintain the Airport to a Person authorized by the laws of the State to assume such ownership and/or authority; provided that, (i) such Person is a party to a Supplemental Indenture and agrees therein to observe and perform on a timely basis, on behalf of the State, all of the obligations and agreements of the State contained in the 2001 Indenture that have been assigned to such Person, (ii) for any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency has given written notification to the State that such sale or assignment will not cause the then applicable Rating on any Bonds to be reduced or withdrawn and (iii) for any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer has consented in writing to such sale or assignment; and

(n) to modify any of the provisions of the 2001 Indenture in any respect (other than a modification of the type described in the 2001 Indenture requiring the unanimous written consent of the Holders); provided that (i) for any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency has given written notification to the State that such modification will not cause the then applicable Rating on any Bonds to be reduced or withdrawn and (ii) for any Outstanding Bonds which are secured by Credit Facilities

providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer has consented in writing to such modification.

Any Supplemental Indenture authorized by the provisions of the 2001 Indenture may be entered into by the State and the Trustee without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the 2001 Indenture. Any such Supplemental Indenture may modify the provisions of the 2001 Indenture in such a manner, and to such extent and containing such provisions, as the State may deem necessary or desirable to effect any of the purposes stated above. The term "modify" means "modify, amend or supplement" and the term "modification" means "modification, amendment or supplement."

The provisions of above and below will be interpreted by category of Revenues such that each provision of any Supplemental Indenture will be reviewed for compliance with such sections upon its effect on the Bonds secured by the related category of Revenues and whether the consent of any holders, of a majority of holders of a certain category of Bonds or the consent of all such holders will be determined with respect to each category of Revenues. Supplemental Indentures may be entered into containing provisions which (1) do not require the consents of any holders, (2) require the consents of some but not all holders of Bonds related to a category of Revenues, (3) require the consents of some but not all holders of Bonds related to several categories of Revenues, (4) require the consents of all holders of Bonds related to a category of Revenues, (5) require the consents of all holders of Bonds related to several categories of Revenues, (6) require the consents of all holders of Bonds, or (7) are covered in a combination of some or all of clauses (1) through (6).

*Supplemental Indentures Requiring Consent of Bondholders.* With the consent of the owners of not less than a majority in aggregate principal amount of the Outstanding Bonds of each class (senior and subordinate), voting separately by class, of each series of Bonds related to an affected category of Revenues or related Bonds, the State and the Trustee may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the 2001 Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture will: (a) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond Outstanding under the 2001 Indenture; (b) reduce or extend the time for payment of principal of, redemption premium, or interest on any Bond Outstanding under the 2001 Indenture; (c) reduce any premium payable upon the redemption of any Bond under the 2001 Indenture or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date; (d) give to any Bond or Bonds (or related Contracts) a preference over any other Bond or Bonds (or related Contracts) not already permitted by the 2001 Indenture; (e) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the 2001 Indenture for the Senior Lien Bonds; (f) reduce the percentage of owners of any class of Bonds required to approve any such Supplemental Indenture; or (g) deprive the owners of the Bonds of the right to payment of the Bonds or from the Pledged Revenues, without, in each case, the consent of the owners of all the Bonds then Outstanding of the category of Bonds affected thereby. No amendment may be made under the 2001 Indenture which affects the rights or duties of any Credit Issuer securing any of the Bonds or any Qualified Hedge Provider under any Hedge

Agreement without its written consent. The provisions of this paragraph will be strictly construed such that Supplemental Indentures requiring the consents of owners of Bonds will be limited to those clearly falling within one of the enumerated categories.

Notwithstanding any provision of the 2001 Indenture to the contrary, upon the issuance of a Credit Facility to secure any Bonds and for the period in which such Credit Facility is outstanding, the Credit Issuer may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the 2001 Indenture, to the extent provided in the applicable Supplemental Indenture. Notwithstanding the foregoing, if a Credit Issuer is granted the consent rights of the owners of any Bonds in a Supplemental Indenture and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Bonds secured by the related Credit Facility may exercise such consent rights.

*Favorable Opinion of Bond Counsel.* The State and the Trustee may not enter into a Supplemental Indenture unless the State causes to be delivered to the Trustee a Favorable Opinion of Bond Counsel with respect to such Supplemental Indenture.

#### **Special Provisions Relating to the Bond Insurer**

So long as the Bond Insurance Policy remains in effect for the Series 2001 Bonds, the 2001 Indenture provides for, among other matters, certain minimum requirements relating to the funding and replenishment of the debt service reserve fund for the Series 2001 Bonds, the delivery of a reserve fund surety, swap providers, variable rate indebtedness, defeasance provisions, the rate covenant and the additional bonds test. In addition, the Bond Insurer will have certain rights, including the following:

1. Except for the giving of notice of default to bondholders, the Bond Insurer will be deemed to be the sole holder of the Series 2001 Bonds for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy. In determining whether a payment default has occurred or whether a payment on the Series 2001 Bonds has been made under the 2001 Indenture, no effect will be given to payments made under the Bond Insurance Policy.
2. Any amendment or supplement to the 2001 Indenture will be subject to the prior written consent of the Bond Insurer.
3. Any successor trustee or co-trustee must have combined capital, surplus and undivided profits of at least \$50 million, unless the Bond Insurer otherwise approves.
4. The Bond Insurer will be provided with certain information relating to the Airport.

## **D-2 Bradley International Airport 1982 Indenture**

### **SUMMARY OF CERTAIN PROVISIONS OF THE 1982 INDENTURE**

*The following statements are summaries of certain provisions of the Bradley International Airport Indenture of Trust dated October 1, 1982, as supplemented in connection with the issuance of the 1992 Refunding Bonds (as used in this Appendix D-2, the "Indenture"). All such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the Indenture.*

#### **Definitions of Certain Terms**

The following are definitions of certain terms as used in the Indenture:

*"Airline"* means all of the air transportation companies now or hereafter entering into Operating Agreements.

*"Airport Improvements"* means those improvements to be financed with the proceeds of the Bonds.

*"Amortization Requirement"* for any Bond Year (as applied to term bonds issued under the provisions of the Indenture), means the respective amount to be amortized for such Bond Year as fixed by resolution of the State Bond Commission prior to the delivery of such Bonds. The aggregate amount of such Amortization Requirements for the term bonds of any series is equal to the principal amount of the term bonds of such series. The Amortization Requirements for the term bonds of any series begin in such year as the State Bond Commission determines and does not end later than the Bond Year immediately preceding the maturity of such term bonds.

*"Bond"* means any bond issued pursuant to the Indenture.

*"Bond Insurer"* means (i) the Financial Guaranty Insurance Company, a New York stock insurance company, its successors and assigns, or (ii) another authorized issuer of municipal bond insurance policies acceptable to the State.

*"Bond Year"* means the period commencing on the first day of October of any calendar year and ending on the last day of September of the following year.

*"Concession Agreements"* means those agreements entered into with the Concessionaires whereby Concessionaires lease, or obtain any right in or to the use of, all or any part of the buildings, structures and facilities and the real property or interests in real property included in the Airport and providing for certain concession rentals and payments during the term thereof, together with all agreements of similar type hereafter entered into, as the same may be amended and supplemented from time to time.



*"Concessionaires"* means all of the persons now or hereafter entering into Concession Agreements, the Concessionaires as of the date of the Indenture being set forth in Schedule B to the Indenture.

