



*In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2014 Bond for any period during which such Series 2014 Bond is held by a "substantial user" of the facilities financed and refinanced by the Series 2014 Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that interest on the Series 2014 Bonds is a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2014 Bonds is not included in Colorado taxable income. For a more complete description, see "TAX MATTERS" herein.*

**\$11,185,000**

**CITY OF COLORADO SPRINGS, COLORADO**  
**Airport System Revenue Refunding Bonds**  
**Series 2014**

**Dated: Date of Delivery**

**Due: December 15, as shown on inside front cover page**

The City of Colorado Springs, Colorado (the "City"), is issuing its City of Colorado Springs, Colorado, Airport System Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds") to current refund and defease outstanding City of Colorado Springs, Colorado Airport System Revenue Bonds, Series 2002A, and pay the costs of issuance of the Series 2014 Bonds, as described herein. See "PLAN OF FINANCING AND APPLICATION OF SERIES 2014 BOND PROCEEDS AND OTHER MONEYS."

The Series 2014 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2014 Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates from the City or the Paying Agent (as defined herein) representing their interest in the Series 2014 Bonds. Interest on the Series 2014 Bonds will be payable on June 15 and December 15, commencing on June 15, 2014. The principal of the Series 2014 Bonds is payable as shown on the maturity schedules on the inside front cover page hereof. So long as the Series 2014 Bonds are held by DTC, the principal of and interest on the Series 2014 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners (as defined herein) of the Series 2014 Bonds, as more fully described herein.

Certain of the Series 2014 Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2014 BONDS—Optional Redemption of the Series 2014 Bonds."

**The Series 2014 Bonds are special and limited obligations of the City and do not constitute a debt or an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, and are not general obligations of the City. The Series 2014 Bonds are payable and collectible solely out of the Net Revenues (as defined herein) derived from the operation and use of the Airport System (as defined herein). The full faith and credit of the City is not pledged to the payment of the principal of or interest on the Series 2014 Bonds. The holder of any Series 2014 Bond may not look to any general or other fund of the City for the payment of the principal of or interest on the Series 2014 Bonds. The Series 2014 Bonds constitute an irrevocable first lien upon Net Revenues on a parity with the lien to secure the payment of the Series 2007 Bonds (as described herein) and any future parity debt. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the holders of the Series 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS."**

The scheduled payment of principal of and interest on the Series 2014 Bonds maturing on December 15 of the years 2017 through 2023, inclusive, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2014 Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "BOND INSURANCE" and "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



The purchase and ownership of the Series 2014 Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Series 2014 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS."

*The Series 2014 Bonds are offered, when, as and if issued by the City, subject to the approval of legality by Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, and to certain other conditions. Certain matters will be passed upon for the City by the City Attorney, and certain legal matters with respect to this Official Statement will be passed upon for the City by Brownstein Hyatt Farber Schreck, LLP. Kutak Rock LLP is serving as counsel to the Underwriter. It is expected that the Series 2014 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about January 28, 2014.*

**PiperJaffray**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES,  
YIELDS OR PRICES AND CUSIP NUMBERS\***

**\$11,185,000  
City of Colorado Springs, Colorado  
Airport System Revenue Refunding Bonds  
Series 2014**

<b>Maturity Date (December 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number<sup>1</sup></b>
2014*	\$ 795,000	5.00%	0.75%	196612 FM2
2015*	940,000	5.00	1.15	196612 FN0
2016*	990,000	5.00	1.48	196612 FP5
2017	1,040,000	5.00	1.70	196612 FQ3
2018	1,090,000	5.00	2.20	196612 FR1
2019	1,145,000	5.00	2.65	196612 FS9
2020	1,205,000	5.00	3.17	196612 FT7
2021	1,265,000	5.00	3.57	196612 FU4
2022	1,325,000	5.00	3.93	196612 FV2
2023	1,390,000	5.00	4.16	196612 FW0

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\* Scheduled payment of principal and interest is not guaranteed under the insurance policy issued by Assured Guaranty Municipal Corp.

<sup>1</sup> Copyright 2013. American Bankers Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriter undertake any responsibility for any changes to or errors in this list of CUSIP numbers.

**CITY OF COLORADO SPRINGS, COLORADO**

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**Mayor**

Steve Bach

**City Council**

Keith King, President of the City Council

Merv Bennett, President Pro Tem

Helen Collins  
Jill Gaebler  
Don Knight  
Jan Martin

Joel Miller  
Andy Pico  
Val Snider

---

Wynetta Massey, Interim City Attorney/Chief Legal Officer

Sarah B. Johnson, City Clerk

Kara Skinner, Chief Financial Officer

---

**Colorado Springs Airport**

Dan Gallagher,  
Interim Director of Aviation

John McGinley,  
Assistant Director of Aviation–Operations and Maintenance

Neil Ralston,  
Interim Assistant Director of Aviation–Planning and Development

---

**Professional Services**

Brownstein Hyatt Farber Schreck, LLP  
Bond and Disclosure Counsel

Public Financial Management, Inc.  
Financial Advisor

Wells Fargo Bank, National Association  
Paying Agent

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations in connection with the offer and sale of the Series 2014 Bonds, other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Series 2014 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See “INTRODUCTION—Forward-Looking Statements.”

The information set forth in this Official Statement has been obtained from the City and other sources which are believed by the City to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2014 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BOND ORDINANCE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2014 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH

PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE CUSIP NUMBERS ARE INCLUDED IN THIS OFFICIAL STATEMENT FOR THE CONVENIENCE OF THE OWNERS AND POTENTIAL OWNERS OF THE SERIES 2014 BONDS. THE CUSIP NUMBER FOR ANY MATURITY OF THE SERIES 2014 BONDS MAY BE CHANGED AFTER THE ISSUANCE OF THE SERIES 2014 BONDS AS THE RESULT OF VARIOUS SUBSEQUENT ACTIONS, INCLUDING, WITHOUT LIMITATION, A REFUNDING OF ALL OR A PORTION OF SUCH MATURITY OR THE PROCUREMENT OF SECONDARY MARKET PORTFOLIO INSURANCE OR OTHER SIMILAR ENHANCEMENT BY INVESTORS THAT IS APPLICABLE TO ALL OR A PORTION OF CERTAIN MATURITIES OF THE SERIES 2014 BONDS. NONE OF THE CITY, THE AIRPORT OR THE UNDERWRITER UNDERTAKE ANY RESPONSIBILITY FOR ANY CHANGES TO OR ERRORS IN THE LIST OF CUSIP NUMBERS INCLUDED IN THIS OFFICIAL STATEMENT.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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## OFFICIAL STATEMENT

**\$11,185,000**  
**City of Colorado Springs, Colorado**  
**Airport System Revenue Refunding Bonds**  
**Series 2014**

*This Official Statement contains information that was either not available or differs from that included in the Preliminary Official Statement dated December 11, 2013, as supplemented by the Supplement thereto dated January 8, 2014, including, without limitation, the principal amount per maturity, interest rates, CUSIP© numbers, the sources and anticipated uses of proceeds of the Series 2014 Bonds, the price paid for the Series 2014 Bonds by the Underwriter, the delivery date of the Series 2014 Bonds (January 28, 2014) and descriptions of Assured Guaranty Municipal Corp. (“AGM”) and the municipal bond insurance policy provided by AGM guaranteeing the scheduled payment of principal of and interest on the Series 2014 Bonds maturing on December 15 of the years 2017 through 2023, inclusive. Accordingly, prospective investors should read this Official Statement in its entirety.*

## INTRODUCTION

### General

The purpose of this Official Statement, which includes the cover page, table of contents and appendices, is to provide certain information concerning the City of Colorado Springs, Colorado (the “City”), the Colorado Springs Airport (the “Airport”) and related facilities (which does not include any other airports) (collectively, but excluding any Special Facility as hereinafter described, the “Airport System”) and certain other information in connection with the sale and delivery by the City of its \$11,185,000 City of Colorado Springs, Colorado, Airport System Revenue Refunding Bonds, Series 2014 (the “Series 2014 Bonds”). Proceeds of the Series 2014 Bonds, as well as other moneys of the City, will be used to current refund and defease all of the outstanding City of Colorado Springs, Colorado Airport System Revenue Bonds, Series 2002A, in the aggregate principal amount of \$27,655,000, and finance certain costs of issuance, as described herein. See “PLAN OF FINANCING AND APPLICATION OF SERIES 2014 BOND PROCEEDS AND OTHER MONEYS.” Unless otherwise defined in this Official Statement, all capitalized terms used herein will have the meanings set forth under the caption “APPENDIX C—SUMMARY OF THE BOND ORDINANCE—Definitions.”

### The City

The City is a home rule municipal corporation. The City is located in south central Colorado, approximately 70 miles south of Denver, and is the second largest city in the State of Colorado (the “State”), with a 2011 population of approximately 423,800 people. The City is organized and exists under the laws of the State and in particular under the provisions of the Charter of the City of Colorado Springs (the “Charter”) and Article XX of the Constitution of the State.

City voters at the general election held on November 2, 2010, changed the Charter to provide for a Council-Mayor form of government in place of the Council-Manager form of government. The amended Charter also now provides for the Council to consist of three at-large councilmembers and six district councilmembers, from whom the councilmembers shall elect a President of City Council. The positions of City Manager and Vice-Mayor have been eliminated. The new Mayor is now the chief executive and head of City government, is responsible for all executive and administrative affairs, works for the City full time, holds no other paid position, develops the budget in line with the City's strategic plan, acts to approve or disapprove ordinances finally passed by the Council with certain specified exceptions, may disapprove specific line items in any ordinance appropriating funds, and appoints, subject to confirmation by City Council, the City Clerk, City Attorney, Municipal Judges, Chief Financial Officer or Controller, Police Chief, Fire Chief, Aviation Director and managers of other select City departments.

### **The Airport**

The Airport is the primary air carrier airport serving the metropolitan Colorado Springs region. The Airport primarily serves passengers whose travel originates and terminates in El Paso County (the "County") and south central Colorado. In 2012, over 97.6% of the enplanements at the Airport represented originating and destination passengers. The Airport is situated on 7,000 acres of land at an elevation of approximately 6,200 feet, approximately eight road miles east of downtown Colorado Springs. The Airport has two parallel runways and one crosswind runway. The Federal Aviation Administration (the "FAA") classifies the Airport as a "small hub" airport. According to data reported by Airports Council International ("ACI"), the Airport was ranked as the 101<sup>st</sup> busiest airport in the nation in 2012 (the last year for which final ACI data is available) based on total passengers. See "THE AIRPORT SYSTEM AND OPERATIONS."

### **Series 2014 Bonds**

The Series 2014 Bonds are being issued pursuant to the Charter and the City's 1992 Airport System General Bond Ordinance (the "General Bond Ordinance"), as supplemented by a First Supplemental Airport System Bond Ordinance, a Second Supplemental Airport System Bond Ordinance, a Third Supplemental Airport System Bond Ordinance, a Fourth Supplemental Airport System Bond Ordinance, and a Fifth Supplemental Airport System Bond Ordinance adopted by the City Council (collectively, the "Bond Ordinance").

The Series 2014 Bonds are secured by a pledge of and lien on Net Revenues (as defined herein) on a parity with the City's Airport System Revenue Bonds, Series 2007A currently outstanding in the aggregate principal amount of \$2,460,000 (the "Series 2007A Bonds"), the City's Airport System Revenue Refunding Bonds, Series 2007B currently outstanding in the aggregate principal amount of \$6,935,000 (the "Series 2007B Bonds," and together with the Series 2007A Bonds, the "Series 2007 Bonds") and any additional parity securities subsequently issued by the City with a parity pledge on Net Revenues (collectively, with the Series 2014 Bonds, the "Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS."

**The Series 2014 Bonds are special and limited obligations of the City and do not constitute a debt or an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, and are not general obligations of the City. The Series 2014 Bonds are payable and collectible solely out of the Net Revenues derived from the operation and use of the Airport System. The full faith and credit of the City is not pledged to the payment of the principal of or interest on the Series 2014 Bonds. The holder of any Series 2014 Bond may not look to any general or other fund of the City for the payment of the principal of or interest on the Series 2014 Bonds. The Series 2014 Bonds constitute an irrevocable first lien upon Net Revenues on a parity with the lien to secure the payment of the Series 2007 Bonds and any future parity debt. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the holders of the Series 2014 Bonds.**

### **Rate Covenant**

Pursuant to the Bond Ordinance, the City has covenanted to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System so that in each Fiscal Year the Gross Revenues of the Airport System, together with any Other Available Funds, will at all times be at least sufficient to provide for (a) the payment of Operation and Maintenance Expenses for such Fiscal Year; and (b) the larger of either: the amounts needed for making the required deposits in such Fiscal Year to the credit of the Bond Fund, Bond Reserve Fund, Subordinate Bond Fund, Subordinate Bond Reserve Fund, Rebate Fund, Operation and Maintenance Reserve Fund, Renewal and Replacement Fund and certain other funds established under the Bond Ordinance; or an amount not less than 125% of the Debt Service Requirements for such Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Rate Covenant.” See also “DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE—Historical Debt Service Coverage.”

### **Parity Securities**

The Bond Ordinance permits the issuance of additional bonds for constructing any future Improvement Project, and refunding bonds, all on a parity with the Series 2014 Bonds and the Series 2007 Bonds. The issuance of additional parity securities other than Completion Bonds is subject to the satisfaction of various conditions as provided for in the Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Parity Securities.”

### **Bond Insurance**

The scheduled payment of the principal of and interest on the Series 2014 Bonds maturing on December 15 of the years 2017 through 2023, inclusive (“Insured Bonds”), when due will be guaranteed under an insurance policy (the “Municipal Bond Insurance Policy” or “Policy”) to be issued concurrently with the delivery of the Series 2014 Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”). See “BOND INSURANCE” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

## **Use and Lease Agreements**

The City and certain of the airlines using the Airport are parties to Use and Lease Agreements, as amended (the “Use and Lease Agreements”), all of which are substantially similar, which provide the basis for the use and occupancy by the airlines of facilities at the Airport. The City has entered into Use and Lease Agreements with 8 passenger airlines (the “Signatory Airlines”). Pursuant to the Use and Lease Agreements, the Signatory Airlines pay loading bridge charges, terminal rentals for the lease of premises at the Airport and landing fees for the use of the airfield. The terms of the Use and Lease Agreements became effective on January 1, 2013 and prior to their expiration date of December 31, 2013, were extended by the City on a month to month basis. The City is in the process of negotiating new Use and Lease Agreements with the Signatory Airlines as further described herein. See “THE AIRPORT SYSTEM AND OPERATIONS—Airline Rates and Charges—*Use and Lease Agreements.*”

## **Forward-Looking Statements**

This Official Statement, including the appendices hereto, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “projection,” “intend,” “expect” and similar expressions identify forward looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward looking statements. Inevitably, some assumptions used to develop forward looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results and those differences could be material. See “CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements.”

## **Continuing Disclosure**

The City has covenanted for the benefit of the Owners and Beneficial Owners as defined herein of the Series 2014 Bonds to provide annually certain financial information and operating data concerning the Airport and certain other obligated persons, to the Municipal Securities Rulemaking Board (“MSRB”), through its Electronic Municipal Market Access System (the “EMMA System”), or any successor method designated by the MSRB, and to provide notice to the MSRB (through the EMMA System) of certain enumerated events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission. The City, with respect to the Airport, has never failed to comply with any previous undertakings with regard to said Rule 15c2-12 to provide annual reports or notices of material events, however, the City, with respect to the Colorado Springs Utilities, has failed to timely file notices of material events concerning credit rating downgrades of two series of its revenue bonds due to rating downgrades of a liquidity provider and a bond insurer, which events have since been disclosed. See “CONTINUING DISCLOSURE OBLIGATION.”

## **Additional Information**

Brief descriptions of the Series 2014 Bonds, the City, the Airport, the Bond Ordinance, the Use and Lease Agreements and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Information contained herein has been obtained from officers, employees and records of the City and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances, create any implication that there has been no change in the affairs of the City or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriter and the purchasers or Owners of any of the Series 2014 Bonds. Inquiries regarding information as to the Airport System or the City contained in this Official Statement may be directed to Dan Gallagher, Interim Director of Aviation, Colorado Springs Airport, Administration Office, 7770 Milton E. Proby Parkway, Colorado Springs, Colorado 80916, Telephone: (719) 550-1900.

## **CERTAIN INVESTMENT CONSIDERATIONS**

**The purchase and ownership of the Series 2014 Bonds involve investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2014 Bonds are advised to read this Official Statement, including all Appendices, in its entirety to obtain information essential to the making of an informed investment decision. The factors set forth below, among others, may affect the security of the Series 2014 Bonds.**

### **The Series 2014 Bonds are Special Obligations**

The Series 2014 Bonds are special and limited obligations of the City, payable solely from and secured by a pledge of Net Revenues and certain funds and accounts held under the Bond Ordinance, as described in this Official Statement. None of the properties of the Airport System is subject to any mortgage or other lien (except for the lien created by the Bond Ordinance on the Net Revenues) for the benefit of the owners of the Series 2014 Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2014 Bonds. In no event will the Series 2014 Bonds constitute a general obligation of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, Charter or statutory provision or limitation of the City or the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS.”

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

The Series 2014 Bonds are payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the Bond Ordinance. Gross Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Several factors, including (1) the challenging global and national economic environment that began in late 2007, (2) weakened demand for air travel,

(3) reduced airline passenger capacity, (4) reduced number of airline flights, (5) proximity to Denver International Airport (“DIA”) and the low airfares offered by the airlines serving DIA, and (6) increased airline pricing, have all adversely impacted levels of passenger traffic and associated revenues at the Airport. Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors, including the national and local unemployment rate, the prolonged weak global and national economic conditions, political conditions, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air traffic control system and of the Airport and business travel substitutes, including teleconferencing, videoconferencing and web casting, some of which are discussed in further detail hereafter in this section.

### **Competition for Domestic Flights**

The Airport’s air service region is also served by DIA, which is located approximately 95 road miles north of the Airport and within a “reasonable” driving distance from the City. Unlike the Airport which is primarily an origin and destination airport, DIA is a large hub airport with more than 800 daily departures and is served by low cost carriers, including, Southwest and Frontier airlines. Competition among such carriers at DIA, has resulted in lower fares being offered at DIA than those being offered at the Airport. In addition, future increases in operating costs at the Airport due to compliance with federally-mandated and other security and operating changes, and reductions in enplaned passengers at the Airport, may increase costs per enplaned passenger to the airlines serving the Airport, which could result in airfares at the Airport remaining at a competitive disadvantage relative to DIA and its lower airline fares. While the City expects the Airport to continue to be the major air traffic center for the Colorado Springs area, based on passenger preferences stemming from the Airport’s location and service, there can be no assurance that such passenger preferences will continue and that passengers will not choose to fly from DIA.

### **Current Economic Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Previous recessions and periods of stagnant economic conditions in the U.S., Colorado and Colorado Springs contributed to reduced passenger traffic at the Airport. Further, the 2008-2009 recession and associated high unemployment and reduced discretionary income contributed to reduced airline travel demand at the Airport.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economic conditions, trade balances, currency exchanges rates, political relationships, and hostilities are important influences on passenger traffic at U.S. airports, including the Airport. Future increases in passenger traffic at the Airport will depend in part on stable international conditions as well as national and global economic growth.

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

The recent global recession, sluggish recovery from the 2008-2009 recession and high fuel prices, among other things, resulted in airlines reducing the number of flights they provide, raising fares, adding new fees and surcharges while reducing capacity and the size of their fleets, as well as personnel. In addition, several airlines merged or consolidated, while others either reorganized under applicable bankruptcy laws or ceased operations. The City is not able to predict whether any future airline mergers, consolidations, reorganizations or liquidations will occur or the impact that any such events may have on the operation of the Airport. See also “Dependence on Levels of Airline Traffic and Activity—Current Economic Conditions—Cost, Availability and Price Volatility of Aviation Fuel—Effects of Airline Bankruptcies” in this section.

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

The level of prices, the availability and the price volatility of aviation fuel are some of the most significant and uncertain factors impacting the airline industry. According to Airlines for America (“A4A,” and formerly known as Air Transport Association of America), fuel, along with labor costs is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier’s operating economics. There has been no shortage of aviation fuel since the “fuel crises” of 1974, but any unhedged increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle east and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to A4A, every one-cent increase in the price per gallon of jet fuel increases airline annual operating expenses by approximately \$190 million to \$200 million. The price of aviation fuel rose to an all-time high of almost \$4.00 per gallon in July 2008. According to A4A, the domestic price of aviation fuel averaged approximately \$2.95 per gallon for the year ended December 31, 2012. For the first eight months of 2013, the domestic price averaged approximately \$2.87 per gallon. The average price of jet fuel in August 2013 was \$2.97 per gallon. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

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

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and are currently occurring in the Middle East and North Africa) and terrorist attacks, as well as public health and natural disaster concerns, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying, the inconveniences and delays associated with more stringent security screening procedures, the potential exposure to severe illnesses and natural disasters (such as volcano eruptions, earthquakes and tsunamis), all of which could lead to the avoidance of airline travel or the use of alternate modes of transportation. The Airport is currently in compliance with all federally

mandated security requirements and has been able to meet these requirements without significant financial or operational impact, however, accommodation or compliance with any future unfunded security measures may result in an increase in capital and operating expenses. Increases in these expenses may have the effect of increasing the costs of airlines using the Airport.

### **Impact of Federal Sequestration**

Federal funding received by the Airport could be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the “Budget Control Act”), which was signed into law by President Obama on August 2, 2011. The Budget Control Act required that the Director of the United States Office of Management and Budget (“OMB”) calculate, using a statutory formula, certain cuts to federal programs necessary to reduce spending to levels specified in the Budget Control Act and the President was required to issue an order implementing the reductions in spending. In August 2012, Congress required OMB to provide estimates of the reductions to specific programs that would be ordered on January 2, 2013. On September 14, 2012, OMB provided a report containing those estimates. Among the reductions identified by OMB were cuts to FAA and TSA budgets. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration has been triggered. On January 2, 2013, President Obama signed into law H.R. 8, the American Taxpayer Relief Act of 2012, which delayed the initiation of the sequestration process from January 2, 2013 to March 1, 2013. On April 22, 2013, as a result of sequestration, TSA furloughed air traffic controllers for one day every two weeks resulting in flight delays. In addition, sequestration could adversely affect the availability of certain federal grant funds typically received annually by the Airport. These federal spending cuts could adversely affect FAA operations and the availability of certain federal grant funds typically received annually by the Airport. These federal spending cuts would likely be spread over a number of years. In addition to adversely affecting the United States economy, commercial aviation operations throughout the United States could also be adversely affected, due to layoffs or furloughs of federal employees responsible for certain critical federal airport functions, however, on May 1, 2013, President Obama signed into law the Reducing Flight Delays Act of 2013 (H.R. 1765), which ended FAA air traffic controller furloughs, that had caused air traffic delays across the nation, but which reduced the amount of available funds under the FAA’s Airport Improvement Program (“AIP”) in the federal fiscal year of 2013 by \$253 million to pay for such controller costs. The full impact of such sequestration measures on the Airport, however, is unknown at this time.

### **Availability of Information Concerning Individual Airlines**

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and, as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission (the “SEC”). All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549, and at the SEC’s regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 233 Broadway, New York, New York 10279. The SEC

maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the Department of Transportation (the "DOT"). Such reports can be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Aviation Information Management, Data Requirements and Public Reports Division, at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

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

Neither the City nor the Underwriter undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

### **Effect of Airline Bankruptcies**

**General.** Since 2000, several airlines with operations at the Airport, including, among others, United Airlines, Delta Air Lines, the parent company of CoMair and Northwest Airlines, have filed for bankruptcy protection. With limited exceptions, however, these airlines have successfully reorganized and emerged from bankruptcy protection. The exceptions include Midway Airlines and Vanguard Airlines, which eventually ceased operations and Lynx, which ended operations in early 2013 after Frontier terminated the Lynx flights. American Airlines and certain of its affiliates filed for bankruptcy protection in November 2011, but continued to operate. American signed a new Use and Lease Agreement at the Airport as part of its plan of reorganization, however, it recently emerged from bankruptcy in connection with its merger with US Airways. See "THE AIRPORT SYSTEM AND OPERATIONS—Airlines—*American Airlines Merger*" herein. No assurances can be given regarding American's future level of activity at the Airport following the merger and its exit from bankruptcy. Furthermore, additional bankruptcies, liquidations or major restructurings of airlines with operations at the Airport could occur in the future. The City cannot predict the extent to which any such events would impact the ability of the Airport to pay the outstanding Bonds including the Series 2014 Bonds.

**Assumption or Rejection of Agreements.** In the event an airline that has executed a Use and Lease Agreement or other agreement with the City seeks protection under U.S. bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the City within certain timeframes provided in the bankruptcy laws. In the event of assumption, the airline is required to cure any prior monetary defaults and provide adequate assurance of future performance under the applicable Use and Lease Agreement or other agreements. Generally, a debtor airline has 120 days to make the decision to assume or

reject its agreements but may request an extension of up to an additional 90 days. A debtor may not extend the time to make a decision beyond 210 days from the petition.

Rejection of a Use and Lease Agreement or other agreement or executory contract will give rise to an unsecured claim of the City for damages. The amount of such damages in the case of a Use and Lease Agreement or other agreement is limited by the Bankruptcy Code, generally to the amount unpaid prior to bankruptcy, plus the greater of (i) one year of rent, or (ii) 15% of the total remaining lease payments, not to exceed three years of rent. Certain amounts unpaid as a result of a rejection of a Use and Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield costs, would be passed on to the remaining airlines under their respective Use and Lease Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, adjustments could be made to rents of nonairline tenants, although there can be no assurance that such other tenants would be financially able to absorb the increases.

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

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

***PFCs.*** Pursuant to the PFC Enabling Act, the FAA has approved the City's applications to require the airlines to collect and remit to the City a \$3.00 PFC on each enplaning revenue passenger at the Airport as further discussed in "THE AIRPORT SYSTEM AND OPERATIONS—Capital Improvement Plan—Passenger Facility Charges."

The PFC Enabling Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the City) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC Enabling Act, as amended in December 2003, provides certain statutory protections for the City of PFC collections. However, it is unclear whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline

in an event of a liquidation or cessation of business. The City also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such airline.

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

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Use and Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects at the Airport, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

### **Availability of Funding for the Capital Improvement Plan**

The plan of finance for the Capital Improvement Plan assumes that PFC revenues and federal grants will be available in certain amounts and at certain times for the payment of certain costs of the projects included in the Capital Improvement Plan. No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed.

The amount of PFC revenue received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See “THE AIRPORT SYSTEM AND OPERATIONS—Capital Improvement Plan—*Passenger Facility Charges*.” A shortfall in PFC revenues, may require the City to identify other sources of funding for the payment of the costs of the projects included in the Capital Improvement Plan.

Additionally, the FAA may terminate the City’s authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Acts or the regulations promulgated thereunder, or (b) the City otherwise violates the PFC Acts or regulations. The City’s authority to impose the PFC may also be terminated if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 (the “Noise Act”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under the Noise Act also contain procedural safeguards to ensure that the City’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the City’s authority to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City or that the City will not seek to decrease the amount of the PFC to be collected. In the event the FAA or Congress reduced or terminated the City’s ability to impose PFCs, the City may need to identify other sources of funding for the payment of the costs of the projects included in the Capital Improvement Plan.

Also, as discussed under “THE AIRPORT SYSTEM AND OPERATIONS—Capital Improvement Plan—*Federal Grants*,” the assumptions with respect to entitlement and discretionary funding, although considered reasonable by the City, are inherently subject to certain uncertainties and contingencies. Actual entitlement and/or discretionary funding levels and timing may vary and such differences may be material. In 2012, Congress passed, and the President signed, the Modernization and Reform Act of 2012, funding the Airport Improvement Program in an amount of \$4.35 billion in each of federal fiscal years 2012 through 2015; however, no assurance can be given that reauthorization will occur when that legislation expires in 2015, or at what levels the program may be funded in the future.

To the extent that any portion of the funding assumed in the plan of finance for the Capital Improvement Plan is not available as anticipated, the City may be required to defer certain projects in the Capital Improvement Plan, remove certain projects in the Capital Improvement Plan or identify other sources of funding for the payment of the costs of the projects included in the Capital Improvement Plan.

### **Expiration and Possible Termination of Use and Lease Agreements**

Pursuant to the Use and Lease Agreements, each Signatory Airline has agreed to pay specified rates and charges for its use of the Airport. The Use and Lease Agreements may be terminated by the City or, under certain limited conditions, by a Signatory Airline prior to the termination date thereof. At any time an airline operating at the Airport is not a party to a Use and Lease Agreement, such airline pays rates and charges which are set pursuant to the non-Signatory Airline ordinance of the City. Effective on January 1, 2014, the term of the Use and Lease Agreements has been extended on a month to month basis. The City is in the process of negotiating new Use and Lease Agreements with the Signatory Airlines as further described herein. No assurances, however, can be made concerning the outcome of any such negotiations. See “—Effect of Airline Bankruptcies.” See also “THE AIRPORT SYSTEM AND OPERATIONS—Airline Rates and Charges—Use and Lease Agreements.”

### **Ability to Meet Rate Covenant**

As discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Rate Covenant,” the City has covenanted in the Bond Ordinance to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System, so that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least sufficient to provide for (a) the payment of Operation and Maintenance Expenses for such Fiscal Year; and (b) the larger of either: (i) the amounts needed for making the required deposits in such Fiscal Year to the credit of the Bond Fund, Bond Reserve Fund, Subordinate Bond Fund, Subordinate Bond Reserve Fund, Rebate Fund, Operation and Maintenance Reserve Fund, Renewal and Replacement Fund and certain other funds established under the Bond Ordinance; or (ii) an amount not less than 125% of the Debt Service Requirements for such Fiscal Year, including, without duplication, related Credit Facility Obligations. If Gross Revenues were to fall below the level necessary to meet the Rate Covenant, the Bond Ordinance provides a procedure under which the Council would retain an airport consultant to make recommendations as to revision of the rentals, rates, fees and other charges. Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport or a reduction of Operation

and Maintenance Expenses could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Use and Lease Agreements acknowledge the existence of the Rate Covenant and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

### **No Acceleration**

Events of Default under the Bond Ordinance and related remedies are described in the summary of certain provisions of the Bond Ordinance attached as Appendix C. The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2014 Bonds. If there is an Event of Default, payments, if any, on the Series 2014 Bonds will be made after payments of Operation and Maintenance Expenses. Since Net Revenues are Gross Revenues net of all amounts needed to pay Operation and Maintenance Expenses, and the City is not subject to involuntary bankruptcy proceedings, the City may be able to continue indefinitely collecting Gross Revenues and applying them to the operation of the Airport even if an Event of Default has occurred and no payments are being made on the Series 2014 Bonds.

### **No Trustee**

There is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Ordinance on behalf of the registered Owners or Beneficial Owners of the Series 2014 Bonds, and therefore, such registered Owners and Beneficial Owners of the Series 2014 Bonds should be prepared to enforce any remedy provisions under the Bond Ordinance themselves if the need to do so ever arises.

### **Forward-Looking Statements**

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

### **Future Tax Developments**

Future or pending federal legislative proposals (if enacted), regulations, rulings or court decisions may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation or cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to State or local income taxation, or may otherwise prevent beneficial owners of the Series 2014 Bonds from realizing the full current benefit of the tax status of such interest. Legislation or regulation actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their tax advisors regarding any future, pending or proposed federal tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion. See “TAX MATTERS.”

**PLAN OF FINANCING AND APPLICATION  
OF SERIES 2014 BOND PROCEEDS AND OTHER MONEYS**

**Plan of Refunding**

The City is undertaking a current refunding and defeasance of \$27,655,000 aggregate principal amount of its City of Colorado Springs, Colorado, Airport System Revenue Bonds, Series 2002A (the “Refunded Series 2002A Bonds”) in order to reduce the interest cost on its indebtedness. The Refunded Series 2002A Bonds consist of the City of Colorado Springs, Colorado, Airport System Revenue Bonds, Series 2002A, set forth below:

<b><u>Maturity Date</u></b> <b><u>(January 1)</u></b>	<b><u>Principal</u></b>	<b><u>CUSIP No.</u></b> *
2015	\$ 2,920,000	196612DW2
2017	6,255,000	196612DX0
2018	3,350,000	196612DY8
2022	15,130,000	196612DZ5

\* CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriter undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list CUSIP numbers.

The net proceeds of the Series 2014 Bonds, together with other available moneys released from the Interest Account, the Principal Account and the Bond Reserve Fund, with respect to the Refunded Series 2002A Bonds, as well as moneys of the Airport System, will be deposited with Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and held in an escrow fund (the “Refunded Series 2002A Bonds Escrow Fund”) created under the terms of an Escrow Agreement, to be dated as of January 1, 2014 (the “Refunded Series 2002A Bonds Escrow Agreement”) by and between the City and the Escrow Agent. Proceeds deposited into the Refunded Series 2002A Bonds Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury (“Government Obligations”), or held uninvested in cash, and such amounts, together with the earnings thereon, will be used to redeem all of the outstanding Refunded Series 2002A Bonds on a date no later than 45 days after the date of issuance of the Series 2014 Bonds (“Redemption Date”) at a redemption price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date.

Causey Demgen & Moore Inc. an independent accounting firm, will verify that the Government Obligations, together with the earnings thereon, and the other amounts held in the Refunded Series 2002A Bonds Escrow Fund and the Refunded Series 2002A Bonds Escrow Fund will be sufficient to pay all of the principal of and interest due on the Refunded Series 2002A Bonds on the Redemption Date. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

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## Sources and Uses of Funds

The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2014 Bonds.

### Sources

Principal Amount of Series 2014 Bonds	\$11,185,000.00
Original Issue Premium of Series 2014 Bonds	1,066,638.40
Release of Funds from Prepaid Revenue Account	700,825.00
Release of Funds from Bond Reserve Fund	2,986,186.16
Airport System Funds	<u>12,312,988.84</u>
Total Sources	\$28,251,638.40

### Uses

Deposit to Refunded Bonds Escrow Fund	\$27,864,088.06
Costs of Issuance <sup>1</sup>	<u>387,550.34</u>
Total Uses	\$28,251,638.40

<sup>1</sup> Includes Underwriter's discount, legal fees, financial advisory fees, Municipal Bond Insurance Policy premium, and other costs of issuance.