*"Current Expenses"* means the reasonable and necessary current expenses of the State, paid or accrued in administering, operating, maintaining and repairing the Airport. Without limiting the generality of the foregoing, the term Current Expenses includes (a) costs of collecting Gross Operating Revenues and of making any refunds therefrom lawfully due others; (b) engineering, audit reports, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport; (c) costs of salaries, wages and other compensation of officers and employees with respect to the Airport, including all legally required payments to pension, retirement, health and hospitalization funds and other insurance including self-insurance for the foregoing; (d) costs of routine maintenance, repairs, replacements, renewals and alterations occurring in the usual course of business, which may include expenses not annually recurring and reserves for the replacement of depreciable equipment; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed on the Airport or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport or otherwise imposed on the Airport or the operation thereof or income therefrom; (f) costs of utility services, however provided; (g) the costs and expenses of management services and general administrative overhead of the State allocable to the Airport; (h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property and the cost of aviation fuel and propellants; (i) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport or Gross Operating Revenues or any other moneys held under the Indenture or required to be held or deposited thereunder; (j) costs of carrying out the provisions of the Indenture, including paying agent's fees and expenses, costs of insurance required thereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport or Gross Operating Revenues, and costs of recording, mailing and publication; (k) all other costs and expenses of administering, operating, maintaining and repairing the Airport arising in the routine and normal course of business; and (l) any costs and expenses required to be paid (and reserves required to be kept) in accordance with law, the Indenture or the cost accounting system in effect from time to time with respect to the Airport, but do not include any costs or expenses for new construction or for reconstruction other than restoration of the Airport or any part thereof to the condition of serviceability thereof when new, or debt service on the Notes or the Bonds, or any allowance for depreciation of the Airport, or any deposit or deposits to the credit of the Debt Service Fund or the Operation and Maintenance Reserve Account.

*"Fiscal Year"* means the Fiscal Year of the Airport, beginning on July 1 and ending June 30 in each year, as designated by the State of Connecticut Department of Transportation pursuant to the Act.

*"Governmental Obligations"* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; or

(ii) bonds, debentures or notes issued by any one or a combination of any of the following federal agencies: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Farm Credit System or Federal Home Loan Mortgage Corporation.

See also definition of "Governmental Obligations" as used only for purposes of the Section of the Indenture relating to defeasance.

*"Gross Operating Revenues"* means and includes all income, revenues and moneys derived by the State with respect to the operation of the Airport by the State for the furnishing and supply of the services, facilities and commodities thereof, and, without limiting the generality of the foregoing, includes (a) all income, revenues and moneys derived from the fees, rates, rentals, landing fees and charges fixed, imposed and collected by the State pursuant to the Indenture or otherwise derived from or arising through the operation and management of the Airport by the State or derived from the rental of all or part of the Airport or from the sale or rental of any commodities or goods in connection with the Airport, including Concessionaire payments and investment income earned by the State; (b) to the extent provided in the Indenture, earnings on the investment of the proceeds of the Notes and the Bonds; (c) to the extent provided in the Indenture, earnings on the investment of moneys held under the Indenture and the proceeds of the sale of any such investments; (d) to the extent provided in the Indenture, income derived by the State from any Special Facility Leases (as defined in the Indenture); (e) any grants from the State actually appropriated and allotted for unrestricted use at the Airport and (f) any moneys transferred from the credit of the General Airport Fund (but not including, the Airport Coverage Account therein) to the Revenue Fund. The term "Gross Operating Revenues" does not include tax receipts or moneys received as proceeds from the sale of the Notes, the Bonds or any other bonds, notes or evidences of indebtedness or as grants (including grants under the Airport Development Aid Program) or gifts, the use of which grants or gifts, are limited by the grantor or donor to special projects or purposes of the State or the Airport not benefiting the public at the Airport generally, except to the extent that any such moneys shall be received as payments for the use of the Airport.

*"Improvement Costs"* means the costs of the Airport Improvements and includes, without intending thereby to limit or restrict any proper definition of such term under the Act, the costs of acquisition and construction and all obligations and expenses and all items of cost which are set forth in the Indenture.

*"Note"* means any note issued in anticipation of Bonds pursuant to the Indenture, including any renewals and replacement Notes.

*"Operating Agreements"* means, collectively, the several Air Carrier Operating Agreements in effect on the date of the Indenture by and between the State and certain scheduled airlines serving the Airport on such date, as the same may be amended and supplemented from time to time, whereby such Airlines lease, or obtain any right in or to the use of, all or any part of the buildings, structures and facilities and the real property or interests in real property included in the Airport, together with all agreements of similar type hereafter entered into with any other air transportation company serving the Airport.

*"Principal and Interest Requirement"* for any Bond Year, as applied to Bonds of any series, means the sum of:

(i) the amount required to pay the interest on all Bonds of such series which is payable on April 1 in such Bond Year and on October 1 of the next ensuing Bond Year; plus

(ii) the amount required to pay the principal of all serial bonds of such series then outstanding which is payable on October 1 of the next ensuing Bond Year; and

(iii) the Amortization Requirement for the term bonds of such series for such Bond Year.

In computing the Principal and Interest Requirement for any Bond Year for the Bonds of any series, the Trustee assumes that an amount of the term bonds (if any) of such series equal to the Amortization Requirement for the term bonds of such series for such Bond Year will be retired by purchase or redemption on the 1st day of October of the succeeding Bond Year.

*"Supplemental Indenture"* means any indenture entered into by the Trustee and the State pursuant to and in compliance with the provisions of the Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and also means any other indenture between the same parties entered into pursuant and in compliance with the provisions of the Indenture amending or supplementing the provisions of the Indenture as originally executed or as theretofore amended or supplemented.

## **THE INDENTURE**

### **Pledge of Trust Estate**

Under the Indenture the State has irrevocably pledged the Trust Estate to secure the payment of the Bonds, including, without limiting the generality thereof: (1) the Gross Operating Revenues; (2) the Operating Agreements, Concession Agreements, and similar instruments; (3) the rights of the State under any construction contracts with respect to buildings and facilities included in the Airport; (4) the rights of the State under any and all letters of credit securing the obligations of any party or parties under agreements with the State pertaining to the Airport; (5) the proceeds of the sale of the Bonds; (6) the proceeds of insurance required by the Indenture to be carried by the State and awards to the State upon the condemnation of the Airport or any part thereof; and (7) all cash, moneys, securities, investments, grants (excluding grants by the Federal government) and other personal and real property pledged to secure the Bonds under the Indenture. The Bonds, including the principal thereof and interest and premium, if any, thereon, are payable solely from the Gross Operating Revenues and other assets of the Trust Estate. The Bonds are special obligations of the State and are not payable from, nor charged upon any funds other than, the Gross Operating Revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture. Neither the State nor any political subdivision thereof is subject to the liability on the Bonds except to the extent of the revenues, receipts, funds and moneys pledged to secure the same.

## Funds and Accounts

Under the Indenture, the following funds and accounts have been established with and are administered by the Trustee:

1. *Construction Fund.* Moneys deposited in this fund are to be held in trust by the Trustee and applied to the payment of the Improvement Costs and, pending such application, are subject to a lien and charge in favor of the holders of the Bonds and for the further security of such holders until paid out as provided in the Indenture. Proceeds of the Initial Bonds and any Additional Bonds properly allocable to construction of the Airport Improvements are to be deposited in this fund. In addition, any moneys received from any other source for the acquisition and construction of the Airport Improvements and any additions, expansions or improvements of or to the Airport other than the Airport Improvements are to be deposited therein.