## State Infrastructure Bank Loan

The Airport is discussing with the Colorado Department of Transportation–Aviation Division (“CDOT”) the opportunity for a loan (“SIB Loan”) from the Colorado State Infrastructure Bank. An SIB Loan would not be secured on a parity lien basis with the Series 2014 Bonds, however, an SIB Loan would likely be secured with PFC funds, which are specifically excluded from Net Revenues, as further described herein in the subsection titled “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS–Net Revenue Pledge.” Proceeds of an SIB Loan would be used by the Airport to fund certain projects identified in the Capital Improvement Plan. It is not known at this time whether such loan will be approved, and if it is, what the principal amount will be and when proceeds thereof will be available to the Airport. Current expectations of the City, based on the Capital Improvement Plan, are that any SIB Loan request will be between \$5 million and \$8 million. If the City makes an SIB Loan request and it is not approved by CDOT, the Airport will explore the possibility of delaying projects in the Capital Improvement Plan or evaluating other funding opportunities for such projects.

## DESCRIPTION OF THE SERIES 2014 BONDS

### General

The Series 2014 Bonds will be issued pursuant to the Bond Ordinance and will mature and bear interest at the rates set forth on the inside front cover of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2014 Bonds will be dated their date of delivery, and will bear interest from that date payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2014 (each an “Interest Payment Date”). Interest due and payable on the Series 2014 Bonds on any Interest Payment Date will be paid to the registered owners as of the close of business on the 1<sup>st</sup> day of

the month in which such Interest Payment Date occurs (a “Regular Record Date”). The Series 2014 Bonds will bear interest from the most recent date to which interest has been paid, or if no interest has been paid, from the delivery date of the Series 2014 Bonds. If any Series 2014 Bond is not paid upon presentation and surrender at maturity or prior redemption, it will continue to accrue interest at the rate applicable prior to the earlier of maturity or prior redemption, until paid in full.

The Series 2014 Bonds will be issued in minimum denominations of \$5,000 and integral multiples thereof. The Series 2014 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2014 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2014 Bonds, references herein to the Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2014 Bonds.

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, the principal of and interest on the Series 2014 Bonds will be payable by wire transfer by the Paving Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the Direct Participants (as defined herein) for subsequent disbursement by the Direct Participants and the Indirect Participants (as defined herein) to the Beneficial Owners of the Series 2014 Bonds. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

### **No Optional Redemption of the Series 2014 Bonds**

The Series 2014 Bonds are not subject to optional redemption by the City prior to their respective maturity dates.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS**

Following is a summary of certain provisions of the Bond Ordinance, including, but not limited to sections of the Bond Ordinance detailing the pledge of Net Revenues, rate covenant, Bond Reserve Fund, flow of funds, parity securities and subordinate securities and Special Facilities Bonds. These summaries do not purport to be comprehensive or definitive. See Appendix C for a more complete description of these provisions of the Bond Ordinance.

### **Net Revenue Pledge**

Pursuant to the Bond Ordinance, the City has irrevocably pledged the Net Revenues of the Airport System to the payment of the Bonds, including the Series 2014 Bonds. The Series 2014 Bonds will be issued pursuant to the Bond Ordinance and will be payable from Net Revenues on parity with the Series 2007 Bonds and any parity securities issued in the future. See “—Parity Securities.” The facilities comprising the Airport System, however, have not been pledged to secure payment of the Bonds. The Bonds, including the Series 2014 Bonds, are also secured by a pledge of certain funds and accounts held under the Bond Ordinance, subject to the provisions of the Bond Ordinance permitting disbursements of such amounts at the times and in the manner described in the Bond Ordinance.

“Net Revenues” means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses. “Gross Revenues” is defined in the Bond Ordinance to mean (except as set forth in the following paragraph) any income, charges (including, without limitation, customer facility charges (except the Rental Car CFC, as defined herein)) and revenues derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, and, except as otherwise provided in the Bond Ordinance, interest and other realized gain from any investment of moneys accounted for in various accounts established in the Bond Ordinance. “Gross Revenues” also includes all other revenue or other items designated in a Supplemental Ordinance as “Gross Revenues”; provided, however, once an item or revenue has been designated in a Supplemental Ordinance as “Gross Revenues,” such designation may not subsequently be reversed. The Airport System does not include any Special Facilities (so long as Special Facilities Bonds related thereto remain outstanding). Special Facilities are facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds which are secured from rental payments required to be made by the user thereof and are not secured by the Net Revenues.

The Bond Ordinance excludes the following from Gross Revenues: (a) any Bond proceeds or other moneys (including interest and other gain thereon) credited to the Project Fund or any Escrow Fund (including any interest and other gain thereon), any interest and other gain on amounts credited to the Capital Improvement Fund or the Rebate Fund or any interest and other gain required by a Supplemental Ordinance to be credited to the Project Fund; (b) any money received as grants, appropriations or gifts directly or indirectly from the United States the uses of which is limited by the grantor or donor to the acquisition of Airport Facilities or other purposes not including the payment of Debt Service Requirements; (c) any money received as grants, appropriations or gifts from the State or other sources, the use of which is limited by the grantor or donor to the acquisition of Airport Facilities or other purposes not including the payment of Debt Service Requirements; (d) except as may be provided in a Supplemental Ordinance, any passenger facility charge (“PFC”) revenues or other passenger taxes or charges (including interest and other gain thereon) imposed for the use of the Airport System (the City has not, as of this date, pledged any PFC revenues to the payment of Bonds); (e) any proceeds of Special Facilities Bonds (including interest and other gain thereon) or, except as otherwise provided in the Bond Ordinance or in a Supplemental Ordinance, any revenues derived from any Special Facilities other than ground rentals relating to such Special Facilities and any moneys paid to the City in lieu of such ground rentals, provided, however, if any revenues from a Special Facility are designated in a Supplemental Ordinance as Gross Revenues, all revenues from such Special Facility must be so designated; (f) the proceeds of any insurance policy, except any such proceeds derived in respect of loss of use or business interruption, or the proceeds of any condemnation award; and (g) any money received in respect of any Credit Facility, unless otherwise provided by a Supplemental Ordinance.

**The Series 2014 Bonds are special and limited obligations of the City and do not constitute a debt or an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, and are not general obligations of the City. The Series 2014 Bonds are payable and collectible solely out of the Net Revenues derived**

**from the operation and use of the Airport System. The full faith and credit of the City is not pledged to the payment of the principal of, premium, if any, or interest on the Series 2014 Bonds. The holder of any Series 2014 Bond may not look to any general or other fund of the City for the payment of the principal of or interest on the Series 2014 Bonds. The Series 2014 Bonds constitute an irrevocable first lien upon Net Revenues on a parity with the lien to secure the payment of the Series 2007 Bonds and any future parity debt. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the holders of the Series 2014 Bonds.**

### **Rate Covenant**

Pursuant to the Bond Ordinance, the City must at all times fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System, so that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least sufficient to provide for (a) the payment of Operation and Maintenance Expenses for such Fiscal Year; and (b) the larger of either: (i) the amounts needed for making the required deposits in such Fiscal Year to the credit of the Bond Fund, Bond Reserve Fund, Subordinate Bond Fund, Subordinate Bond Reserve Fund, Rebate Fund, Operation and Maintenance Reserve Fund, Renewal and Replacement Fund and certain other funds established under the Bond Ordinance; or (ii) an amount not less than 125% of the Debt Service Requirements for such Fiscal Year, including, without duplication, related Credit Facility Obligations. See “APPENDIX C—SUMMARY OF THE BOND ORDINANCE.” See also “DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE—Historical Debt Service Coverage.”

If Gross Revenues in any Fiscal Year, together with any Other Available Funds, are less than the amounts specified above, upon receipt of the annual audit for such Fiscal Year, the Bond Ordinance requires the Council to retain an airport consultant to make recommendations as to revision of the City’s Airport System’s rentals, rates, fees and other charges. The Bond Ordinance requires the Council to revise the schedule of rentals, rates, fees and charges, on the basis of such recommendations and other available information, as may be necessary to produce the required level of Gross Revenues. If the Council complies with the above-described requirements, it will not constitute an event of default pertaining to the City’s nonperformance of its duties under the Bond Ordinance if the resulting Gross Revenues, together with any Other Available Funds, are not sufficient to satisfy the rate maintenance covenant (unless some other event of default also has occurred); provided that such amounts are not less than 100% of Operation and Maintenance Expenses and Debt Service Requirements on the Outstanding Bonds for such Fiscal Year. See “CERTAIN INVESTMENT CONSIDERATIONS—Ability to Meet Rate Covenant.”

### **Bond Reserve Fund**

The Bond Ordinance established the “Bond Reserve Fund” in order to provide additional security for the Bonds, including the Series 2007 Bonds and the Series 2014 Bonds, and any additional parity securities. The Bond Reserve Fund is required to be funded in an amount equal to the “Bond Reserve Requirement.” The Bond Reserve Requirement is an amount equal to the lesser of (a) the Maximum Annual Debt Service Requirement on all Outstanding Bonds, (b) 125% of the Average Annual Debt Service Requirements on all Outstanding Bonds, or

(c) 10% of the aggregate proceeds of all Bonds issued upon original issuance thereof (but not including any series of Bonds which has been paid in full or provision for which payment in full has been made). Upon the issuance of the Series 2014 Bonds, \$2,447,663.84 will be on deposit in the Bond Reserve Fund, which will be sufficient to meet the Bond Reserve Requirement. The Bond Ordinance requires funding of any increase in the Bond Reserve Requirement upon issuance of additional parity securities either from proceeds of such securities or with available funds in equal monthly installments over a 60-month period. Consequently, if additional parity securities are issued and the Bond Reserve Requirement increases as a result, the Bond Reserve Fund amount available to Owners of Series 2014 Bonds will be diluted during the 60-month funding period (unless the City, at its option, elects to fund the incremental Bond Reserve Requirement amount out of proceeds of the parity securities or otherwise on a more accelerated schedule). The Bond Ordinance similarly allows the City to replenish the Bond Reserve Fund over 60 months if for any other reason funds on deposit are less than the Bond Reserve Requirement. The moneys in the Bond Reserve Fund will be used only to prevent deficiencies in the payment of the Debt Service Requirements of the Bonds resulting from the failure to deposit into the Bond Fund sufficient funds to pay such amounts as they accrue. See “APPENDIX C—SUMMARY OF THE BOND ORDINANCE—Reserve Fund.”

### **Application and Use of Revenues**

The Bond Ordinance creates a special fund designated as the Revenue Fund into which the City is required to set aside and credit all Gross Revenues of the Airport System upon receipt by the City, which moneys and deposits are required to be applied solely in accordance with the order of priorities established by the Bond Ordinance, as follows:

FIRST, there shall be set aside in and credited to the Operation and Maintenance Fund each month moneys sufficient to pay Operation and Maintenance Expenses for the next succeeding month, as such expenses become due and payable.

SECOND, from any moneys remaining in the Revenue Fund (i.e., from the Net Revenues), an amount is to be credited to the Bond Fund monthly such that if the same amount is paid on the first day of each successive month there will be an amount in the Bond Fund sufficient to pay the principal of and interest on the Bonds as the same become due.

THIRD, an amount is to be credited to the Bond Reserve Fund (if the Bond Reserve Requirement is not fully funded) which amount, if made in substantially equal monthly installments, would be sufficient to accumulate or reaccumulate the Bond Reserve Requirement on or before the first day of the sixtieth month following the date of commencement of such funding.

FOURTH, an amount is to be credited by the City to the Subordinate Bond Fund and the Subordinate Bond Reserve Fund as may be required to pay Subordinate Bonds (other than General Obligation Bonds), including reasonable reserves and amounts with respect to related subordinate Credit Facility Obligations, as provided by any Supplemental Ordinance or other instrument.

FIFTH, an amount is to be credited to the Rebate Fund as specified in the tax compliance certificate relating to each series of Bonds, General Obligation Bonds and Subordinate Bonds so as to enable the City to comply with the tax covenants referred to in the Bond Ordinance.

SIXTH, an amount is to be credited to the Operation and Maintenance Reserve Fund monthly (if the Operation and Maintenance Reserve Requirement is not fully funded) which amount, if made in substantially equal monthly installments, would be sufficient to accumulate or reaccumulate the Operation and Maintenance Reserve Requirement (which amount is equal to 25% of the amount of the Operation and Maintenance Expenses of the Airport System for a Fiscal Year) on or before the first day of the twelfth month following the date of commencement of such funding.

SEVENTH, an amount is to be credited to the Renewal and Replacement Fund monthly (if the Renewal and Replacement Requirement is not fully funded) which amount, if made in substantially equal monthly installments, would be sufficient to accumulate or reaccumulate the Renewal and Replacement Requirement (which amount is equal to at least \$750,000), on or before the first day of the twelfth month following the date of commencement of such funding.

EIGHTH, an amount is to be credited by the City to the General Obligation Bond Fund in such amounts as may be required to pay General Obligation Bonds then Outstanding, as provided by any Supplemental Ordinance or other instrument, subject to any credits against such amounts as may be provided in any such Supplemental Ordinance or other instrument. The City has no General Obligation Bonds Outstanding with respect to the Airport.

FINALLY, from any moneys remaining in the Revenue Fund, there is to be credited to the Capital Improvement Fund monthly all moneys remaining in the Revenue Fund after all payments required to be made by the Bond Ordinance have been made. Moneys credited to the Capital Improvement Fund may be credited by the City to the Prepaid Revenue Account; provided that the amount in the Prepaid Revenue Account may not exceed 25% of Maximum Annual Debt Service Requirements. Any other amounts in the Capital Improvement Fund will be credited to the Capital Account. Moneys may be transferred out of the Capital Improvement Fund for capital improvements, extraordinary repairs and maintenance, redemption of Bonds and any other lawful purposes of the Airport System.

### **Parity Securities**

*General.* After the issuance of the Series 2014 Bonds and the refunding and defeasance of the Series 2002A Refunded Bonds, the Series 2007 Bonds will be the only Outstanding obligations of the City secured by the Net Revenues on a parity with the Series 2014 Bonds. The City issued the Series 2007 Bonds on May 1, 2007 in the initial aggregate principal amount of \$12,225,000.

The Bond Ordinance permits the City to issue additional parity securities in the future for the following purposes: (a) paying the Cost of acquiring, improving or equipping Facilities (“Improvement Projects”); (b) defraying the additional Cost of completing an Improvement Project (“Completion Bonds”); and (c) refunding, paying and discharging any Bonds, Credit Facility Obligations, Subordinate Bonds, General Obligation Bonds or other securities or obligations (a “Refunding Project”). The City does not have any current plans to issue additional parity securities for Improvement Projects at the Airport or Completion Bonds.

***Additional Bonds.*** In order to issue additional parity securities other than Completion Bonds or with respect to a Refunding Project, the City must obtain either (a) through (d) below, or (d) and (e) below:

(a) a certificate of the Aviation Director, setting forth for the last audited Fiscal Year or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of additional Bonds, as determined by the Aviation Director based upon the audited financial statements of the Airport System, (i) the Net Revenues, together with any Other Available Funds, for such period, and (ii) the Debt Service Requirements of the Bonds Outstanding for such period including, without duplication, related Credit Facility Obligations; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amounts needed during such period to make the required deposits to the credit of the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Fund, the Subordinate Bond Reserve Fund, the Rebate Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund and the General Obligation Fund; or (B) an amount not less than 125% of the aggregate Debt Service Requirements on Outstanding Bonds for such period, including without duplication related Credit Facility Obligations;

(b) a certificate of the Consulting Engineer setting forth (i) the estimated date of completion for the Improvement Project for which such series of additional Bonds is being issued, and (ii) an estimate of the Cost of such Improvement Project;

(c) a report of an Airport Consultant estimating, for each of the three Fiscal Years commencing with the Fiscal Year following the Fiscal Year in which the Consulting Engineer estimates such Improvement Project will be completed, (i) the Net Revenues; and (ii) the amounts required to be deposited in the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Fund, the Subordinate Bond Reserve Fund, the Rebate Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund and the General Obligation Bond Fund; and demonstrating that the Net Revenues in each such Fiscal Year, together with any Other Available Funds, are projected to be at least equal to the greater of either (A) the amounts needed to make the required deposits to the credit of the several Funds described above; or (B) an amount not less than 125% of the aggregate of any Debt Service Requirements for each such Fiscal Year for any Bonds then Outstanding, for the series of Bonds then to be issued and for any future series of Bonds which the Aviation Director estimates (based on the estimate of the Consulting Engineer of the Cost of such Improvement Project) will be required to complete payment of the Cost of such Improvement Project, including, without

duplication, Credit Facility Obligations relating to such Bonds, in each case after giving effect, among other factors, to the increase in Operation and Maintenance Expenses and to the completion of the Improvement Project or any completed portion thereof, and the increase in rates, fees, rentals or other charges (or any combination thereof) as a result of the completion of such Improvement Project or any completed portion thereof;

(d) a certificate of the Finance Director to the effect that as of the date of the adoption of the Supplemental Ordinance authorizing such Bonds, the City is not in default in making any payments required by the Bond Ordinance; and

(e) a certificate of the Aviation Director setting forth, for the last Fiscal Year for which audited financial statements of the Airport System are available or for any period of twelve consecutive calendar months out of the eighteen calendar months next preceding the delivery of such series of additional Bonds, as determined by the Aviation Director based upon the audited financial statements of the Airport System, (i) the Net Revenues, together with any Other Available Funds, for such period and (ii) the Debt Service Requirements of the Bonds Outstanding for such period and the Debt Service Requirements of the additional Bonds to be issued, including, without duplication, Credit Facility Obligations relating thereto; and demonstrating that for such period the Net Revenues, together with any Other Available Funds, at least equal the larger of either: (A) the amounts needed during such period for making the required deposits to the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Reserve Fund, the Rebate Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, and the General Obligation Fund, or (B) an amount not less than 125% of the Debt Service Requirements of the Bonds Outstanding for such period and the Debt Service Requirements of the additional Bonds then to be issued, including, without duplication, Credit Facility Obligations relating thereto.

**Completion Bonds.** If the proceeds from the sale of any Bonds available in whole or in part for payment of the Cost of an Improvement Project are not sufficient to pay, together with other available moneys, the entire Cost of an Improvement Project, regardless of whether the deficiency results from an allowable modification of the Improvement Project or for any other reason, the City may issue Completion Bonds to defray such additional Cost; provided that, prior to delivery of such Completion Bonds, the City has obtained a certificate of the Consulting Engineer (a) stating that the Improvement Project has not materially changed (except as permitted by the Bond Ordinance) from its description in any Supplemental Ordinance relating to the series of Bonds issued to finance such Improvement Project; (b) estimating the revised aggregate Cost of such Improvement Project; (c) stating that the revised aggregate Cost of such Improvement Project cannot be paid with the moneys available on the date of the certificate in the appropriate account in the Project Fund and other moneys available; and (d) stating that, in the opinion of the Consulting Engineer, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Improvement Project. Under the Bond Ordinance, the City reserves the right to make material alterations of, additions to and deletions from any Improvement Project provided certain conditions specified in the Bond Ordinance are met. Such alterations, additions or deletions could necessitate the issuance of Completion Bonds by the City, and the City may issue Completion Bonds without satisfaction of the earnings tests

generally applicable to the issuance of additional parity securities. See “—Additional Bonds” above for further discussion of the earnings tests.

**Refunding Bonds.** If the Council finds it desirable to refund any Outstanding Bonds, Credit Facility Obligations, Subordinate Bonds or General Obligation Bonds, such Bonds or other obligations may be refunded in whole or in part, subject to the provisions of the Bond Ordinance. Refunding Bonds may be issued on a parity with the unrefunded Bonds only if (a) the City first receives the consent of the Insurer and the owner or owners of the unrefunded portion of the Bonds; or (b) the Maximum Annual Debt Service Requirements for all Bonds Outstanding immediately after issuance of the Refunding Bonds does not increase; or (c) the Refunding Bonds are issued in compliance with the requirements described in (a), (c) and (d) above under “—Additional Bonds.” The Series 2014 Bonds will be issued as Refunding Bonds since the Maximum Annual Debt Service Requirements for all Bonds Outstanding immediately after the issuance of the Series 2014 Bonds will be less than the Maximum Annual Debt Service Requirements for all Bonds Outstanding immediately prior to the issuance of the Series 2014 Bonds.

### **Issuance of Subordinate Securities and Special Facilities Bonds**

The Bond Ordinance provides that the City may issue junior lien (subordinate) securities, including General Obligation Bonds. The Bond Ordinance also includes provisions under which the City may issue Special Facilities Bonds for the purpose of constructing Special Facilities at the Airport for lease on a net rent basis. Any such Special Facilities Bonds are required to be payable solely from rentals payable to the City pursuant to such net rent leases and will not be a charge or claim against the Revenue Fund or any other fund or account designated in the Bond Ordinance. The net rent lease payments paid to the Airport are not included as Gross Revenues. The City does not currently have any outstanding junior lien (subordinate) securities with respect to the Airport or any Special Facilities Bonds.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2014 Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2014 Bonds maturing on December 15 of the years 2017 through 2023, inclusive (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and

global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### ***Current Financial Strength Ratings***

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3." AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

#### ***Capitalization of AGM***

At September 30, 2013, AGM's consolidated policyholders' surplus and contingency reserves were \$3,458,464,281 and its total net unearned premium reserve was \$1,902,038,053, in each case, in accordance with statutory accounting principles.

#### ***Incorporation of Certain Documents by Reference***

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (filed by AGL with the SEC on August 9, 2013); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (filed by AGL with the SEC on November 12, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2014 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE—Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### ***Miscellaneous Matters***

AMG or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured Series 2014 Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Series 2014 Bonds offered. AGM or such affiliate may hold such Series 2014 Bonds for investment or may sell or otherwise dispose of such Series 2014 Bonds at any time or from time to time.

AGM makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by

AGM and presented under the heading “BOND INSURANCE” and in “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**DEBT SERVICE REQUIREMENTS AND  
DEBT SERVICE COVERAGE**

**General**

Pursuant to the Bond Ordinance the City issued the Series 2007 Bonds which are currently outstanding in the aggregated principal amount of \$9,395,000. The Series 2007 Bonds are secured by the Net Revenues on parity with the Series 2014 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Net Revenue Pledge.” The following table sets forth the actual annual debt service requirements on the Series 2007 Bonds, the Series 2014 Bonds for each Bond Year (ending December 31 of each of the years shown) after the issuance of the Series 2014 Bonds and the refunding and defeasance of the Refunded Bonds.

**TABLE 1  
City of Colorado Springs, Colorado  
Airport System Bonds  
Debt Service Requirements**

<b>Year Ended December 31</b>	<b>Series 2007 Bonds Debt Service</b>	<b>Series 2014 Bonds</b>		<b>Total Debt Service</b>
		<b>Principal</b>	<b>Interest</b>	
2014	\$ 966,950.00	\$ 795,000	\$ 492,450.69	\$2,254,400.69
2015	967,950.00	940,000	519,500.00	2,427,450.00
2016	1,077,950.00	990,000	472,500.00	2,540,450.00
2017	1,167,550.00	1,040,000	423,000.00	2,630,550.00
2018	1,167,350.00	1,090,000	371,000.00	2,628,350.00
2019	1,164,987.50	1,145,000	316,500.00	2,626,487.50
2020	1,165,400.00	1,205,000	259,250.00	2,629,650.00
2021	1,139,150.00	1,265,000	199,000.00	2,603,150.00
2022	1,141,437.50	1,325,000	135,750.00	2,602,187.50
2023*	<u>1,085,500.00</u>	<u>1,390,000</u>	<u>69,500.00</u>	<u>2,545,000.00</u>
Total	<u>\$11,044,225.00</u>	<u>\$11,185,000</u>	<u>\$3,258,450.69</u>	<u>\$25,487,675.69</u>

\* Maturity amount.

Source: The City, Public Financial Management and Piper Jaffray & Co.

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## Historical Debt Service Coverage

The following table sets forth historical Net Revenues and Other Available Funds, and the debt service coverage ratios on the Bonds for the years ending December 31, 2008 through December 31, 2012.

**TABLE 2**  
**City of Colorado Springs, Colorado**  
**Airport System Bonds**  
**Historical Debt Service Coverage**

<u>Year</u> *	<u>Net Revenues and Other Available Funds</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
2008	\$9,609,667	\$5,625,613	1.71x
2009	8,529,798	5,233,438	1.63
2010	5,685,593	3,567,688	1.59
2011	7,595,377	5,237,513	1.45
2012	6,963,271	5,236,363	1.33

\* Year ending December 31.

Source: Colorado Springs Airport management records

## THE AIRPORT SYSTEM AND OPERATIONS

### General

The primary air service region served by the Airport consists of the metropolitan Colorado Springs region and El Paso County. The City is the second largest city in the State and is located approximately 70 miles south of Denver on Interstate 25. The 2011 estimated population of the County was approximately 637,300 people (which includes the City's population) and the 2013 estimated Median Household Effective Buying Income in the County is approximately \$42,643, which is higher than the estimated 2013 national median. The largest employer in the County is the United States Military. See "APPENDIX B—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING CITY OF COLORADO SPRINGS." The Airport is almost entirely an origin and destination airport. Based on data provided by the U.S. Department of Transportation and the Airport, approximately 97.6% of the enplaned passengers began their journeys at the Airport in 2012. The remaining 2.4% of passengers made connections at the Airport to other cities. Because passengers are almost entirely local, traffic growth is a function of the local economy and air service market as well as the City's ability to attract discretionary travelers. Unlike airports with a higher percentage of connecting traffic, the Airport is not dependent on hub-carrier activity for traffic growth.

The FAA classifies the Airport as a "small hub" airport. According to data reported by ACI, the Airport was ranked as the 101<sup>st</sup> busiest airport in the nation based on total passengers in 2012 (the last year for which final ACI data is available). The average distance in air miles to the Airport's ten largest origin and destination markets is over 500 miles, indicating the long-haul nature of the local market. The Airport can accommodate all types of commercial aircraft. For economic and demographic information on the Airport's service area, see "APPENDIX B—

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING CITY OF COLORADO SPRINGS.”

**Airlines**

**General.** As of November 1, 2013, 9 passenger airlines provided scheduled service at the Airport, which included 5 major and national airlines and 4 regional and commuter airlines. Such passenger airlines provide approximately 30 daily departures and non-stop service to 11 major cities. Two all-cargo airlines also provide service at the Airport. The following table sets forth the major and national airlines, regional and commuter airlines and all-cargo airlines providing service at the Airport as of November 1, 2013.

**TABLE 3**  
**Colorado Springs Airport**  
**Airlines Serving the Airport**  
**(As of November 1, 2013)**

**Passenger Airlines**

**Major and National**

Alaska Airlines<sup>(1)</sup>  
Allegiant Air  
American Airlines<sup>(2)</sup>  
Delta Air Lines<sup>(2)</sup>  
United Airlines<sup>(2)(3)</sup>

**Regional and Commuter**

ExpressJet Airlines<sup>(2)</sup>  
SkyWest Airlines<sup>(2)</sup>  
Shuttle America Airlines<sup>(2)</sup>  
Republic Airline<sup>(2)</sup>

**All-Cargo Airlines**

FedEx  
Key Lime Air

<sup>(1)</sup> Alaska Airlines commenced service on November 1, 2013 and is operating on a month to month basis as a non-Signatory Airline.

<sup>(2)</sup> Signatory Airline.

<sup>(3)</sup> Includes Mesa Airlines, d/b/a United Express.

**American Airlines Merger.** American Airlines, in the first nine months of 2013, carried approximately 27% of the enplaned passengers at the Airport. Effective on December 9, 2013, American Airlines, together with its parent, AMR Corporation and American Eagle and other subsidiaries (collectively, “AMR”) merged with US Airways Group, Inc. under the terms of an Agreement and Plan of Merger (the “Merger Agreement”). Under the terms of the Merger Agreement, the newly combined company will be operated under the “American Airlines” name and will be headquartered in AMR’s existing headquarters in Fort Worth, Texas. Even though the two airlines have merged pursuant to the Merger Agreement, they will continue to operate separately while details of the merger are finalized. The impact of the merger on American Airlines’ flights and its level of activity at the Airport are not presently known.

## **Airport Facilities**

The Airport is situated on 7,000 acres of land at an elevation of 6,200 feet, approximately eight road miles east of downtown Colorado Springs and approximately 95 road miles south of downtown Denver. The Airport has two parallel runways and one crosswind runway. One of the parallel runways, Runway 17L/35R, is 13,500 feet long (one of the longest air carrier runways in the western U.S.) and the other, Runway 17R/35L, is 11,500 feet long. The crosswind runway is approximately 8,500 feet long. The City leases the northern portion of the Airport to Peterson Air Force Base under a long-term lease with the United States Air Force. The United States Air Force also uses the Airport's runway system under a joint-use agreement with the City.

The Airport's main passenger terminal (the "Terminal Building") was opened in October 1994 and has approximately 286,847 square feet of enclosed space, with 12 gates equipped with loading bridges. The Airport also has an east terminal (the "East Terminal") which includes approximately 35,273 square feet of enclosed space and four gates equipped with loading bridges. The East Terminal is currently not being utilized, however, the Airport has received approval from the City Council to proceed with a renovation of the East Terminal to create office space. The Airport is in negotiations with the Transportation Security Administration to lease this office space beginning in 2014. A connector bridge joins the Terminal Building and the East Terminal. The Airport is served by a surface parking facility with approximately 9,000 short-term, long-term and overflow parking spaces and 350 valet parking spaces. There are currently eight on-Airport rental car brands (Advantage, Alamo, Avis, Budget, Enterprise, Hertz, National and Thrifty), however, Advantage has filed for bankruptcy protection and may not continue to operate at the Airport in the future. See "—Non-Airline Revenues" below. The rental car companies owning such brands have constructed separate service and storage facilities on the Airport. The facilities are built on land leased to the on-Airport rental car companies under a ground lease agreement.

In addition, there are approximately 20 other structures located primarily on the west side of the Airport that provide cargo, general aviation, and aircraft maintenance services. Most of these structures are owned by private parties and located on land leased to the private parties by the City. Title to the structures and all other improvements will revert to the Airport when the individual leases expire.

## **Airport Management**

The Airport is operated as an enterprise fund of the City and is managed by the Director of Aviation who is under the supervision of the Mayor. A description of the current Mayor is set forth below. Major policy decisions affecting the Airport are subject to the approval of the City Council. The present members of the City Council, their occupations and the dates their terms on the City Council expire are as follows:

<b>Member</b>	<b>Occupation</b>	<b>Expiration of Term</b>
Keith King (President)	High School Administrator	April 2017
Merv Bennett (President Pro Tem)	Nonprofit CEO, Retired	April 2015
Helen Collins	U.S. Navy, Retired	April 2017
Jill Gaebler	Nonprofit/Education Leader	April 2017
Don Knight	U.S. Air Force/Defense Contractor, Retired	April 2017
Jan Martin	Small Business Owner	April 2015
Joel Miller	Pilot/Engineer	April 2017
Andy Pico	Defense Contractor	April 2017
Val Snider	US Air Force, Retired	April 2015

**Mayor—Steve Bach.** Steve Bach has been the Mayor of the City since June 2011. He leads the City through a Council-Mayor form of government (sometimes referred to as a “Strong Mayor”) pursuant to the Charter as described above under “INTRODUCTION—The City.” Prior to being elected as Mayor, Mr. Bach was a commercial real estate broker in the City for over 27 years, during which time he was the Chief Operating Officer of the Schuck Corporation, a real estate development company. He also served as Vice President of Marketing for Current, a social expressions product company located in the City. Mayor Bach also co-founded the Business Climate Initiatives Group with the City’s Chamber of Commerce, and was previously the Chair of the City’s Economic Development Corporation. He is an honors graduate of the University of Colorado, Colorado Springs College of Business and served in the United States Army, having received an Army Commendation Medal prior to being honorably discharged.

Key administrative and management personnel of the City currently involved in the management of the Airport System are described below:

**Interim Director of Aviation—Dan Gallagher.** Mr. Gallagher has served as Director of Aviation since March 23, 2013. Prior to becoming Interim Director of Aviation, he served as Assistant Director of Aviation at the Airport beginning in September 2010, and was responsible for planning and development activities. Prior to joining the Airport, Mr. Gallagher served as the Capital Programs Manager for San Antonio International Airport. He has also worked for a major airline within its Corporate Real Estate section. From 1998 to 2003, Mr. Gallagher held various positions at Long Island MacArthur Airport. Mr. Gallagher graduated from Farmingdale State University with a Bachelor’s degree in Aviation Administration and a Masters of Business Administration in Aviation Management from Dowling College. He is a Certified Member of the American Association of Airport Executives and is a licensed private pilot with Glider Aero-tow qualifications.

**Assistant Director of Aviation—Operations and Maintenance—John McGinley.** Mr. McGinley has served as Assistant Director of Aviation—Operations and Maintenance since April 2004. As the Airport’s Aviation Assistant Director of Operations and Maintenance, Mr. McGinley oversees all aspects of the day-to-day operations and maintenance activities of the Airport, ensuring adherence to federal, State and local regulations and standards. He is also

responsible for safety and security areas and serves as liaison with outside agencies, such as general aviation and other airport tenants, negotiating and resolving any issues that may arise. Prior to joining the Airport, Mr. McGinley served as the Deputy Director for Operations at the Lubbock International Airport, Lubbock, Texas. He served as the Interim Director of Aviation for his last six months in Lubbock. Prior to that, Mr. McGinley was the Operations Manager at McAllen-Miller International Airport in McAllen, Texas. He also held various operations positions at the Richmond International Airport in Richmond, Virginia. Mr. McGinley graduated from Virginia Commonwealth University with a bachelor's degree in Safety and Risk Administration. He is a member of the American Association of Airport Executives and is a licensed private pilot with instrument rating.