2. *Debt Service Fund.* Within the Debt Service Fund are to be four separate accounts known as the "Bond Service Account", the "Reserve Account", the "Redemption Account" and the "Interim Reserve Account". Moneys held to the credit of the Debt Service Fund are to be held in trust and disbursed by the Trustee, as more particularly described below, for (a) the payment of the interest on the Bonds as such interest becomes due or (b) the payment of the principal on the Bonds at their respective maturities or (c) the payment of the purchase or redemption price of the Bonds before maturity or (d) the purposes specified in subparagraph d. below.

a. *Bond Service Account.* Moneys held to the credit of the Bond Service Account are to be used for the purpose of paying the principal of and interest on the Bonds as they become due and payable. The Trustee, on the twenty-fifth (25) day of March and September of each year, is to withdraw from the Bond Service Account and, if necessary, from the Reserve Account, and is to deposit in trust with the Paying Agent, sufficient moneys for paying the principal of and the interest on the Bonds as the same shall become due. At least once during each Bond Year the Bond Service Account is to be depleted except for an amount equal to no more than the greater of (A) one (1) year's earnings on the Funds held in the Bond Service Account, or (B) one-twelfth (1/12) of annual debt service. In order to comply with this requirement, the Trustee, from time to time, and at the end of the capitalized interest period established in accordance with the Indenture, is to withdraw such moneys as may be necessary from the Bond Service Account and deposit said moneys to the credit of the Revenue Fund. All proceeds realized from the investment of moneys held to the credit of the Bond Service Account are to be deposited directly to the credit of the Construction Fund until such time as the Airport Improvements are completed. After completion of the Airport Improvements, all such proceeds shall remain in the Bond Service Account.

b. *Reserve Account.* Moneys held to the credit of the Reserve Account are to be used for the purpose of paying the principal and interest on the Bonds and meeting the Amortization Requirements for any term bonds whenever and to the extent that the moneys held to the credit of the Bond Service Account

and the Redemption Account, respectively, are insufficient for such purposes. To the extent necessary to comply with the tax covenant of the Indenture, if at any time the moneys held for the credit of the Reserve Account equal fifteen percent or more of the original face amount of the Bonds then outstanding, then at the option of the State Treasurer either such excess is to be withdrawn by the Trustee from the Reserve Account and deposited to the credit of the Revenue Fund, or invested at restricted yield. All proceeds realized from the investment moneys held to the credit of the Reserve Account are to be deposited directly to the credit of the Construction Fund until such time as the Airport Improvements are completed.

c. *Redemption Account.* Moneys held to the credit of the Redemption Account are to be applied to the retirement of Bonds issued under the provisions of the Indenture as follows:

(1) The Trustee is to endeavor to purchase outstanding Bonds, whether or not such Bonds are subject to redemption, at the most advantageous price obtainable, with reasonable diligence, having regard to the interest rate and price, such price not to exceed the principal of such Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Bonds under the provisions of the Indenture, if such Bonds should be called for redemption on such date from moneys in the Debt Service Fund. The Trustee is to pay the interest accrued on such Bonds to the date of delivery thereof from the Bond Service Account and the purchase price from the Redemption Account.

(2) The Trustee is to call for redemption on each interest payment date on which Bonds are subject to redemption from moneys in the Debt Service Fund such amount of Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Redemption Account as nearly as may be; provided, however, that not less than One Hundred Thousand Dollars (\$100,000.00) in principal amount of Bonds are to be called for redemption at any one time.

(3) Moneys in the Redemption Account are to be applied to the purchase or redemption of Bonds in the following order: (a) term bonds of each series, if any, in the order of maturity as the State shall determine, to the extent of the Amortization Requirement, if any, of the then current Bond Year for such term bonds and any deficiency in preceding Bond Years in the purchase or redemption of such term bonds provided, however, that if none of the term bonds of a series is subject to redemption from moneys in the Debt Service Fund and if the Trustee is at any time unable to exhaust the moneys applicable to the Bonds of such series in the purchase of such Bonds, such moneys or the balance of such moneys, as the case may be, is to be retained and, as soon as feasible, applied to the retirement of the Bonds of such series; (b) to the purchase of any Bonds then outstanding; whether or not such Bonds are subject to redemption; (c)

to the redemption of the term bonds of each series in proportion (as nearly as practicable) to the aggregate principal amount of the Bonds of each series originally issued; and (d) after the retirement of all term bonds, to the redemption of the serial bonds issued under the provisions of the Indenture in the manner provided therein or in the Supplemental Indenture providing for the issuance of such serial bonds, and to the extent that serial bonds of different series mature on the same date, in proportion (as nearly as practicable) to the principal amount of each series maturing on such date.

d. *Interim Reserve Account.* Moneys held to the credit of this account are to be transferred, at any time during the Fiscal Years ending June 30, 1989 through June 30, 1991, to the Revenue Fund if and to the extent that, immediately prior to the distribution required on the twentieth (20th) of each month pursuant to the Indenture, the balance then held to the credit of the Revenue Fund shall be insufficient to meet, in full, the requirements of the Indenture to fund the Bond Service Account, the Redemption Account, the Reserve Account and the amount required for the payment of Current Expenses. At the end of the last business day of the Fiscal Year ending June 30, 1991, all moneys held to the credit of the Interim Reserve Account are to be transferred to the credit of the Revenue Fund and no deposits thereafter are to be made to the Interim Reserve Account.

3. *Revenue Fund.* From and after the date of delivery of and payment for the Initial Bonds, all rentals, fees, charges and other payments constituting Gross Operating Revenues are to be paid directly to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Also deposited to the credit of the Revenue Fund will be all other moneys required to be deposited therein from time to time by the provisions of the Indenture.

Until used and applied as provided in the Indenture all moneys deposited in the Revenue Fund and the securities in which such moneys may from time to time be invested are to be held in trust for the equal and ratable benefit of all the Bonds and are subject to the liens, pledges and charges created under the Indenture for the security and benefit of the holders of the Bonds. To the extent any such moneys and securities are not required to be deposited or credited by the Trustee to the other funds and accounts described in the Indenture such moneys and securities are to be retained on deposit in the Revenue Fund.

The Trustee is to disburse moneys from the Revenue Fund in accordance with provisions outlined in "Application Of Gross Revenues" below.

4. *Operation and Maintenance Reserve Account.* Within the Revenue Fund is a separate account known as the Operation and Maintenance Reserve Account. Moneys held to the credit of the Operation and Maintenance Reserve Account are to be used and applied by the State solely to the purposes of paying Current Expenses and are to be transferred by the Trustee to the State to be so used and applied without further authorization or direction whenever there are insufficient moneys in the Revenue Fund

for such purpose. Deposits to this account are subject to limitations more fully described in " Application Of Gross Revenues " described below.

5. *Note Repayment Fund.* Moneys held for the credit of the Note Repayment Fund are to be used by the Trustee for the purpose of paying the principal and interest on any outstanding Notes issued in anticipation of Bonds. Any moneys remaining in the Note Repayment Fund after the last maturity date of such outstanding Notes in excess of the amount of principal and interest due and payable thereon are to be transferred to the credit of the Construction Fund, except that if the Airport Improvements have been completed prior to the last maturity date of such outstanding Notes, said excess balance in the Note Repayment Fund is to be deposited to the credit of the Revenue Fund. Proceeds of Additional Bonds and proceeds of renewal or replacement Notes issued pursuant to the Indenture are to be deposited by the Trustee to the credit of the Note Repayment Fund in the amounts specified in the Indenture. All proceeds realized from the investment of moneys held to the credit of the Note Repayment Fund are to remain therein.

6. *Improvement Fund.* Moneys held to the credit of the Improvement Fund are to be held in trust and disbursed by the Trustee to the State at the direction of the State Bond Commission to pay the costs of any additions, expansions or improvements of or to the Airport, but not including the Airport Improvements.