***Interim Assistant Director of Aviation—Planning and Development—Neil Ralston.***

Mr. Ralston has served as Interim Assistant Director of Aviation-Planning and Development since April 2013. Prior to becoming Interim Assistant Director of Planning and Development, he served as the Planning and Development Manager since 2008. In this role, he was responsible for the successful implementation of a diverse range of planning, design, and construction projects. Prior to joining the Airport, Mr. Ralston served as the Planner for the Indianapolis Airport Authority. Prior to that Mr. Ralston served as an Aviation Planner for Crawford, Murphy & Tilly (CMT) a consulting engineering firm. Mr. Ralston has also served as a Noise Abatement Analyst for General Mitchell International Airport in Milwaukee, Wisconsin and an Airport Operations Supervisor at the Gulfport/Biloxi International Airport in Gulfport, Mississippi. Mr. Ralston graduated from the Florida Institute of Technology with a bachelor's of science degree in Aviation Management/Flight Technology. Mr. Ralston has attained the Accredited Airport Executive (AAE) designation from the American Association of Airport Executives (AAAE) and is also a licensed commercial pilot with an instrument rating.

***Airport Accounting Manager—June Eveland.*** Ms. Eveland has served as the Accounting Manager since September 2012. Prior to joining the Airport, Ms. Eveland served as the Controller for a local manufacturing company from 2006 to 2012. She has also worked in the medical community, for a Non-Profit retirement center and nursing home, and in the Hospitality industry. Ms. Eveland worked for six years in Public Accounting (Tax). Ms. Eveland has a bachelor's degree in Business Administration-Accounting from Austin Peay State University and a Masters Degree in Business Management from Angelo State University. She has been licensed as a Certified Public Accountant in the State of Colorado since May 1998 and as a Certified Global Management Accountant since 2012. She is a member of the American Institute of Certified Public Accountants, the Pikes Peak Chapter of the Institute of Certified Management Accountants and the Government Financial Officers Association.

The City has also established an Airport Advisory Commission (the "Advisory Commission"), consisting of seven members appointed to three-year terms by the City Council. The Advisory Commission acts in an advisory capacity to the Mayor, the City Council and the City Planning Commission, and it may also act in that capacity with respect to certain County offices. In particular, the Advisory Commission is to review and make recommendations concerning long-range planning for the Airport. The current members of the Advisory Commission, their occupations and the dates their terms on the Advisory Commission expire are as follows:

<b>Member<sup>(1)</sup></b>	<b>Occupation</b>	<b>Expiration of Term<sup>(2)</sup> (August)</b>
Dr. Christopher Thornton (Chair)	Retired, Civil Service	2015
Dave Elliott (Vice Chair)	Airline Captain (Frontier)	2015
Randy Courduff	Project Manager (HDR)	2014
Steven Janitell	Self-Employed	2014
Tom Hayden	Civil Engineer	2016
Andi Biancur	Retired	2016

<sup>(1)</sup> There is currently one vacancy on the Advisory Commission.

<sup>(2)</sup> A member whose term has expired generally continues to serve on the Advisory Commission until a replacement is named.

In July, 2013, the Mayor appointed an advisory task force comprised of five members for the purpose of evaluating Airport operations and making recommendations to the Mayor on ways to improve air service, increase the number of non-stop flights, and evaluate financing options to reduce costs. The members of the task force are: William J. Hybl, CEO of El Pomar Foundation; Steve Bartolin, CEO of the Broadmoor Hotel; Scott Blackman, CEO of the United States Olympic Committee; Pamela Shockley-Zalabak, Chancellor of the University of Colorado at Colorado Springs; and Retired Air Force General Victor Renuart. Chief among the panel's first recommendations was the issuance of refunding bonds to reduce debt service costs with respect to the Airport.

### Aviation Activity

The following table summarizes passenger enplanements and aircraft operations at the Airport by type of airline for 2003 through 2012 and for the first nine months of 2012 and 2013.

**TABLE 4**  
**Colorado Springs Airport**  
**Historical Airline Traffic**

<b>Year</b>	<b>Enplaned Passengers</b>				<b>Aircraft Operations (No. of Departures)</b>				
	<b>Major/ National Airlines</b>	<b>Regional/ Commuter Airlines</b>	<b>Total</b>	<b>Percent Increase (Decrease)</b>	<b>Major/ National Airlines</b>	<b>Regional Commuter Airlines</b>	<b>Cargo Airlines</b>	<b>Total</b>	<b>Percent Increase (Decrease)</b>
2003	755,056	256,587	1,011,643	(5.3)	11,059	7,474	2,032	20,565	(6.7)
2004	715,187	319,560	1,034,747	2.3	10,477	9,204	1,926	21,607	5.1
2005	720,710	310,123	1,030,833	(0.4)	11,170	7,860	1,823	20,853	(3.5)
2006	735,077	281,939	1,017,016	(1.3)	10,599	7,244	1,731	19,574	(6.1)
2007	385,706	647,880	1,033,586	1.6	10,702	7,148	1,591	19,441	(.7)
2008	341,500	656,847	998,347	(3.4)	10,242	7,686	1,272	19,200	(1.2)
2009	288,623	640,977	929,600	(6.9)	9,529	6,726	826	17,081	(11.0)
2010	282,536	580,871	863,407	(7.1)	9,785	5,474	860	16,118	(5.6)
2011	273,379	540,957	814,336	(5.7)	9,494	4,952	880	15,326	(4.9)
2012	579,635	242,373	822,008	.9	9,414	4,297	850	14,561	(5.0)
<b>Jan-Sept</b>									
2012	207,635	411,256	618,891	(.7)	7,273	3,029	639	10,941	(7.2)
2013	198,689	300,668	499,357	(19.3) <sup>(1)</sup>	5,746	2,595	638	8,979	(17.9) <sup>(1)</sup>

<sup>(1)</sup> Frontier Airlines discontinued service at the Airport in April 2013.

The table on the following page presents information on the share of enplaned passengers at the Airport by the airlines serving the Airport during each of the years from 2008 through 2012 and for the first nine months of 2012 and 2013. No carrier has more than a 40% market share and passengers are offered competitive services and fares. The Airport is not disproportionately dependent on the service of any particular airline.

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**TABLE 5**  
**Colorado Springs Airport**  
**Airline Shares of Enplaned Passengers**

	Calendar Year								January-September					
	2008		2009		2010		2011		2012		2012		2013	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total						
Major/National Airlines														
Allegiant Air	33,543	3.4%	32,673	3.5%	38,258	4.4%	41,855	5.1%	38,834	4.7%	31,327	5.1%	21,484	4.3%
American Airlines	213,341	21.4%	208,535	22.4%	190,462	22.1%	178,324	21.9%	177,505	21.6%	134,490	21.7%	133,534	26.8%
Continental Airlines <sup>(1)</sup>	--	--	93	0%	--	--	--	--	151	0%	151	0.0%	--	--
Delta Air Lines <sup>(2)</sup>	36,371	3.6%	46,526	5.0%	63,279	7.43%	55,533	6.8%	52,719	6.4%	40,377	6.5%	43,065	8.6%
Midwest Airlines <sup>(3)</sup>	4,793	0.5%	--	--	--	--	--	--	--	--	--	--	--	--
Northwest Airlines <sup>(2)</sup>	52,286	5.2%	--	--	8,532	1.0%	--	--	--	--	--	--	--	--
United Airlines <sup>(1,4)</sup>	302,857	30.3%	310,776	33.5%	325,112	37.7%	306,549	37.7%	308,263	37.5%	238,282	38.5%	183,638	36.8%
Charters	1,166	0.1%	796	0.1%	569	0.1%	1,878	0.2%	2,163	0.3%	1,290	0.2%	606	0.1%
	<u>644,357</u>	<u>64.5%</u>	<u>599,399</u>	<u>64.5%</u>	<u>626,212</u>	<u>72.2%</u>	<u>584,139</u>	<u>71.7%</u>	<u>579,635</u>	<u>70.5%</u>	<u>445,917</u>	<u>72.1%</u>	<u>382,327</u>	<u>76.6%</u>
Regional/Commuter Airlines														
Comair <sup>(5)</sup>	5,166	0.5%	--	--	--	--	--	--	--	--	--	--	--	--
Continental Express <sup>(1)</sup>	71,763	7.2%	71,734	7.7%	70,194	8.1%	72,905	9.0%	32,486	4.0%	24,717	4.0%	31,529	6.3%
ExpressJet Airlines <sup>(6)</sup>	48,050	4.8%	--	--	--	--	--	--	--	--	--	--	--	--
Frontier/Lynx <sup>(7)</sup>	62,316	6.2%	103,964	11.2%	110,371	12.8%	104,961	12.9%	154,743	18.8%	109,333	17.7%	20,818	4.2%
Northwest Airlin <sup>(8)</sup>	20,598	2.1%	48,034	5.2%	--	--	--	--	--	--	--	--	--	--
SkyWest <sup>(9)</sup>	63,520	6.4%	41,021	4.4%	56,113	6.5%	52,331	6.4%	43,673	5.3%	36,247	5.9%	22,361	4.5%
US Airways <sup>(10)</sup>	82,577	8.3%	65,448	7.0%	517	0.1%	--	--	--	--	--	--	--	--
Republic Airways <sup>(11)</sup>	--	--	--	--	--	--	--	--	11,104	1.4%	2,677	.4%	42,057	8.4%
Shuttle America <sup>(12)</sup>	--	--	--	--	--	--	--	--	367	0.0%	0	0.0%	265	0.1%
Total	<u>998,347</u>	<u>100.0%</u>	<u>929,600</u>	<u>100.0%</u>	<u>863,407</u>	<u>100.0%</u>	<u>814,336</u>	<u>100.0%</u>	<u>822,008</u>	<u>100.0%</u>	<u>618,891</u>	<u>100.0%</u>	<u>499,357</u>	<u>100.0%</u>

<sup>(1)</sup> Continental transferred most of its activity to Continental Express prior to 2008. United Airlines and Continental Airlines merged in October 2010 under a plan whereby the two airlines integrated under the United brand in November 2011, however, the merger was not fully completed until March 2013.

<sup>(2)</sup> Delta Airlines and Northwest Airlines merged in October 2008, with Northwest becoming a wholly owned subsidiary of Delta. Since January 2010, the two airlines have been operating a single FAA operating certificate.

<sup>(3)</sup> Midwest Airlines discontinued service in April 2008.

<sup>(4)</sup> United Airlines operates as United Express. This enplaned passenger information includes activity for several carriers that serve United Express but do not report such passenger activity separately.

<sup>(5)</sup> Comair ceased operations in April 2008.

<sup>(6)</sup> ExpressJet Airlines ceased all brand flying in September 2008.

<sup>(7)</sup> Lynx was discontinued by Republic Airlines in March 2011 and Frontier discontinued service at the Airport in April 2013.

<sup>(8)</sup> Mesaba Airlines operated as Northwest Airlin in September 2008.

<sup>(9)</sup> SkyWest enplaned passenger activity includes only information for Delta passengers.

<sup>(10)</sup> US Airways was operated by Mesa Air Group and discontinued service in January 2010.

<sup>(11)</sup> Republic Airways began operating for United Airlines in August 2012.

<sup>(12)</sup> Shuttle America began operating for United Airlines in November 2012.

The following table summarizes landed weight information for 2008 through 2012 and the first nine months of 2012 and 2013 (unaudited).

**TABLE 6**  
**Colorado Springs Airport**  
**Historical Aircraft Landed Weight**

	Calendar Year										January-September			
	2008		2009		2010		2011		2012		2012		2013	
	1,000-lb Units	Percent of Total												
<b>Passenger Airlines</b>														
<b>Major and National</b>														
Allegiant	35,922	2.8%	34,613	3%	39,267	3.4%	41,895	3.7%	37,503	3.3%	30,109	3.5%	20,358	3.0%
America West Airlines <sup>(1)</sup>	--	--	--	--	517	0.1%	--	--	--	--	--	--	--	--
American Airlines	249,202	19.2%	243,362	20.8%	231,569	20.0%	220,395	19.7%	219,278	19.1%	163,969	19.2%	161,351	23.5%
Continental Airlines <sup>(2)</sup>	--	--	110	0.0%	--	--	--	--	--	--	--	--	--	--
Delta Air Lines	40,428	3.1%	50,500	4.3%	53,004	4.6%	51,266	4.6%	57,439	5.0%	44,254	5.2%	47,574	6.9%
Midwest Airline <sup>(3)</sup>	8,131	0.6%	--	--	--	--	--	--	--	--	--	--	--	--
Northwest Airlines <sup>(4)</sup>	62,473	4.8%	--	--	--	--	--	--	--	--	--	--	--	--
United Airlines <sup>(5)</sup>	--	--	--	--	229	0.0%	--	--	--	--	--	--	--	--
Subtotal	<u>396,056</u>	<u>30.5%</u>	<u>328,585</u>	<u>28.1%</u>	<u>324,586</u>	<u>28.1%</u>	<u>313,556</u>	<u>28.0%</u>	<u>314,601</u>	<u>27.4%</u>	<u>238,332</u>	<u>27.9%</u>	<u>229,283</u>	<u>33.3%</u>
<b>Regional and Commuter</b>														
Comair (Delta Connection) <sup>(6)</sup>	6,901	0.5%	--	--	--	--	--	--	--	--	--	--	--	--
Continental Express <sup>(2)</sup>	74,414	5.7%	74,728	6.4%	73,872	6.5%	93,983	8.4%	37,677	3.3%	29,566	3.5%	34,560	5.0%
ExpressJet Airlines <sup>(7)</sup>	61,224	4.7%	--	--	--	--	--	--	--	--	--	--	--	--
ExpressJet Airlines (United) <sup>(8)</sup>	--	--	--	--	264	0.1%	1,232	0.1%	2,109	0.2%	2,109	0.2%	0	0.0%
ExpressJet Airlines (UA Ex) <sup>(9)</sup>	--	--	1,058	0.1%	--	--	--	--	--	--	--	--	--	--
Lynx (Frontier) <sup>(10)</sup>	78,917	6.1%	123,387	10.6%	146,053	12.7%	144,095	12.9%	220,716	19.2%	153,943	18.0%	33,030	4.8%
Mesa Air Group (US Express) <sup>(11)</sup>	88,932	6.9%	70,531	6.0%	--	--	--	--	--	--	--	--	--	--
Mesa Air Group (UA Express) <sup>(12)</sup>	55,002	4.3%	68,109	5.8%	13,133	1.2%	--	--	--	--	--	--	--	--
Mesaba Airlines (Delta) <sup>(13)</sup>	--	--	--	--	18,897	1.7%	--	--	--	--	--	--	--	--
Mesaba Airlines (Northwest Airlink) <sup>(14)</sup>	18,093	1.4%	55,424	4.7%	--	--	--	--	--	--	--	--	--	--
Pinnacle (Northwest Airlink) <sup>(15)</sup>	5,593	0.4%	--	--	--	--	--	--	--	--	--	--	--	--
Shuttle American (Delta) <sup>(16)</sup>	--	--	--	--	5,772	0.6%	--	--	--	--	--	--	--	--
SkyWest Airlines (United Express)	327,464	25.3%	314,881	26.9%	396,801	34.3%	394,046	35.2%	398,204	34.6%	299,031	35.0%	222,289	32.3%
Skywest (Delta Connection)	74,058	5.7%	47,003	4.0%	62,201	5.5%	57,930	5.2%	51,442	4.5%	42,982	5.0%	25,662	3.7%
Shuttle America (United) <sup>(17)</sup>	--	--	--	--	--	--	--	--	825	0.1%	0	0.0%	675	0.1%
Republic Airways (United) <sup>(18)</sup>	--	--	--	--	--	--	--	--	11,856	1.0%	3,890	0.5%	58,724	8.5%
Subtotal	<u>790,598</u>	<u>61.0%</u>	<u>755,121</u>	<u>64.5%</u>	<u>716,993</u>	<u>62.6%</u>	<u>691,286</u>	<u>61.8%</u>	<u>722,829</u>	<u>62.9%</u>	<u>531,521</u>	<u>62.2%</u>	<u>374,940</u>	<u>54.5%</u>
<b>Cargo Airlines</b>														
Airborne Express	18,848	1.2%	--	--	--	--	--	--	--	--	--	--	--	--
FedEx	84,927	6.6%	80,712	6.9%	98,452	8.6%	100,745	9.0%	99,619	8.7%	75,364	8.8%	75,042	10.9%
Key Lime Air	7,318	0.6%	4,495	0.4%	4,656	0.5%	4,936	0.4%	4,708	0.4%	3,475	0.4%	3,541	0.5%
Subtotal	<u>108,093</u>	<u>8.4%</u>	<u>85,207</u>	<u>7.3%</u>	<u>103,108</u>	<u>9.1%</u>	<u>105,684</u>	<u>9.4%</u>	<u>104,327</u>	<u>9.1%</u>	<u>78,839</u>	<u>9.2%</u>	<u>78,583</u>	<u>11.4%</u>
<b>Charter</b>														
Boeing	1,167	0.1%	1,488	0.1%	1,162	0.2%	5,885	0.4%	7,619	0.7%	4,288	0.5%	1,523	0.2%
Boeing	--	--	--	--	12,946	1.2%	4,125	0.4%	1,062	0.1%	1,062	0.1%	3,040	0.4%
<b>Total</b>	<u>1,295,914</u>	<u>100.0%</u>	<u>1,170,401</u>	<u>100.0%</u>	<u>1,158,795</u>	<u>100.0%</u>	<u>1,120,533</u>	<u>100.0%</u>	<u>1,150,438</u>	<u>100.0%</u>	<u>854,423</u>	<u>100.0%</u>	<u>687,526</u>	<u>100.0%</u>

Footnotes appear on the following page.