7. *General Airport Fund.* Any moneys held to the credit of the General Airport Fund are to be held by the Trustee and transferred from time to time (i) to the Redemption Account for the purpose of redeeming Bonds or (ii) to the Bond Service Account for the purpose of paying the principal of and the interest on the Bonds or (iii) to the Improvement Fund for the purpose of paying the costs of any additions, expansions or improvements of the Airport or (iv) at the direction of the State Bond Commission from the General Airport Fund to the Note Repayment Fund for the payment of the principal of and interest on any Notes issued pursuant to the Indenture or (v) for any authorized Airport purpose. In any Fiscal Year ending before the filing of the certificate of completion with respect to the Airport Improvements and before all Improvement Costs have been paid or the payment thereof provided for pursuant hereto, the State Bond Commission may direct by resolution that any moneys held to the credit of the General Airport Fund be transferred to the Construction Fund, there to be applied in accordance with the provisions of the Indenture.

8. *Airport Coverage Account.* Within the General Airport Fund is a separate account known as the Airport Coverage Account. Any moneys held therein are used in computing Gross Operating Revenues for purposes of compliance with the rate covenant described in subsection (1) under "Affirmative Covenants" herein. Moneys held to the credit of this Account are to be held by the Trustee and transferred from time to time for any purpose permitted for moneys in the General Airport Fund; provided, that no transfers may be made to the Note Repayment Fund; and provided, further, that no transfer of moneys may be made out of the Airport Coverage Account for any purpose so long as there are unrestricted moneys in the General Airport Fund which may be applied to such purpose.

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### **Application of Gross Revenues**

Moneys deposited to the credit of the Revenue Fund are to be applied by the Trustee at all times, in the amounts and in the order of priority set forth as follows:

On or before the twentieth (20th) day of each month for which an Annual Operating Budget is required, the Trustee is to withdraw from the Revenue Fund all moneys then held for the credit of the Revenue Fund and is to deposit the sum so withdrawn to the credit of the following accounts or funds in the following order:

(a) to the credit of the Bond Service Account and the Redemption Account, respectively, such amounts thereof, if any (or the entire sum so withdrawn if less than the required amount, in which case such sum is to be allocated among the purposes set forth in this subparagraph on a pro rata basis), as may be required (1) to make the amount then held to the credit of the Bond Service Account equal to one-twelfth ( $1/12$ ) of the principal of each serial bond which will become due and payable within the next ensuing twelve (12) months, times the number of full or partial calendar months which have elapsed since the last annual installment of principal on each such serial bond became due and payable, plus one-sixth ( $1/6$ ) of the interest which will be or become due and payable within the next ensuing six (6) months on each of the bonds then outstanding, times the number of full or partial calendar months which have elapsed since the last semi-annual installment of interest on each such bond became due and payable, and (2) to make the amount then held to the credit of the Redemption Account equal to one-twelfth ( $1/12$ ) of the Amortization Requirements, if any, for such Bond Year for each of the term bonds then outstanding, plus one-twelfth ( $1/12$ ) of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for redemption on the first day of the Bond Year next ensuing, times the number of full or partial calendar months having elapsed since the beginning of such Bond Year; provided, however, that if the amount so deposited to the credit of the Redemption Account in any Bond Year is less than such amount, the requirement therefor is nevertheless cumulative and the amount of any deficiency in any Bond Year is added to the amount otherwise required to be deposited in each Bond Year thereafter until such times as such deficiency has been made up;

(b) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subparagraph (a) above (or the entire balance if less than the required amount), one-twelfth ( $1/12$ ) of the amount, if any, necessary to make the amount deposited to the credit of the Reserve Account in such Bond Year equal to the maximum amount of the Principal and Interest Requirements for the current or any succeeding Bond Year on account of all the Bonds then outstanding; provided, however, that no such deposit is to be made if the amount then to the credit of the Reserve Account is not less than the maximum amount of the Principal and Interest Requirements for any succeeding Bond Year on account of all Bonds then outstanding;

(c) to the Interim Reserve Account, out of any balance remaining after making the deposits under subparagraphs (a) and (b) above (or the entire balance if less than the required amount), (A) in each month for the next ensuing twenty-four months



after the date of the Indenture, the sum of One Hundred Fifty Thousand Dollars (\$150,000) per month, plus any deficiency in payments under this subparagraph (c) from prior months, and (B) for the twelve months next thereafter, the sum of One Hundred Thousand Dollars (\$100,000) per month, plus any deficiency in payments under this subparagraph (c) from prior months until the amount in such fund is equal to \$4,800,000; provided, however, that at least once in each Fiscal Year, beginning in the first full Fiscal Year after the issuance of the first Notes or Bonds under the Indenture, and continuing through the Fiscal Year ending June 30, 1991, the Airport Consultant shall conduct a study of the projected Gross Operating Revenues and Current Expenses, debt service and other costs of the Airport, and if, based upon such study, he shall conclude that the State will be unable to meet its rate covenant imposed in the Indenture for any of the Fiscal Years ending June 30, 1989 through June 30, 1991, then the payments required under this subparagraph (c) shall be increased in the amount necessary on an annual basis (based on the aforementioned study of the Airport Consultant) to provide reserves in the Interim Reserve Account adequate for the State to meet said rate covenant in each of the Fiscal Years ending June 30, 1989 through June 30, 1991;

(d) to the State, such amount, if any, of the balance remaining after making the deposits, under subparagraphs (a), (b) and (c) above (or the entire balance if less than the required amount), to make the amount then held by the State for the payment of Current Expenses (excluding any amount then held by the State as a reserve for the payment of expenses not annually recurring and for the replacement of depreciable equipment) equal to such amount as shall be necessary for Current Expenses during the next ensuing two (2) months as shown on the Annual Operating Budget;

(e) to the Operation and Maintenance Reserve Account, out of any balance remaining after making the deposits under subparagraphs (a) through (d) above, one twelfth (1/12) of the amount, if any, necessary to make the amount deposited to the credit of the Operation and Maintenance Account equal not less than twenty-five percent (25%) of the budgeted Current Expenses for the then current Fiscal Year (the "O&M Account Requirement") subject to increase or decrease as specified from time to time by the State Bond Commission; provided that such amounts are not to be reduced to less than the O&M Account Requirement;

(f) to the Note Repayment Fund, such amount, if any, of the balance remaining after making the deposits under subparagraphs (a) through (e) above (or the entire balance if less than the required amount), as shall be designated by the State Bond Commission for the payment of the principal of and the interest on any Notes issued pursuant to the Indenture, provided, however, that no deposit is to be made unless the balance then held to the credit of the Airport Coverage Account, together with the balance of Gross Operating Revenues remaining after the deposits under subparagraphs (a) through (g) have been completed, is equal to the full amount of the twenty-five percent (25%) coverage requirement as set forth in subparagraph (h) below:

(g) to the Improvement Fund, such amount, if any of the balance remaining after making the deposits under subparagraphs (a) through (f) above (or the entire balance if less than the required amount) as shall be determined by the State Bond Commission

from time to time to pay the costs of any additions, expansions or improvements of or to the Airport in accordance with the provisions of the Indenture;

(h) to the credit of the Airport Coverage Account, out of the balance, if any, remaining after making the deposits under subparagraphs (a) through (g) above (or the entire balance if less than the required amount), the amount, if any, necessary to make the amount deposited to the credit of the Airport Coverage Account equal to twenty-five percent (25%) of the sum of (i) the amount required in such Fiscal Year to pay interest on the Notes and the Bonds as and when the same becomes due and payable (but excluding amounts to pay interest which have been provided from the proceeds of Bonds) and (ii) the amount required in such Fiscal Year to pay the principal of the Bonds as and when the same shall become due and payable (whether at maturity, upon required redemption prior to maturity or otherwise);

(i) to the credit of the General Airport Fund, the balance, if any, remaining after making the deposits under subparagraphs (a) through (h) above. Such moneys are to remain on deposit in the General Airport Fund to be utilized in accordance with the provisions of the Indenture.

#### **Depositories of Moneys/Investments**

Except for revenues earned or properly allocable to the period prior to the receipt of the proceeds of the Initial Bonds, all moneys received by the State under the provisions of the Indenture are to be deposited in the name of the State in one or more separate funds and accounts with such depository or depositories as the State Treasurer shall designate, except that the Construction Fund, the Note Repayment Fund, the Revenue Fund, the Debt Service Fund, the Improvement Fund, the General Airport Fund and the accounts in such funds are to be held only by the Trustee. All moneys deposited under the provisions of the Indenture with any depository, or held in a special trust fund prior to payment to the Trustee as aforesaid, are to be trust funds under the terms of the Indenture and are not subject to any lien or attachment by any creditor of the State. Such moneys are to be held in trust and applied in accordance with the terms of the Indenture.

Moneys on deposit in the Construction Fund, the Note Repayment Fund, the Revenue Fund, the Debt Service Fund, the Improvement Fund, the General Airport Fund and the accounts in such funds are to be invested and reinvested by the Trustee, at the direction of the State, to the extent reasonable and practicable in Investment Securities (as hereinbelow defined) maturing in the amounts and at the times as determined by the State so that the payment required to be made from such funds and accounts may be made when due. In the absence of any direction from the State, the Trustee is to invest and reinvest moneys on deposit in the Construction Fund, the Note Repayment Fund, the Revenue Fund, the Debt Service Fund, the Improvement Fund, the General Airport Fund and the accounts in such funds in Investment Securities maturing in such amounts and at such times as the Trustee determines so that payments required to be made from such funds and accounts may be made when due.

Investment Securities include: (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or

guaranteed by Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association; and Federal Financing Bank or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America; (iii) New Housing Authority Bonds, Temporary Notes or Preliminary Loan Notes 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 any agency thereof; 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 or any agency thereof; (iv) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes, or any successor provision; (v) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any state of the United States or any political subdivisions of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision is to be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (b) at the time of their purchase under this Indenture, such obligations of any such State or political sub-division are rated in either of the two highest rating, categories by two nationally recognized bond rating agencies; (vi) bank time deposits evidenced by certificates of deposit issued by any bank or trust company (which may include the Trustee) which is a member of the Federal Deposit Insurance Corporation, provided that such time deposits are secured by obligations described in items (i), (ii), (iii) or (iv) above, which obligations shall at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured; and (vii) with the approval of the State Treasurer, repurchase agreements with any bank or trust company (which may include the Trustee) insured by the Federal Deposit Insurance Corporation, which agreements are secured by obligations described in items (i), (ii), (iii) and (iv) of this definition of Investment Securities, provided such obligations at all times shall have a market value (exclusive of accrued interest) at least equal to such time deposits so secured.

### **Subordinate Lien Obligations**

The State reserves the right to issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the State relating to the Airport payable as to principal and interest from the Gross Operating Revenues subject and subordinate to the deposits and credits required to be made to the Note Repayment Fund, the Revenue Fund, the Debt Service Fund and the General Airport Fund or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Gross Operating Revenues junior and inferior to the lien and pledge on the Gross Operating Revenues created under the Indenture for the payment and security of the Bonds.

### **Special Facilities Leases and Obligation Bonds**

The State reserves the right to enter contracts, leases, subleases or other agreements pursuant to which the State will agree to construct a hangar, an overhaul, maintenance or repair building or shop or other aviation or space or airport or air navigation facility, including hotels, garages and other buildings and facilities incident or related to the Airport, on land constituting

part of the Airport or will agree to acquire or construct a hangar, an overhaul, maintenance or repair building or shop or other aviation or space or airport or air navigation facility, including hotels, garages and other buildings and facilities incident or related to the Airport, on land not then constituting part of the Airport (which land if not then owned or leased by the State may be acquired for such purpose), or to acquire and remodel, renovate or rehabilitate a building, structure or other facility (including the site thereof) for aviation or space or airport or air navigation purposes (all such hangars, buildings, shops, or other structures and facilities being defined as the "Special Facility"), and lease such Special Facility under the following conditions:

(1) No Special Facility will be constructed or acquired and leased for use or occupation: (a) if the Special Facility would provide services, facilities, commodities or supplies which then may adequately be made available through the Airport as then existing, and (b) if the result of the use or occupation of such Special Facility under the contract, lease, sublease or agreement therefor would result in a reduction of Gross Operating Revenues below the minimum amount of Gross Operating Revenues covenanted to be produced and maintained under the Indenture;

(2) A Special Facility Lease may be entered into between the State, as lessor, and the user or occupier of such Special Facility, as lessee, pursuant to which the lessee is to agree to pay the State in each year during the term thereof, which term may not be less than the latest maturity of any Special Obligation Bonds issued to pay the cost of construction or acquisition of such Special Facility: (i) fixed rentals (the "fixed rentals") in periodic installments which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest and premium (if any) on all Special Obligation Bonds to be issued to pay the cost of construction or acquisition of the Special Facility; (ii) such further rentals as shall be necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustees', fiscal agents' and paying agents' fees and expenses in connection therewith; and (iii) unless a ground rental shall be provided for, an additional rental payable in periodic installments and free and clear of all charges under such Special Facility Lease, in an amount equal to a properly allocable share of the administrative costs of the State arising out of such Special Facility Lease and the issuance and servicing of such Special Obligation Bonds;

(3) If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the Special Facility Lease is to provide for payment to the State of a ground rental for the ground upon which such Special Facility is or is to be located. If the Special Facility Lease provides for such ground rental, it is to be payable in periodic installments in amounts not less than that which is required pursuant to the schedule for rental of ground space in the Airport as fixed from time to time by the State; is to be free and clear of all charges under such Special Facility Lease; is to be in addition to the rentals previously described; is to constitute Gross Operating Revenues is to be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein; and

(4) If the Special Facility is or is to be located on land included in the Airport, the Special Facility Lease is to provide that all rentals payable thereunder which are not required to pay the Special Obligation Bonds issued to pay the cost of construction and acquisition of the Special Facility leased thereby (including reserves for such Special Obligation Bonds) or to pay trustees', fiscal agents' and paying agents' fees and expenses

in connection therewith, or to pay the aforesaid administrative costs of the State, is to be paid to the State for its own use and purposes. To the extent permitted by law, such excess amounts are to constitute Gross Operating Revenues and is to be paid into the Revenue Fund, and to be used and applied as are other moneys deposited therein.

The State further reserves the right to issue Special Obligation Bonds for the purpose of paying the cost of constructing and acquiring a Special Facility on ground then constituting part of the Airport or on ground not then constituting part of the Airport (which ground may then be owned or leased by the State or acquired for that purpose), or to acquire and renovate and rehabilitate a Special Facility (including the acquisition of necessary land), for lease or sublease. Such Special Obligation Bonds (i) are to be payable solely from the fixed rentals payable by the lessee under the Special Facility Lease entered into with respect to the Special Facility to be financed from such Special Obligation Bonds; (ii) are not to be a charge or claim against or payable from or secured by the Gross Operating Revenues or any other moneys held under the Indenture; and (iii) are to mature within both the useful life of the Special Facility (as estimated by the State) to be financed from such Special Obligation Bonds and the term of the Special Facility Lease entered into with respect to such Special Facility, unless and until certain other conditions have been met including the finding that the rental payments will be sufficient to pay all principal and interest on such Special Obligation Bonds as the same become due and payable.