- <sup>(1)</sup> America West Airlines was purchased by US Airways in 2005 and Mesa Airlines was doing business as US Airways in January of 2010 and ceased operations thereafter.
- <sup>(2)</sup> Continental transferred most of its activity to Continental Express prior to 2008. United Airlines and Continental Airlines merged in October 2010 under a plan whereby the two airlines integrated under the United brand in November 2011, however, the merger was not fully completed until March 2013.
- <sup>(3)</sup> Midwest Airlines discontinued service in April 2008.
- <sup>(4)</sup> Delta Airlines and Northwest Airlines merged in October 2008, with Northwest becoming a wholly owned subsidiary of Delta. Since January 2010, the two airlines have been operating under a single FAA operating certificate.
- <sup>(5)</sup> United Airlines has transferred all activity to SkyWest and operates as United Express.
- <sup>(6)</sup> Comair ceased operations in April 2008.
- <sup>(7)</sup> ExpressJet Airlines ceased all brand flying in September 2008.
- <sup>(8)</sup> ExpressJet Airlines flew passengers for United ExpressJet from January 2010 through 2012.
- <sup>(9)</sup> ExpressJet Airlines (United Express Connection) provided service in December 2009.
- <sup>(10)</sup> Lynx was discontinued by Republic Airlines in March 2011 and Frontier discontinued service at the Airport in April 2013.
- <sup>(11)</sup> Mesa Air Group (America West Express) merged with US Airways in September of 2005 and ceased service in December 2009.
- <sup>(12)</sup> Mesaba Airlines flew for Delta in September 2010.
- <sup>(13)</sup> Mesaba Airlines was a carrier for Delta Air Lines in September 2010.
- <sup>(14)</sup> Mesaba Airlines began service at the Airport in September 2008 as a carrier for Northwest AirlinK which served Northwest passengers and ceased activity in April 2010.
- <sup>(15)</sup> Pinnacle began service as Northwest AirlinK in June 2005 and provided service in June, July and August of 2008.
- <sup>(16)</sup> Shuttle America flew for Delta in June, July and August of 2010.
- <sup>(17)</sup> Shuttle America began operating for United Airlines in November 2012.
- <sup>(18)</sup> Republic Airways began operating for United Airlines in August 2012.

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## **Airport Activity Recovery Plan**

As can be seen above in Tables 4, 5 and 6, airline traffic at the Airport has steadily decreased over the last ten years, which according to the City, is due to a number of factors, including a decrease in the number of seats offered by the airlines serving the Airport, competition from the airlines serving DIA, and most recently, the departure of Frontier Airlines. In order to address this loss of traffic and corresponding revenue, the Airport management team and the City, have developed a new strategic business plan with the following principal elements: stabilize airline rates and charges below 2013 levels; offer exceptional customer service for all travelers at the Airport; incentivize passengers to use the Airport through loyalty and rewards programs, coupled with a new comprehensive marketing program; identify and pursue profitable market opportunities for the airlines serving the Airport; and, develop a new airline incentive program. Underlying this business plan is the need to lower Airport costs and optimize its resources. The following key components of the Airport's budgeted costs for 2013 have been reduced to date, and such costs are expected to continue to be reduced in 2014: personnel; debt service on outstanding Bonds (see "PLAN OF FINANCING AND APPLICATION OF SERIES 2014 BOND PROCEEDS AND OTHER MONEYS"); parking services; utilities; supplies and miscellaneous items; repairs and maintenance; and, capital outlay. These costs are to be reduced without having a negative impact on air traffic or the experience of passengers using the Airport.

### **Budget Process**

***Operating Budget.*** The City's Fiscal Year runs from January 1 to December 31. Pursuant to the Charter, the Mayor is required to submit by the first Monday in October of each year a proposed operating budget to the Council for the next ensuing Fiscal Year. The budget must provide a complete financial plan of all municipal funds and activities, including a plan for the Airport and the Airport enterprise fund. The Charter requires the City Council to conduct a public hearing on the proposed budget prior to its final adoption.

The Mayor submitted the most recent budget to the Council on October 7, 2013, which included an operating and capital budget for the Airport. Such budget was approved by the Council, in substantially the same form as submitted, on December 10, 2013.

Supplemental appropriations may be made by the Council if the Mayor certifies that revenues in excess of those estimated in the budget are available for appropriation. The Council may make emergency appropriations to meet emergencies which in the Council's judgment may affect life, health, property or the public peace. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below the amount required by law to be appropriated, or by more than the amount of the unencumbered appropriation balance.

***Capital Budget.*** Funding of capital projects for the Airport is also appropriated by the City Council. As projects begin the planning phase, a budget is prepared by the Airport, including design and construction costs, which is then presented to the City Council for its review and approval.

## Capital Improvement Plan

**General.** The Airport's current Capital Improvement Plan contains capital projects in the approximate amount of \$85,129,793 to be undertaken at the Airport between 2013 and 2018 (2013 – \$19,939,237; 2014 – \$13,927,778; 2015 – \$12,135,000; 2016 – \$12,050,000; 2017 – \$14,372,222; and 2018 – \$12,705,556). The major capital improvement projects to be undertaken during this time period include, among other projects, rehabilitation of Taxiways E, G, and H (Phase IV) (\$14,176,169), rehabilitation of Taxiways E, G, and H (Phase V) (\$10,444,444), rehabilitation of Terminal Apron and Trench Drain System (\$11,000,000), rehabilitation of Taxiways C and G, Terminal Connectors (Phase I) and Apron Edge Taxilane (\$11,000,000), rehabilitation of Taxiways C and G, Terminal Connectors (Phase II) and reconstruction of Taxiways M, N, and P (\$13,222,222), and rehabilitation of Taxiways C and G, Terminal Connectors (Phase III) and reconstruction of Taxiways G from Taxiway M thru Taxiway P (\$10,444,444).

The City currently does not have any major projects under construction or funding needs for future major construction projects that are anticipated to require the issuance of additional Airport bonds within the next several years, however, the Airport does anticipate using proceeds of the SIB Loan, if applied for and approved, for payment of certain capital construction costs. See "PLAN OF FINANCING AND APPLICATION OF SERIES 2014 BOND PROCEEDS AND OTHER MONEYS—State Infrastructure Bank Loan." The Airport's current Capital Improvement Plan is expected to be funded with a combination of proceeds of federal grants (\$64,258,552), PFC revenues (\$10,700,586), State of Colorado grants (\$5,738,889), private funding (\$1,707,274), excess Gross Revenues (\$2,724,493) and other miscellaneous funds (including the Rental Car CFC) (\$6,504,778). See "THE AIRPORT SYSTEM AND OPERATIONS—Airline Rates and Charges—Use and Lease Agreements" for information on Majority-In-Interest approval of capital improvement projects at the Airport. The City will continue to evaluate the Airport Capital Improvement Plan in light of current federal regulations and Airport traffic levels. Pursuant to such ongoing evaluation, the City could decide to remove capital projects from its Capital Improvement Plan or add new capital projects to its Capital Improvement Plan that may require the issuance of additional Bonds.

**Passenger Facility Charges.** The Aviation Safety and Capacity Expansion Act of 1990 (the "1990 PFC Act"), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century ("AIR 21") and the Vision 100—Century of Aviation Reauthorization Act ("Vision 100," and collectively with the 1990 PFC Act and AIR 21, the "PFC Acts"), permit public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to impose a PFC of up to \$4.50 for each qualifying enplaned passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Acts. PFCs are collected on behalf of airports by air carriers and their agents and remitted to the public agency.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Acts, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve 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. PFC revenues are not included in the definition of Gross Revenues under the Bond Ordinance and therefore are not pledged to the payment of Bonds, including the Series 2014 Bonds. However, pursuant to the Bond Ordinance, the City has the ability to provide for the inclusion of PFC revenues in the definition of Gross Revenues through the adoption of a Supplemental Ordinance. The City does not have any current plans to include PFC revenues in the definition of Gross Revenues.

The City is currently collecting a \$3.00 PFC on each enplaning passenger at the Airport, pursuant to several separate applications approved by the FAA. The City is allowed to collect a total of \$70,247,689 of PFCs pursuant to the current applications approved by the FAA. Such PFCs have been approved by the FAA to be used to finance all or a portion of certain capital improvements at the Airport including, but not limited to, the aircraft apron and parking positions, taxiway improvements, runway improvements, and roadway construction. As of September 30, 2013 the City had collected \$63,520,658.22 of PFC revenues pursuant to the current applications. If necessary to pay debt service on the SIB Loan and to fund future capital improvements at the Airport, the City will apply to the FAA to increase the total amount of PFCs it is authorized to collect. The City does not plan to apply to the FAA to increase the currently approved \$3.00 PFC to a \$4.50 PFC. See “CERTAIN INVESTMENT CONSIDERATIONS—Effect of Airline Bankruptcies,” “—Regulations and Restrictions Affecting the Airport” and “—Availability of Funding for the Capital Improvement Plan.”

**Federal Grants.** Under the FAA’s Airport Improvement Program the FAA awards grant moneys to airports around the country for capital improvement projects. AIP grants include entitlement funds, which are apportioned annually based upon enplaned passengers, and discretionary funds which are available at the discretion of the FAA based on a national priority system. The Airport received approximately \$ 47.6 million of federal grants between 2008 and 2012. In 2013, the Airport expects to receive approximately \$3.9 million of entitlement funds and approximately \$8.8 million of discretionary funds, which have been or will be used to finance the costs of the rehabilitation of Taxiways E, G, and H (Phase IV). The Modernization and Reform Act of 2012 (the “2012 Reauthorization Act”) was signed into law by President Obama on February 14, 2012. The 2012 Reauthorization Act provides for general FAA funding authorization through fiscal year 2015, and revises requirements for the AIP. The 2012 Reauthorization Act funds the AIP in an amount of \$4.35 billion in each of fiscal years 2012 through 2015. There can be no assurance as to the amount of such funding the City will receive for the Airport in future years. Proceeds from federal grants are not included in the definition of Gross Revenues under the Bond Ordinance and therefore are not pledged to the payment of Bonds, including, the Series 2014 Bonds. See “CERTAIN INVESTMENT CONSIDERATIONS—Regulations and Restrictions Affecting the Airport” and “—Availability of Funding for the Capital Improvement Plan.”

**Rental Car CFC.** In connection with the construction of the service and storage facilities used by the on-Airport rental car companies, the City issued its Special Facilities Bonds (the “Rental Car Special Facilities Bonds”) in 1994 to finance the costs of such construction. The Rental Car Special Facilities Bonds were secured by, among other things, a customer facility charge of \$1.50 per transaction day charged to all patrons of the on-Airport rental car companies (the “Rental Car CFC”). The Rental Car Special Facilities Bonds were fully paid and defeased on September 1, 2004, however, pursuant to an ordinance adopted by the City in March 2004

(the “Rental Car CFC Ordinance”), the City decided to continue to impose the Rental Car CFC for the purpose, among other things, of financing capital improvement projects related to rental car facilities at the Airport. Pursuant to the Rental Car CFC Ordinance, the Rental Car CFC collection rate was established at \$1.50 per transaction day and can be raised to a maximum of \$2.50 per transaction day. The Rental Car CFCs are collected on behalf of the City by the on-Airport rental car companies and remitted to the City on a monthly basis. See “THE AIRPORT SYSTEM AND OPERATIONS—Non-Airline Revenues” for additional information on the on-Airport rental car companies. Under the terms of the Rental Car CFC Ordinance, the City is allowed to collect the Rental Car CFC through December 31, 2014.

Pursuant to the Rental Car CFC Ordinance, the Rental Car CFCs are required to be used to finance eligible rental car-related projects that increase the level of customer service and enhance safety, improve the efficiency of rental car facilities and provide additional space for rental car company use. The Rental Car CFCs are not included in the definition of Gross Revenues under the Bond Ordinance and therefore are not pledged to the payment of Bonds, including the Series 2014 Bonds.

### **Airline Rates and Charges**

**General.** The City and the Signatory Airlines (American Airlines, Delta Air Lines, ExpressJet Airlines, Mesa Airlines, d/b/a United Express, Republic Airline, Shuttle America Airlines, SkyWest Airlines and United Airlines) are parties to Use and Lease Agreements, all of which are substantially similar, which provide the basis for the use and occupancy by the Signatory Airlines of facilities at the Airport. The terms of the current Use and Lease Agreements became effective on January 1, 2013 and prior to their expiration on December 31, 2013, were extended on a month to month basis effective on January 1, 2014. The City is in the process of negotiating new Use and Lease Agreements with the Signatory Airlines as further described herein. No assurances, however, can be made concerning the outcome of any such negotiations. See “—*Use and Lease Agreements*” below.

Airlines that are not signatories to a Use and Lease Agreement are currently charged rates and fees pursuant to Ordinance No. 12-102, adopted by the City Council on December 11, 2012 (the “Non-Signatory Airline Ordinance”). City Council will be considering a new non-signatory airline rates and charges ordinance with substantially similar rates and charges as the current ordinance in January, 2014. Until approval of the new non-signatory airline rates and charges, the Non-Signatory Airline Ordinance remains in effect. The Non-Signatory Airline Ordinance provides that scheduled non-signatory airlines shall pay for use of the terminal building, non-preferential gates (including the bridge and ground power) and joint use space at rates equal to 125% of the rates charged to the Signatory Airlines for such Airport facilities. Such scheduled non-signatory airlines are required to pay landing fees at a rate of 125% of the Signatory Airline landing fee rate for 1,000 pound maximum gross landed weight. In addition, under the Non-Signatory Airline Ordinance, itinerant non-signatory airlines pay for Airport facilities at rates of 150% of the Signatory Airline rates for corresponding facilities, and a landing fee of 150% of the Signatory Airlines’ landing fee. The Non-Signatory Airline Ordinance also provides specific fees for terminal apron, gate and ramp parking, overnight parking, ground power usage, general aviation apron parking, shuttle usage, exterior baggage space usage, fuel flowage, and miscellaneous terminal space and conference room usage.

In 2012, total airline revenues were approximately \$6,951,000, or approximately 35% of total operating revenues at the Airport.

***Use and Lease Agreements.*** Pursuant to the current Use and Lease Agreements, the Signatory Airlines pay terminal rentals for the lease of premises at the Airport, a rental fee for loading bridges at the Airport and landing fees for the use of airfield facilities. The Use and Lease Agreements permit the Airport to include the annual debt service requirements of, and other deposit requirements and coverage requirements for, such bonds in the calculation of rentals, fees and charges payable by the Signatory Airlines, subject to certain conditions. Prior to undertaking capital improvement projects with a net cost in excess of \$750,000, the City is required (with certain exceptions) under the Use and Lease Agreements to request the approval of a “Majority-In-Interest” of the Signatory Airlines operating at the Airport. A Majority-In-Interest is defined as the vote of at least 50% in number of the airlines operating under Use and Lease Agreements at the Airport representing at least 50% of the total landed weight in the preceding Fiscal Year. If Majority-In-Interest approval is not received, a project is deferred for twelve months. After twelve months, the Airport may, at its discretion, proceed with the capital improvement project. Additionally, if the City undertakes capital improvement projects each with a net cost of less than \$750,000 (“Non-MII Projects”), but all Non-MII Projects taken as a whole exceed \$2.5 million (or as otherwise adjusted under the Use and Lease Agreement) in annual costs, the City is required to seek Majority-In-Interest approval for one or more of the Non-MII Projects, so that the total Non-MII Project costs are equal to \$2.5 million or less annually. See also “THE AIRPORT SYSTEM—Capital Improvement Plan.”

The Airport calculates rentals, fees and charges for the Signatory Airlines under the Use and Lease Agreements on an annual basis for terminal rentals, loading bridge rentals and landing fees. Under the Use and Lease Agreements, the Airport’s cost centers accumulate all Airport System revenues, operation and maintenance expenses, debt service, debt service coverage, fund deposit requirements and any other Airport System obligations. The Use and Lease Agreements establish the following cost centers: (i) Airfield Area, including landing, takeoff, taxiing, parking, servicing, and ground handling areas, (ii) Terminal Building, including east unit terminal and terminal administration, (iii) Loading Bridges, (iv) Landside Commercial, including rental car storage or operations, public and employee automobile parking areas, commercial vehicle operations, joint use cargo area and other areas surrounding the Terminal Building, and (v) Aviation Support. Signatory Airline rates and charges for landing fees, terminal rentals and loading bridge rentals are determined as follows:

(a) **Signatory Landing Fee Rate.** The Signatory Landing Fee Rate is calculated by dividing (i) the total cost of the Airfield as a whole (Operation and Maintenance Expenses, Debt Service Requirements attributable to the Airfield, amortization charges and other funding requirements of the Bond Ordinance), less certain moneys attributable to the Airfield on deposit under the Bond Ordinance to pay debt service on the Bonds, less the Shared Income Credit (as defined below in (d)) allocable to Signatory Landing Fees and to be credited to the Signatory Airlines, by (ii) the total landed weight of aircraft arrivals and general aviation aircraft landings.