#### **Affirmative Covenants**

The State covenants, among other things, to:

(1) Fix and charge such schedule of fees, rates, rentals, landing fees and charges for the use and services of the facilities and commodities furnished by the Airport, and revise the same from time to time whenever necessary, and, to the extent possible, collect the income, receipts and other moneys derived therefrom, so as to provide Gross Operating Revenues (including for such purpose for the Fiscal Years ending 1989 to 1991, both inclusive, moneys held in the Interim Reserve Account in the Debt Service Fund) sufficient (a) to pay the principal of, and interest and premium, if any, on the Bonds, and interest on the Notes, issued pursuant to the Indenture as the same become due (whether at maturity or upon required redemption prior to maturity or otherwise), (b) to create and maintain all reserves and sinking funds and make all other payments provided for under the Indenture, including payments to the Improvement Fund and a special coverage account established in the General Airport Fund and (c) to pay, as they come due, the Current Expenses, or to provide for such payment; provided, that nothing in the Indenture prohibits the State from entering into long-term agreements for the use of the services and facilities of the Airport.

Without limiting the provisions of the proceeding paragraph, the State has covenanted to impose, prescribe, adjust, enforce and, to the extent possible, collect such rates, rents, fees and charges, beginning in the first full Fiscal Year after the filing of the Consulting Engineering certifying completion of the Airport Improvements, as will yield Gross Operating Revenues (including, for such purposes, moneys held in such special coverage account of the General Airport Fund and the Interim Reserve Account in the Debt Service Fund), with respect to the immediately ensuing Fiscal Year, after deducting Current Expenses and payments for reserves and sinking funds required under the

Indenture, computed as of the final business day of such ensuing Fiscal Year, in an amount at least equal to 125% of the sum of (a) the amount required in such Fiscal Year to pay interest on the Bonds and Notes as and when the same becomes due and payable (but excluding amounts to pay interest which have been provided from the proceeds of the Bonds) and (b) the amount required in such Fiscal Year to pay the principal of the Bonds as and when the same becomes due and payable (whether at maturity or upon required redemption prior to maturity or otherwise).

(2) Operate and maintain the Airport as a revenue-producing enterprise and to manage the same, or cause the same to be managed, in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the holders of the Bonds and so as to assure that the Airport is financially self-sufficient and self-sustaining.

(3) Complete with reasonable dispatch the acquisition and construction of the properties, the costs of which are to be paid from the proceeds of the Notes and Bonds (the "Project"); provided, that the State may amend the Project from time to time if prior to such amendment it obtains the written opinion of the Airport Consultant stating that such amendment will not materially adversely affect the security of the Bonds.

(4) Maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character.

(5) Comply with the terms of the Federal government or other granting governmental authority with respect to grants-in-aid accepted by the State.

(6) Employ, or cause to be employed, competent supervisory personnel for the operation and management of the properties constituting the Airport, establish and enforce, or cause to be established and enforced, reasonable rules, regulations and standards governing the employment of operating personnel at reasonable compensation, salaries, fees and charges, and employ persons qualified for their respective positions.

(7) Maintain and keep (or cause to be maintained and kept) proper books, records and accounts in which complete and correct entries are to be made of all dealings and transactions of the Airport.

(8) Perform any construction, reconstructions and restorations of, any improvements, betterments and extensions to, and any equipping and furnishing of, and operate and maintain the Airport, or cause the same to be operated and maintained, at standards required in order that the same may be approved by the proper and competent Federal government authority or authorities for the landing and taking off of aircraft operating in scheduled service, and as a terminal for the receipt and dispatch of passengers, property and mail by aircraft.

## **Negative Covenants With Respect to Disposition of Airport Properties**

The State covenants not to:

(a) create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport or upon the Gross Operating Revenues and the moneys held under the Indenture, other than the liens, pledges and charges specifically created or specifically permitted under the Indenture.

(b) sell, lease, sublease or otherwise dispose of all, or substantially all, of the properties constituting the Airport without simultaneously with such sale, lease, sublease or other disposition depositing pursuant to and in accordance with the provisions of the Indenture, cash or Governmental Obligations or a combination of cash and Governmental Obligations in an amount sufficient so that no Bonds are any longer deemed outstanding under the Indenture.

Notwithstanding the foregoing, the State may execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport in connection with the operation of the Airport and in the normal and customary course of business thereof, according to the schedule of fees, rates, rentals, landing fees and charges of the Airport, which fees, rates, rentals, landing fees and charges are part of the Gross Operating Revenues and which properties remain part of the Airport, but any such leasing shall not be inconsistent with the provisions of the Indenture, and no lease may be entered into by which the security of and payment for the Bonds might be impaired or diminished.

From time to time the State also may sell, sublease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport which are surplus to the needs of the Airport. Surplus properties or facilities shall be those the disposal of which will not impede or prevent the use of the Airport or its facilities and which the State has determined have become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility. Any moneys received by the State as the proceeds of any such sale, lease, sublease or other disposition of such surplus properties or facilities are to become Gross Operating Revenues and are to be deposited in the Revenue Fund.

In any event the Airport properties are to be taken by the exercise of the power of eminent domain, the amount of the award received by the State as a result of such taking may be applied to any lawful purpose of the State, including the redemption or purchase of Bonds or to the acquisition or construction of revenue-producing properties, which upon completion of such acquisition or construction constitute a part of the Airport.

## **Insurance**

The State is required to carry insurance (except to the extent such insurance is carried by an Airline, Concessionaire or other obligor) with generally recognized responsible insurers with policies payable to the State and the Trustee, as their interests may appear, against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport

operators operating properties similar to the Airport including, but not limited to, (a) fire and extended coverage of not less than 90% of the insurable value of the airport facilities with a deductible of not more than \$1,000; and (b) personal injury insurance of not less than \$100,000,000 combined single limit each occurrence.

### **Events of Default**

Each of the following constitutes an Event of Default under the Indenture:

(a) the State fails to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity or by proceedings for redemption (without regard to any payments by any Bond Insurer); or

(b) the State fails to pay any installment of interest on the Bonds when the same becomes due and payable (without regard to any payments by any Bond Insurer); or

(c) the State fails to deposit any Amortization Requirement payment to the credit of the Redemption Account when required under the Indenture or under any Supplemental Indenture and such failure shall have continued for sixty (60) days; or

(d) the State unreasonably delays or fails to carry on with reasonable dispatch or discontinues without reason for more than forty-five (45) days the construction of the Airport Improvements; or

(e) the State defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Bonds, the Indenture or any Supplemental Indenture on the part of the State to be performed, and such default continues for ninety (90) days after written notice specifying such failure and requiring the same to be remedied has been given to the State by the Trustee or by the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding; provided that if any such failure is such that it cannot be cured or corrected within such ninety (90) day period, it does not constitute an Event of Default if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; or

(f) the State is adjudged insolvent by a court of competent jurisdiction; or

(g) final judgment for the payment of money is rendered against the State as a result of the ownership, control or operation of the Airport and any such judgment is not discharged within sixty (60) days from the entry thereof; or

(h) any proceedings are instituted with the consent or acquiescence of the State for the purpose of effecting a composition between the State and its creditors and if the claim of such creditors is in any circumstance payable from the Gross Operating Revenues or any other moneys or assets pledged and charged in the Indenture, or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or



(i) an order or decree is entered (i) with the consent or acquiescence of the State, appointing a receiver or receivers of the Airport or of any of the buildings, structures and facilities constituting a part thereof or (ii) without the consent or acquiescence of the State, appointing a receiver or receivers of the Airport or of any of the buildings, structures and facilities constituting a part thereof and such order or decree having been entered, is not vacated or discharged or stayed on appeal within ninety (90) days after the entry thereof; or

(j) the State is for any reason rendered incapable of fulfilling its obligations under the Indenture.