(b) **Signatory Terminal Rental Rate.** The Signatory Terminal Rental Rate is calculated by dividing (i) the total cost of the Terminal Building as a whole (Operation

and Maintenance Expenses, Debt Service Requirements attributable to the Terminal Building, amortization charges and other funding requirements of Bond Ordinance) less certain moneys attributable to the Terminal Building on deposit under the Bond Ordinance to pay debt service on the Bonds less the Shared Income Credit (as defined below in (d)) allocable to Signatory Terminal Rents and to be credited to the Signatory Airlines, by (ii) the rentable space in the Terminal Building.

(c) **Loading Bridge Rate.** The Loading Bridge Rate is calculated as the total cost of the Loading Bridges as a whole (Operation and Maintenance Expenses and amortization charges attributable to the Loading Bridges) divided by the total number of loading bridges.

(d) **Shared Income Credit.** The Shared Income Credit is calculated as 50% of the remainder of Gross Revenues and Other Available Funds (as defined in the Use and Lease Agreements) less Operation and Maintenance Expenses, Debt Service Requirements, Bond Ordinance Reserve Requirements, and Repayment of Loans to the Capital Account. The Shared Income Credit is allocated to the landing fees and terminal rents on a pro rata amount of Signatory Landing Fees and Signatory Terminal Rents.

Airline rentals, fees and charges are adjusted annually based on budgeted cost and expense data the applicable Fiscal Year. At the end of each Fiscal Year, a settlement is prepared based on actual results. Any deficit from the previous Fiscal Year is billed to the Signatory Airline and any credit is reimbursed. Midyear adjustments of airline rates are also permitted.

Airport costs include 1.25 times the annual Debt Service Requirement on Bonds, including the Series 2014 Bonds. However, the Use and Lease Agreements provide for debt service coverage to be provided for initially by a transfer of an amount equal to 25% of Maximum Annual Debt Service Requirements from the Contingency Account to the Prepaid Revenue Account, with such Prepaid Revenue Account balance to be credited in determining rates to be charged to Signatory Airlines each year.

The Signatory Airlines are each required to provide a performance bond or letter of credit in the amount of two months' worth of airline rates and charges as a security deposit for the leased premises and landing fees. In the event of a default in the payment of any rentals or fees by any of the Signatory Airlines, the Airport could use the respective performance bond or letter of credit to pay the amounts owed.

The Airport has extended the current Use and Lease Agreements on a month to month basis beginning on January 1, 2014 while it discusses with the Signatory Airlines a new Use and Lease Agreement. It is anticipated that the new Use and Lease Agreement will be similar in many respects to the current agreement, but will allow for a more "common-use" facility and billing structure whereby Signatory Airlines with a limited number of operations can share Airport facilities and corresponding costs, while Signatory Airlines with a greater number of operations can recognize cost savings through economies of scale and exclusive use of certain facilities. The Airport does not expect that such a "cafeteria" style approach to the payment of fees and charges and use of Airport facilities under the new Use and Lease Agreements will have any negative effect on the amount of airline revenues collected by it in the future.

If the Use and Lease Agreements are not extended or renegotiated prior to or upon their termination date, the City would expect to charge the current Signatory Airlines fees and rates pursuant to the Non-Signatory Airline Ordinance.

### **Non-Airline Revenues**

The principal sources of non-airline revenues at the Airport are parking, car rentals, news and gifts, food and beverage, advertising, cargo and general aviation ground and building leases and fuel sales refunds. The City also derives non-airline revenues from telephones, ground transportation services, cable television, shoeshine services, counter rentals and other miscellaneous sources. Parking revenues for 2012 were approximately \$5,227,055, or approximately 26% of the total Airport operating revenues for 2012. Non-Airline revenues during 2012 (other than parking) were approximately \$7,680,280, or approximately 39% of total Airport operating revenues for 2012. For 2013, the City has forecasted \$4,507,660 in parking revenues and \$6,682,810 for all other non-airline revenues. See “FINANCIAL INFORMATION—Historical Operating Results.”

Many of the non-airline revenue sources are established under concession agreements (rental cars, food and beverage, news and gift, and advertising) that provide for the payment of the greater of a percent of gross receipts or a minimum annual guarantee. The Airport’s revenues from these sources may be significantly impacted by changes in passenger traffic levels to the extent that the percentage of gross receipts exceeds established minimum annual guarantees. See “FINANCIAL INFORMATION—Historical Operating Results.”

The City presently has agreements with on-Airport rental car companies representing seven brands (Alamo, Avis, Budget, Enterprise, Hertz, National, and Thrifty) and has issued permits to one off-Airport rental car company (U-Save Car and Truck Rental). On November 5, 2013, Simply Wheelz LLC, which does business as Advantage Rent A Car (“Advantage”), and is a wholly owned subsidiary of Franchise Services of North America, Inc., filed for U.S. federal bankruptcy protection in the federal bankruptcy courts of the State of Mississippi. The City’s agreement with Simply Wheelz LLC expired on December 31, 2013, and was not renewed. Accordingly, Advantage has ceased rental car operations at the Airport. The on-Airport rental car companies operate at the Airport under agreements with the City pursuant to which they lease counter and office space and “ready return” spaces at the Airport and land at the Airport for service and storage facilities. The agreements with the on-Airport rental car companies expire on December 31, 2013, and are on a month to month basis thereafter, until new agreements are entered into. The off-Airport rental car company operates at the Airport pursuant to a permit executed each year. On-Airport rental car companies pay the City the greater of (1) percentage privilege fees (equal to 10% of annual gross receipts) or (2) an annually adjusted minimum annual guarantee, (which is equal to 85% of the previous year’s payments to the City and cannot be less than \$2,000,000). In the event that for any reason the number of passengers deplaning on scheduled airline flights at the Airport during any calendar month is less than or equal to 80% of the number of such deplaning passengers in the same calendar month in the preceding calendar year, then the minimum annual guarantee for that month will be proportionally reduced for the period of time such condition continues to exist. On-Airport rental car companies also pay rent for counter and office space in the Terminal Building of \$69.07 per square foot, per year and for “ready return” spaces close to the Terminal Building of approximately \$21.54 per space per year

Additionally, the on-Airport rental car companies pay ground rent for land they lease from the Airport upon which is located their service and storage facilities. The ground rent for such land is approximately \$274,647 per year. The off-Airport rental car company pays 7% of annual gross receipts.

Food and beverage services are provided by SSP America (“SSP”) under the terms of an agreement that expires on July 1, 2015. Under that agreement, SSP pays the City the greater of (1) percentage privilege fees (equal to 10% of gross receipts on food and non-alcoholic beverage sales and 14% of gross receipts on alcoholic beverage sales) or (2) an annually adjusted minimum annual guarantee, (which is equal to 85% of the previous year’s payments to the City and cannot be less than \$285,000). In recent years, the percentage fees have been greater than the minimum guarantee. In the event that the number of passengers deplaning on scheduled airline flights at the Airport during any three consecutive calendar months is less than 80% of the greatest number of such deplaning passengers in each of the same three consecutive calendar months of the preceding calendar year, then the minimum annual guarantee for that month will be proportionally reduced.

News and gift concessions services are provided by The Paradies Shops (“Paradies”) under an agreement which expires on July 3, 2014. Paradies pays the City the greater of (1) percentage privilege fees (equal to 12% of gross receipts on books, newspapers, magazines and periodicals and certain sundry items, 15% of gross receipts on general merchandise and 12% of gross receipts on certain branded merchandise) or (2) an annually adjusted minimum annual guarantee, (which is equal to 85% of the previous year’s payments to the City and cannot be less than \$325,000). In the event that for any reason the number of passengers deplaning on scheduled airline flights at the Airport during any calendar month is less than or equal to 80% of the number of such deplaning passengers in the same calendar month in the preceding calendar year, then the minimum annual guarantee will be waived for the period of time such condition continues to exist. Historically, the percentage fees have been greater than the original minimum guarantee fee for news and gift concessions.

Clear Channel provides advertising services at the Airport under an agreement that expires on May 14, 2015 (the “Secondary Term”). Clear Channel pays the City the greater of (1) percentage privilege fees (equal to the greater of (y) 50% of annual gross receipts on static or lit displays and 22% of annual gross receipts on high-technology based displays or (z) 42% of total annual gross receipts on static or lit displays and high-technology based displays) or (2) an annually adjusted minimum annual guarantee (which is equal to 85% of the previous year’s payments to the City and cannot be less than \$100,000). In the event that the number of passengers enplaning and deplaning at the Airport during any calendar quarter decrease by 20% or more as compared to the total number of enplaning and deplaning passengers in the same calendar quarter of 2009, then the percentage fee and the minimum annual guarantee will be reduced proportionally for the period of time such condition continues to exist. The percentage fees and minimum annual guarantee are also subject to reduction in the event the City requires Clear Channel to remove or relocate advertisements. During 2012, the percentage fees were greater than the original minimum guarantee fee for advertising services.

ABM Parking Services (“ABM”) operates the parking facilities at the Airport pursuant to a management contract entered into with the City. Under the present agreement with ABM,

which expires on April 14, 2014, the City receives all of the gross parking revenue from the parking facilities. The City pays to ABM (1) a management fee of \$143,107, and (2) all expenses related to the parking facilities. Parking rates at the Airport vary from \$1.00 per half hour up to \$8.00 per day for parking in the short-term lot and \$6.00 per day in the long-term lot. Valet parking is also available for \$2.00 per hour for the first hour, \$4.00 for each additional hour and \$14.00 per day.

### **Peterson Air Force Base Relationship**

Peterson Air Force Base (“Peterson”) uses the runways and airfield facilities at the Airport jointly with the City. The City owns the property upon which Peterson is situated, except for the Space Command Headquarters and base operation buildings which amount to less than 100 acres. The United States Air Force leases the property from the City pursuant to a 99-year lease (expiring in 2066), and Peterson furnishes all aircraft rescue and firefighting services at the Airport as annual contributions (in-kind services) in lieu of rent under the lease. The City estimates the value of the services furnished by Peterson to be between \$2 million and \$2.5 million per year. Although Peterson uses the Airport’s runways, it is not required to pay landing fees or other charges related to its use of the runways.

### **Employee Matters**

The City employs approximately 98 full-time employees at the Airport. Management considers relations with its employees at the Airport to be good.

### **Retirement Plans**

***Defined Benefit Pension Plan.*** All permanent employees of the City, including Airport employees (except for certain excluded employees, including, among others, employees of the Fire and Police Departments), participate in the Local Government Division Trust Fund (“LGDTF”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). LGDTF provides retirement and disability, annual increases and death benefits for members or their beneficiaries. Contribution rates by the City and its employees are set by State statute (Title 24, Article 51, Part 4 of the Colorado Revised Statutes, as amended). The City’s contribution rate for 2013 is 10% of each qualified employees’ salary, of which 1.02% is contributed to the Health Care Trust Fund (see “Post-employment Healthcare Benefits” below); and each employee’s contribution rate for 2013 is 8% of their respective salary. The City is also required to pay an amortization equalization disbursement (AED) equal to 2.2% of the total payroll. Additionally, the City is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5% of the total payroll. If the City rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and the SAED on the amounts paid for the retiree. Member contributions are also required. In 2012, the City’s contribution to LGDTF totaled \$49,406,448 of which \$685,271 was allocable to the Airport. In 2013, the City’s contribution to LGDTF is budgeted to be \$26,984,582, of which \$739,167 is allocable to the Airport.

Cavanaugh Macdonald Consulting LLC completed an actuarial valuation of LGDTF, as of December 31, 2012 (the “LGDTF Actuarial Report”). LGDTF had 12,097 active members and 5,901 retirement benefit recipients as of December 31, 2012. According to the LGDTF Actuarial Report, as of December 31, 2012, LGDTF had an unfunded actuarial accrued liability of \$1,058,900,000, which represented a funding ratio of 74.5%. The actuarial assumptions stated in the LGDTF Actuarial Report, included, among other assumptions, a 30 year amortization period; a 4-year smoothing technique to value assets; an 8.0% investment return; an inflation increase in active member payroll at the rate of 4.25-11.20% per year; and a cost of living adjustment of 2.0%, compounded annually. The “entry-age normal actuarial cost” method of valuation was used. An actuarial report for LGDTF is prepared annually.

Since the unfunded actuarial accrued liability has not been broken down for each participating entity in LGDTF, it is impossible to determine the City’s (or the Airport’s) share of this liability. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE COLORADO SPRINGS AIRPORT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011” for additional information on LGDTF. Additionally, copies of PERA’s most recent annual financial report, including audited financial statements and required supplemental information, are available from Colorado PERA, 1300 Logan Street, Denver, Colorado 80203, telephone: 303-832-9550 or 1-800-759-7372.

***Post-employment Healthcare Benefits.*** All permanent employees of the City also participate in the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer post-employment healthcare plan administered by PERA. HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. In 2012, the maximum subsidies for benefit recipients were \$230 per month for benefit recipients under age 65 and not eligible for Medicare, and \$115 per month for benefit recipients age 65 or older or under 65 and on Medicare.

Cavanaugh Macdonald Consulting LLC completed an actuarial valuation of HCTF, as of December 31, 2012 (the “HCTF Actuarial Report”). HCTF had 94,299 members as of December 31, 2012. According to the HCTF Actuarial Report, as of December 31, 2012, HCTF had an unfunded actuarial accrued liability of \$1,438,398,000, which represented a funding ratio of 16.5%. The actuarial assumptions stated in the HCTF Actuarial Report, included, among other assumptions, a 30 amortization period; a 4-year smoothing technique to value assets; and an 8.0% investment return. The “entry-age normal actuarial cost” method of valuation was used. An actuarial report for HCTF is prepared annually.

Since the unfunded actuarial accrued liability has not been broken down for each participating entity in HCTF, it is impossible to determine the City’s (or the Airport’s) share of this liability. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE COLORADO SPRINGS AIRPORT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011” for additional information on HCTF.

See also Note D.2 in “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE COLORADO SPRINGS AIRPORT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011” for information on additional post-employment health care and life insurance benefits.

## **Insurance**

The City conducts an ongoing review of the actual cash values and replacement costs of the Airport's facilities and equipment. All of the Airport's facilities are insured under a blanket property casualty policy provided by Travelers Insurance in amounts equal to their replacement value with varying deductibles. The City maintains limited terrorism coverage (substantially less than the full replacement value of all of the Airport's facilities) under its property casualty policy for the Airport. Such coverage is specifically limited by the provisions of the Terrorism Risk Insurance Act of 2002 (the "Terrorism Insurance Act"). The Terrorism Insurance Act generally limits the amount of damages required to be paid by an insurer (based on a percentage of the premium paid to the insurer) that are caused by an act of terrorism.

The Colorado Governmental Immunity Act ("CGIA"), as recently amended, generally provides that the maximum amount that may be recovered through tort claims against entities such as the Airport is \$350,000 for any injury to one person in any single occurrence, and \$990,000 for any injury to two or more persons in any single occurrence (except to the extent that certain amounts may be recoverable from any insurer). The CGIA provides that the City may, by resolution, increase any maximum amount that may be recovered from the City for the type of injury described in the resolution. The City Council has adopted a resolution (Resolution 82-89) waiving the statutory liability limits set forth in the CGIA with respect to the Airport's activities up to the limits of the Airport's then current insurance policies, but only for the types of injuries covered under those insurance policies. The City administration in early 2014 intends to request that the City Council repeal or rescind Resolution 82-89 thereby reinstating the CGIA monetary limitations on judgments.

The City has insurance coverage for liability for occurrences at the Airport. The aggregate coverage provided by the insurance policy is \$200,000,000 for any annual period of insurance. Public officials liability insurance is provided in the amount of \$1,000,000 for wrongful acts and defense costs for claims made during an annual period of insurance with a \$25,000 deductible. While the City recently renewed its insurance policies and reduced the amount of the premiums therefor, the City must renew existing insurance policies or obtain new insurance policies annually and in the future may encounter difficulty in maintaining the current levels of coverage or it may be subject to higher premium costs than have been the case in the past. For these reasons, the Airport's financial exposure to claims may be greater in the future.

## **FINANCIAL INFORMATION OF AIRPORT SYSTEM**

### **Financial Statements**

The City's Airport Enterprise Fund Statement of Net Position as of December 31, 2012, Statements of Revenues, Expenses and Changes in Fund Net Position for the year ended December 31, 2012 and Statements of Cash Flows for the year ended December 31, 2012 have been audited by Rubin Brown, the City's independent auditors. The financial statements and the report of the independent certified public accountant are included as Appendix A to this Official Statement.

## **Historical Operating Results**

The following table set forth comparative operating results for the Airport System for Fiscal Years 2008 through 2012 and the first nine months of 2012 and 2013. See also “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE COLORADO SPRINGS AIRPORT FOR THE FISCAL YEAR ENDED DECEMBER 21, 2012,” and “Management’s Discussion and Analysis of Financial Operations” below.