### **Remedies for Defaults**

Upon the happening and continuance of any of the Events of Default, and in addition to other remedies provided in the Indenture;

(i) the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding, shall, subject to the posting of a satisfactory indemnity bond, administer the Airport on behalf of the State, with power to fix and charge such fees, rates, rentals, landing fees and charges sufficient to provide for the payment of any Bonds outstanding, and to pay Current Expenses and apply the Gross Operating Revenues in conformity with the Indenture and the provisions of the law of the State;

(ii) the Trustee (A) for and on behalf of the holders of the Bonds shall have the same rights which are possessed by any of the holders of the Bonds; (B) shall be authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of not less than ten percent (10%) in aggregate principal amount of the Bonds then outstanding, shall pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; and (D) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and of the holders of the Bonds allowed in any judicial proceeding relative to the Airport, or its creditors, its property, or the Bonds;

(iii) the Trustee may, and upon the written request of not less than twenty percent (20%) in aggregate principal amount of the Bonds then outstanding, shall, by notice in writing to the State, declare the principal of all Bonds then outstanding to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or the Indenture to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, moneys shall have been accumulated in the Bond Service Account sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then outstanding (except the principal of any Bonds not then due and payable by their terms

and the interest accrued on such Bonds since the last interest payment date) and sufficient to satisfy the Amortization Requirements of the then current Bond Year, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the State shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or the Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this subparagraph) shall have been remedied to the satisfaction of the Trustee, then and in every case the Trustee may, and upon the written request of twenty percent (20%) in aggregate principal amount of the Bonds not then due and payable by their terms and then outstanding shall, by written notice to the State, rescind and annul such declaration and its consequences, but no such rescission or annulment extends to or affects any subsequent event of default or impairs any right consequent thereupon.

For the purposes of the Sections of the Indenture relating to events of default and remedies upon the occurrence thereof, with respect to any 1992 Refunding Bonds insured by the Bond Insurer, such Bond Insurer is considered the sole holder of such 1992 Refunding Bonds.

#### **Powers of Trustee With Respect to Operating Agreements, Concession Agreements and Other Agreements**

If the fees and charges, rents or sums, as the case may be, required to be paid to the State or the Trustee under any Operating Agreement, Concession Agreement or an other agreement pledged and assigned under the Indenture, as the case may be, are not paid at least ten (10) days prior to the semiannual interest payment date for the Bonds which follows the date or dates such fees and charges, rents or sums, as the case may be, are due, or upon the happening and continuance of an Event of Default, the Trustee, in its own name and as trustee of an express trust, is to be entitled and empowered to institute an action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under such Operating Agreement, Concession Agreement or other agreement as the case may be, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Airline which is the other party to such Operating Agreement, the Concessionaire under the Concession Agreement or the obligor under any other agreement as the case may be, and collect in the manner provided by law out of the property of such Airline, such Concessionaire or such obligor, as the case may be, wherever situated the money's adjudged or decreed to be payable.

#### **Defeasance**

The obligations of the State under the Indenture and the liens, pledges, charges, trusts and assignments, covenants and agreements of the State therein made or provided for, are to be fully discharged and satisfied as to any Bond and such Bond is no longer to be deemed to be outstanding:

- (i) when such Bond is cancelled, or surrendered for cancellation and is subject to cancellation, or has been purchased by the Trustee from moneys in the Debt Service Fund held by it under the Indenture; or

(ii) as to any Bond not cancelled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and the applicable redemption premium, if any (or the applicable redemption price) on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or pre-payment or by declaration, or otherwise), either (a) has been made or caused to be made in accordance with the terms of the Indenture (without giving effect to any payments made by the Bond Insurer for the 1992 Refunding Bonds), or (b) has been provided by irrevocably depositing with the Trustee or Paying Agents for such Bond, in trust, and irrevocably appropriated and set aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the State deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents for the Bond with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee and such Paying Agents.

At such time as a Bond is deemed to be no longer outstanding, such Bond ceases to draw interest from the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purpose of any payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Indenture.

For purposes of the Section of the Indenture relating to defeasance, the term "Governmental Obligations" means direct non-callable general obligations of the United States of America, unless the Bond Insurer approves in writing some other investment.

#### **Amendments and Supplements to the Indenture**

Except for Supplemental Indentures providing for the issuance of Additional Bonds and Refunding Bonds, and which do not adversely affect the rights of the holders of Bonds then outstanding as enumerated in the Indenture, the Indenture may be amended, by the State and the Trustee, upon the consent of sixty percent (60%) of the Bonds then outstanding in aggregate principal amount, for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture, or modifying or amending the rights and obligations of the State and the Trustee thereunder, or modifying in any manner the rights of the holders of the Bonds and coupons then outstanding; provided, however, that, without the specific consent of the holder of each such Bond which would be affected thereby, no such Supplemental Indenture amending or supplementing the provisions of the Indenture may: (1) change the fixed maturity date for the payment of the principal of any Bonds or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such Supplemental Indenture amending or supplementing the provisions of the Indenture; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds; or (4) permit the creation of a mortgage or lien upon any

properties constituting a part of the Airport; or (5) authorize the creation of any pledge of the moneys and other assets of the Trust Estate or any lien or charge thereon prior, superior or equal to the pledge of and lien and charge thereon created under the Indenture for the payment of the Bonds; or (6) deprive any holder of the Bonds of the security afforded by the Indenture. For purposes of the Sections of the Indenture relating to amendments and supplements to the Indenture, the consent of the Bond Insurer is required in addition to the consent of the holders of the 1992 Refunding Bond.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

#### **Continuing Disclosure Agreement**

This Continuing Disclosure Agreement ("Agreement") is made as of the 1<sup>st</sup> day of March, 2001 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of \$213,180,000 State of Connecticut Bradley International Airport Revenue Bonds comprised of \$194,000,000 General Airport Revenue Bonds, Series 2001A, and \$19,180,000 General Airport Revenue Refunding Bonds, Series 2001B (collectively, the "Bonds") dated March 1, 2001, and State Street Bank and Trust Company, as Trustee for the Bonds. The Bonds are being issued pursuant to a Trust Indenture entered into by the State and the Trustee dated as of March 1, 2001, as supplemented by a First Supplemental Trust Indenture between the State and Trustee dated as of March 1, 2001 (collectively, the "2001 Indenture") for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

*"Airport"* means Bradley International Airport (an enterprise fund of the State of Connecticut).

*"Final Official Statement"* means the official statement of the State dated March 15, 2001 prepared in connection with the Bonds.

*"MSRB"* means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

*"NRMSIR"* means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
(609) 279-3225  
Fax: (609) 279-5962  
Email: Munis@Bloomberg.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
(201) 346-0701  
Fax: (201) 947-0107  
Email: nrmsir@dpcdata.com

Interactive Data  
Attn: Repository  
100 Williams Street  
New York, NY 10038  
(212) 771-6899  
Fax: (212) 771-7390  
Email: NRMSIR@interactivedata.com

Standard & Poor's J. J. Kenny Repository  
55 Water Street - 45th Floor  
New York, NY 10041  
(212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

"Rule" means rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement, no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2001) as follows:

(i) Financial statements of the Airport for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Airport's financial statements are prepared in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Bradley International Airport-Historic Enplaned Passengers (Appendix A – “FEASIBILITY REPORT” – Table II.4 on Page II-8);

2. BDL Cargo in Annual Tons (Appendix A – “FEASIBILITY REPORT” – Table II.5 on Page II-10);

3. Bradley International Airport-Historic and Budget Total Airline Revenue (Appendix A - “FEASIBILITY REPORT” – Table IV.16 on Page IV-32); and

4. Bradley International Airport-Historic and Budget Total Non-Airline Revenue (Appendix A - “FEASIBILITY REPORT” – Table IV.39 on Page IV-57).

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Airport’s fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

In order to assist the State in complying with its undertaking in this Section 3, the Trustee agrees to use its best efforts promptly to notify the State in writing of the occurrence of any of the events listed in (a)-(k) above as to which any officer in the Corporate Trust Administration Department of the Trustee obtains actual knowledge in the course of the performance of the duties of the Trustee under the 2001 Indenture; provided, however, that the determination of whether any such occurrence is material shall be a determination to be made by the State and not the Trustee pursuant to its responsibilities under this Agreement.

#### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

#### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

#### **Section 6. Termination.**

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.



### **Section 7. Enforcement.**

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an event of default under the 2001 Indenture, or a breach of any duty or obligation of the Trustee under the 2001 Indenture.

### **Section 8. Miscellaneous.**

(a) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than a majority of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the 2001 Indenture. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB and (ii) any SID. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(d) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Denise L. Nappier  
Treasurer

STATE STREET BANK AND TRUST COMPANY, as  
Trustee

By: \_\_\_\_\_  
Authorized Officer

## **APPENDIX F**

### **Proposed Form of Opinion of Co-Bond Counsel**

\_\_\_\_\_, 2001

To: Honorable Denise L. Nappier  
Treasurer, State of Connecticut  
Hartford, Connecticut

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the State of Connecticut (the "State") of \$213,180,000 aggregate principal amount of State of Connecticut Bradley International Airport Revenue Bonds, comprised of \$194,000,000 General Airport Revenue Bonds, Series 2001A (the "Series 2001A Bonds") and \$19,180,000 General Airport Revenue Refunding Bonds, Series 2001B (the "Series 2001B Bonds"; together with the Series 2001A Bonds, the "Bonds"). The Bonds are authorized to be issued under and pursuant to the Constitution and laws of the State, particularly Chapter 266a et seq., as amended, of the General Statutes of Connecticut (the "Act"), by resolutions adopted by the State Bond Commission (the "Commission") on August 25, 2000, December 15, 2000 and January 26, 2001 (the "Resolutions") and the Trust Indenture, as supplemented by the First Supplemental Trust Indenture, each dated as of March 1, 2001 (together, the "2001 Indenture") between the State and State Street Bank and Trust Company, as Trustee. The proceeds of the Series 2001A Bonds are to be used for the purpose of financing various capital improvements at the State's Bradley International Airport. The proceeds of the Series 2001B Bonds are to be used to advance refund a portion of the State's Airport Revenue Refunding Bonds, Bradley International Airport, Series 1992 (the "Series 1992 Bonds"). The Transcript documents include a certified copy of the Resolutions and executed counterparts of the 2001 Indenture. We also have examined a conformed copy of a Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

(1) The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State, particularly the Act, and constitute valid and legally binding special obligations of the State, for the payment of which the State has validly pledged the Pledged Revenues, as defined in the 2001 Indenture, and the other revenues or receipts, funds or moneys pledged therefor under the 2001 Indenture for payment of the principal of and interest and any premium on the Bonds. The Bonds shall not be payable from nor charged upon any funds other than the Pledged Revenues or the other receipts, funds or moneys pledged therefor pursuant to the 2001 Indenture. Payment of the principal of and interest and any premium on the

Bonds is subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(2) The Bonds are secured by a pledge in the manner and to the extent set forth in the 2001 Indenture. The 2001 Indenture creates the valid pledge of and the valid lien upon the Pledged Revenues, subject only to the provisions of the 2001 Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the 2001 Indenture, and provided that the Bonds are subordinate to the Series 1992 Bonds in right of payment from General Revenues (as defined in the 2001 Indenture), to the extent that such General Revenues are "Gross Operating Revenues" for purposes of the trust indenture securing the Series 1992 Bonds. In accordance with the Act, such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

(3) The 2001 Indenture is legal, valid, binding and enforceable in accordance with its terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

(4) Interest on the 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 for interest on any Series 2001A Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Code. Interest on the Bonds is excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. The Series 2001A Bonds are "private activity bonds" within the meaning of Section 141(a) of the Code, the interest on which is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. The Series 2001B Bonds are not "private activity bonds" and therefore the interest on those Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. We express no opinion as to any other tax consequences regarding the Bonds.

Under Code provisions applicable only to certain corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income that may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under federal tax laws, we have assumed and relied upon compliance with the State's covenants and the accuracy, which we have not independently verified, of the State's representations and certifications, all as contained in the Transcript. The accuracy of those representations and certifications, and compliance by the State with those covenants, may be necessary for the interest to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We have assumed for purposes of this opinion the due authorization, execution and delivery by and the binding effect upon and enforceability against the Trustee of the 2001 Indenture.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the Bond Insurance Policy (as defined in the 2001 Indenture) issued by Financial Guaranty Insurance Company or as to the Bond Insurance Policy referred to in that Statement.

Respectfully submitted,

[to be signed "Squire, Sanders & Dempsey L.L.P."  
and "Shipman & Goodwin LLP"]

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**APPENDIX G**  
**BOND INSURANCE POLICY SPECIMEN**

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**

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

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 cursive script, reading "Deborah M. Reif". The signature is written in dark ink and is positioned above the title "President".

**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.

A handwritten signature in cursive script, appearing to read "Quincy Brown". The signature is written in dark ink and is positioned above the title "Authorized Officer".

**Authorized Officer**



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.

A handwritten signature in cursive script, reading "Deborah F. Reif". The signature is written in black ink.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

A handwritten signature in cursive script, reading "Quincy Brown". The signature is written in black ink.

**Authorized Officer**  
**State Street Bank and Trust Company, N.A., as Fiscal Agent**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

**Mandatory Connecticut State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

The insurance provided by this Policy is not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part 1).

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.

A handwritten signature in cursive script, reading "Deborah M. Reif".

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

A handwritten signature in cursive script, reading "Quincy Brown".

**Authorized Officer  
State Street Bank and Trust Company, N.A., as Fiscal 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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**Mandatory Connecticut State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

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**Policy Number:**

**Control Number:** 0010001

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Notwithstanding the terms and conditions of this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

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.

A handwritten signature in cursive script, reading "Deborah M. Reif".

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

A handwritten signature in cursive script, appearing to read "Quincy Brown".

**Authorized Officer  
State Street Bank and Trust Company, N.A., as Fiscal Agent**

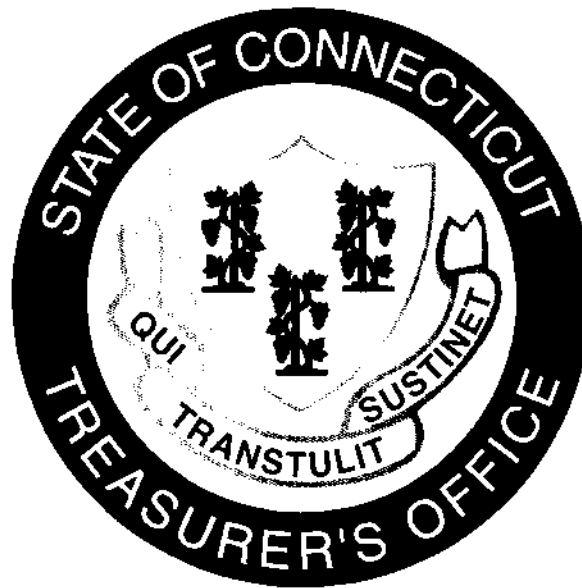
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