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**TABLE 7**  
**City of Colorado Springs, Colorado**  
**Airport Enterprise Fund**  
**Summary of Revenues, Expenses and Changes in Net Position**

	Fiscal Years Ended December 31					Nine Months Ended September 30 (Unaudited) <sup>(1)</sup>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>
<b>Operating Revenue</b>							
Airline Revenues	\$ 7,756,771	\$ 8,444,465	\$ 6,708,684	\$ 7,959,261	\$ 6,950,602	\$ 5,984,503	\$ 5,323,317 <sup>(2)</sup>
Terminal Building Concessions	1,658,480	1,553,669	1,552,759	1,542,808	1,598,198	1,191,977	1,096,604 <sup>(3)</sup>
Parking Concessions	6,097,045	5,566,698	5,325,655	4,974,074	5,227,055	3,825,832	3,174,255 <sup>(4)</sup>
Landside Commercial Concessions	3,811,036	3,787,906	3,620,202	3,634,536	3,636,968	2,874,020	2,614,736 <sup>(5)</sup>
Other Charges	<u>2,629,570</u>	<u>1,949,955</u>	<u>2,001,927</u>	<u>2,249,476</u>	<u>2,445,115</u>	<u>1,747,143</u>	<u>1,709,372<sup>(6)</sup></u>
Total Operating Revenues	<u>\$21,952,902</u>	<u>\$21,302,693</u>	<u>\$19,209,227</u>	<u>\$20,360,156</u>	<u>\$19,857,937</u>	<u>\$15,623,475</u>	<u>\$13,918,283</u>
<b>Operating Expenses</b>							
Salaries and Benefits	7,859,201	8,421,150	8,328,333	8,227,876	8,467,180	5,912,163	5,711,020 <sup>(7)</sup>
Other Operating Expenses	6,678,275	6,493,225	7,052,034	6,172,025	5,875,050	4,278,214	3,740,405 <sup>(8)</sup>
Construction in Progress	--	--	--	--	--	18,999,485	8,857,712 <sup>(9)</sup>
Depreciation	<u>8,865,801</u>	<u>11,199,263</u>	<u>10,787,280</u>	<u>10,851,764</u>	<u>16,991,200</u>	<u>--</u>	<u>--<sup>(10)</sup></u>
Total Operating Expenses	<u>\$23,403,277</u>	<u>\$26,113,638</u>	<u>\$26,167,647</u>	<u>\$25,251,665</u>	<u>\$31,333,430</u>	<u>\$29,189,862</u>	<u>\$18,309,137</u>
<b>Operating Income (Loss)</b>	(\$1,450,374)	(\$4,810,944)	(\$6,958,421)	(\$4,891,510)	(\$11,475,493)	\$(13,566,387)	\$(4,390,854)
<b>Total Non-Operating Revenue</b>	\$ 3,587,172	\$ 1,813,467	\$ 1,356,334	\$ 1,199,548	\$ 1,370,686	\$ 872,027	\$ 413,921 <sup>(11)</sup>
<b>Income before Contributions</b>	\$ <u>2,136,798</u>	\$ <u>(2,997,477)</u>	\$ <u>(5,602,087)</u>	\$ <u>(3,691,962)</u>	\$ <u>(10,104,807)</u>	\$ <u>(12,694,360)</u>	\$ <u>(3,976,933)</u>
<b>Contributions</b>							
Capital Grants	\$ 8,752,047	\$12,508,239	\$12,023,748	\$12,630,322	\$21,796,203	\$13,253,572	\$ 7,691,297 <sup>(12)</sup>
Capital Reimbursements	<u>30,960</u>	<u>--</u>	<u>14,167</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	\$ 8,783,007	\$12,508,239	\$12,037,915	\$12,630,322	\$21,796,203	\$13,253,572	\$ 7,691,297
<b>Change in Net Position</b>	<u>\$10,919,804</u>	<u>\$ 9,510,762</u>	<u>\$ 6,435,828</u>	<u>\$ 8,938,360</u>	<u>\$11,691,396</u>	<u>\$ 559,213</u>	<u>\$ 3,714,364</u>
<b>Beginning Net Position</b>	\$208,304,995	\$219,224,799	\$228,735,560	\$235,171,388	\$244,109,746	\$244,109,746	\$255,801,142
<b>Ending Net Position</b>	<u>\$219,224,799</u>	<u>\$228,735,561</u>	<u>\$235,171,388</u>	<u>\$244,109,748</u>	<u>\$255,801,142</u>	<u>\$244,668,959</u>	<u>\$259,515,505</u>

<sup>(1)</sup> The nine month comparison for September 30, 2013 and 2012 is presented on a cash basis, whereas year-end financials are presented on an accrual basis.

<sup>(2)</sup> Airline Revenue decreased as the result the departure of Frontier Airlines in April 2013. This amount will not match the financials due to an approximately \$739,700 adjustment for the 2012 Airline Final Settlement which was higher than the amount accrued in 2012.

Additional footnotes appear on the following page.

- <sup>(3)</sup> Terminal Building Concessions are down due to lower sales and advertising as the result of lower enplanements due to Frontier's departure in April 2013.
- <sup>(4)</sup> Parking Concessions are down due to the decrease in enplanements as a result of Frontier's departure in April 2013.
- <sup>(5)</sup> Landside Commercial is down primarily due to less rental car concessions due to the decrease in enplanements as a result of Frontier's departure in April 2013.
- <sup>(6)</sup> Other Charges are down primarily due to lower fuel sales, lower fuel sales taxes and excise taxes.
- <sup>(7)</sup> Salaries and Benefits are lower due to reductions in staffing levels as the result of vacancies not being filled.
- <sup>(8)</sup> Other Operating Expenses are down primarily due to utility savings, cost reductions in parking services and fewer capital purchases.
- <sup>(9)</sup> Construction in Progress reflects the projects currently under construction. The Airport capitalizes assets at the end of the year, therefore during the year the costs are included in expenses.
- <sup>(10)</sup> Depreciation is calculated at year end versus throughout the year.
- <sup>(11)</sup> Non-Operating Revenue is lower due to lower interest income and lower PFC and CFC collections.
- <sup>(12)</sup> Grant Revenue is lower due to fewer projects under construction during the year. 2012 which had an unusually high level of construction project activity.

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## Management Discussion and Analysis of Financial Operations

The following is a discussion and analysis by Airport management of the financial performance of the Airport System for Fiscal Years 2008 through 2012 and the nine months ended September 30, 2013 and 2012. All figures presented below are approximate unless otherwise stated.

### *Nine Months Ended September 30, 2013 vs. Nine Months Ended September 30, 2012.*

Operating revenue decreased in the first nine months of 2013 as compared to the same time period in 2012 by approximately \$965,500. This decrease was primarily due to the departure of Frontier Airlines in April 2013 from the Airport. The related reduction in enplanements resulted in lower retail and food sales, reduced rental car demand and a reduction in parking revenue. Operating expenses are approximately \$685,500 less due to reductions in operating costs implemented when Frontier announced it would be leaving. Salaries and benefits are lower as vacant positions were not filled. In addition the Airport implemented an energy efficiency program to lower utility costs and has begun to xeriscape the grounds. The Airport has also worked with their parking concessionaire to lower operating costs and re-evaluated all equipment purchases. Non-Operating income is lower due to a reduction in PFC and CFC collections and lower interest expense. Grant revenue is also down due to a reduction in construction projects as compared to 2012 which had an unusually high level of project work.

*2012 vs. 2011.* Operating revenues decreased in Fiscal Year 2012 (FY2012) from Fiscal Year 2011 (FY2011) by approximately \$500,000 primarily due to a decrease in airline rates. Airline rates decreased primarily because of higher enplanements, landed weight and rentable space. There was also a decrease in operating costs in the related cost centers. This decrease in operating revenues led to a decrease in operating income before depreciation of approximately \$444,545. Operating expenses decreased by approximately \$57,000 in FY2012. Depreciation expense increased significantly because of a one-time adjustment, approximately \$5.4 million, to the useful life of various components of the main terminal building as well as assets no longer in service. Non-operating income increased by approximately \$170,000 primarily because of a decrease in interest expense and slightly higher PFC and CFC collections. Capital grant and contribution revenues totaled \$21,796,203 and \$12,630,322 in FY2012 and FY2011, respectively. The increase in FY2012 was the result of two large taxiway rehabilitation projects. For FY2012, net assets increased by \$11,691,396 and total net assets at the end of 2012 were \$255,801,142.

*2011 vs. 2010.* Operating revenues increased in FY2011 from FY2010 by approximately \$1.15 million primarily due to an increase in airline rates. Airline rates increased primarily because of higher operating costs associated with terminal space and loading bridges. Operating expenses decreased by nearly \$1 million as a result of lower repair and maintenance costs. This increase in operating revenues and decrease in operating expenses led to an increase in operating income before depreciation of \$2,066,909 in FY2011. Non-operating income decreased by \$156,786 primarily because of a decrease in the Airport's investment income as a result of declining interest rates as well as mark to market adjustments. For FY2011, net assets increased by \$8,938,358 and total net assets at the end of 2011 were \$244,109,746.

**2010 vs. 2009.** Operating revenues declined in FY2010 by approximately \$2 million primarily because of the defeasance of the Airport's Series 1992C Bonds in 2009, reducing total charges to the airlines by approximately \$1.675 million in FY2010. Operating expenses increased \$465,000 (3.1%) primarily as a result of an increase in non-capitalized capital expenditures. Operating income before depreciation decreased by \$2,147,476 in FY2010. Depreciation and amortization decreased by \$411,983. Non-operating income decreased by \$457,134 primarily due to a decrease in the Airport's investment income because of lower interest rates and mark to market adjustments. For FY2010, net assets increased \$6,435,828 and total net assets at the end of 2010 were \$235,171,388.

**2009 vs. 2008.** Operating revenues decreased by approximately \$650,000 in part due to a 6.9 percent decline in passenger traffic as a result of reductions by US Airways operations and a significant decrease in fuel sales and excise tax receipts. Operating expenses increased by approximately \$377,000 (2.6%) as a result of an increase in non-capitalized capital expenditures of vehicles, machinery and equipment. Operating income before depreciation decreased by \$1,027,108 in FY2009. Depreciation and amortization increased by \$2,333,462 due to additions in Airport capital assets subject to depreciation. These assets were primarily for the rehabilitation of taxiways and fleet improvements. Non-operating revenues decreased by \$1,773,705 primarily because of lower investment income due to declining interest rates as well as mark to market adjustments. Capital grant and contribution revenues increased from \$8,783,006 in FY2008 to \$12,508,238 in FY2009 primarily because of the receipt of additional grant funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA). The Airport received an ARRA grant in FY2009 of \$6,740,778. For FY2009, net assets increased by \$10,919,804 and total net assets at the end of 2009 were \$228,735,560.

## LITIGATION

There is no litigation now pending or, to the best of the City's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2014 Bonds or in any way contests the validity of the Series 2014 Bonds or any proceedings of the City taken with respect to the authorization, sale or issuance of the Series 2014 Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2014 Bonds.

There is no major litigation pending, or to the knowledge of the City threatened, involving the Airport or the Airport System. The City is involved in various lawsuits arising in the ordinary course of operations relating to the Airport. Although the outcome of all existing claims is not presently determinable, the City estimates that the outcome of these matters (taking into account existing accruals for probable losses for such claims, the Colorado Governmental Immunity Act and insurance coverage) will not materially adversely affect the financial position of the Airport Enterprise Fund.

The City has purchased insurance covering damages due to most types of major contingencies, subject to the limits in those policies and subject to the application of the Colorado Governmental Immunity Act. For a description of the Airport's insurance coverage and the Colorado Governmental Immunity Act, see "THE AIRPORT SYSTEM—Insurance."

There are no claims or litigation arising out of or challenging any federal grants held by the Airport to date.

### **LEGAL MATTERS**

Legal matters incidental to the authorization and issuance of the Series 2014 Bonds are subject to the approving opinion of Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado as Bond Counsel. The proposed form of opinion of Bond Counsel is attached as Appendix D. As Bond Counsel, Brownstein Hyatt Farber Schreck, LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement, however, it will render a separate legal opinion with respect to this Official Statement. Certain matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP. All of the fees of Bond Counsel and Underwriter's Counsel with regard to the issuance of the Series 2014 Bonds are contingent upon the issuance and delivery of the Series 2014 Bonds.

The obligations of the City are subject to the reasonable exercise in the future by the State and its political subdivisions of the police power inherent in the sovereignty of the state and to the exercise by the United States of the powers delegated to it by the Federal Constitution, including without limitation exercise of such powers pursuant to the provisions of the Federal Bankruptcy Code. The opinion of Brownstein Hyatt Farber Schreck, LLP as Bond Counsel will refer to such limitations.

### **CITY CHARTER MATTERS**

Section 7-90(g) of the Charter restricts the City's spending by limiting the amount by which Fiscal Year spending may change from year to year and requires voter approval for new taxes, tax rate increases and the creation of direct or indirect City debt without adequate present cash reserves irrevocably pledged and held for all future payments. "City" is defined as the municipal government excluding enterprises. "Enterprise," means a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined. The word "government" is not defined. Since 2009 when the Charter was changed to modify the definition of an "enterprise," the City has treated the Airport as an "enterprise" with the effect that the Airport is not treated as a part of the City for purposes of the above described limitations. Failure to maintain "enterprise" status under the Charter could, but is not expected to, materially adversely affect the Airport's finances and operations.

### **STATE CONSTITUTIONAL MATTERS**

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the "Taxpayer's Bill of Rights" or "Amendment One" ("Amendment One"), and now constitutes Section 20 of Article X of the Colorado Constitution. Amendment One imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as "enterprises" under Amendment One (each of which is referred to in this caption as a "governmental unit"). Any of the following actions, for example, now require voter approval in advance: (a) any increase in a

governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on the net percentage change in actual value of all real property in a governmental unit from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property for government units other than school districts, and the percentage change in student enrollment for a school district; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in clause (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple-Fiscal Year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future Fiscal Years. Elections on such matters may only be held on the same day as a state general election; at the governmental unit's regular biennial election or on the first Tuesday in November of odd-numbered years, and must be conducted in accordance with procedures described in Amendment One.

Revenue collected, kept or spent in violation of the provisions of Amendment One must be refunded, with interest. Amendment One requires a governmental unit to create an emergency reserve of 3% of its Fiscal Year spending (excluding bonded debt service) in 1995 and subsequent years. Amendment One provides that "[w]hen [a governmental unit's] annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, [the voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of Amendment One shall, by its terms, be the one that reasonably restrains most the growth of government.

An "enterprise" under Amendment One is defined the same as under the Charter. The City operates, and expects to continue to do so in the future, the Airport and the Airport System as an "enterprise" for purposes of Amendment One. If the Airport and the Airport System fail to qualify as an "enterprise" under Amendment One, the revenues and expenditures of the Airport would be required to be included in the revenues and expenditures of the City, which are limited by Amendment One. Failure to maintain such "enterprise" status could materially adversely affect the Airport's finances and operations, including, but not limited to, limiting the ability of the Airport to increase rates and charges under the Use and Lease Agreements, which could result in the City not being able to meet its rate covenant.

## **TAX MATTERS**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2014 Bond for any period during which such Series 2014 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2014 Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series 2014 Bonds is a specific

preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentences assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2014 Bonds. Failure to comply with such requirements could cause interest on the Series 2014 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014 Bonds. The City has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2014 Bonds.

Under existing statutes, Bond Counsel is of the opinion that interest on the Series 2014 Bonds is not subject to Colorado income taxation.

The accrual or receipt of interest on the Series 2014 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2014 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2014 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2014 Bonds.

Payments of interest on tax-exempt obligations, including the Series 2014 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bondholder is subject to backup withholding under these requirements, then payments of interest will also be subject to backup withholding. These requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2014 Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2014 Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2014 Bonds, or the interest thereon, if any action is taken with respect to the Series 2014 Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

All of the Series 2014 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2014 Bond over its stated redemption price at maturity constitutes premium on such Series 2014 Bond. An initial purchaser of a Series 2014 Bond must amortize any premium over such Series 2014 Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2014 Bond is reduced by a corresponding amount resulting in an increase in the gain (or

decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2014 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2014 Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2014 Bond.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2014 Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Series 2014 Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2014 Bonds could adversely affect their value and liquidity.

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

## **UNDERWRITING**

The Series 2014 Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"), from the City at a price of \$12,170,502.14 (consisting of the par amount of the Series 2014 Bonds, plus an original issue premium of \$1,066,638.40, less an underwriter's discount of \$81,136.26), subject to the terms of a bond purchase agreement (the "Bond Purchase Agreement"), between the Underwriter and the City. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2014 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2014 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2014 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter has, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit

default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriter provided the information contained in this paragraph for inclusion in this Official Statement and the City does not take any responsibility for or make any representation as to its accuracy or completeness. The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Piper/Pershing Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Series 2014 Bonds. Under the Piper/Pershing Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

### **CONTINUING DISCLOSURE OBLIGATION**

The City has covenanted to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12) (“Rule 15c2-12”). The City has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Series 2014 Bonds to provide certain financial information and operating data concerning the Airport and certain other obligated persons, to the MSRB, through the EMMA System, annually, and to provide notice to the MSRB, through the EMMA System, of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein for a description of the Undertaking. A failure by the City to provide any information required thereafter shall not constitute an Event of Default under the Bond Ordinance. The City, with respect to the Airport, has never failed to comply with any previous undertakings with regard to said Rule 15c2-12 to provide annual reports or notices of material events, however, the City, with respect to the Colorado Springs Utilities, failed in 2009 to timely file notices of material events with respect to credit rating downgrades of two series of its revenue bonds as a result of a rating downgrade of a liquidity provider for one series of bonds, and a rating downgrade of an insurer for the other series of bonds, which events have since been disclosed.

### **INDEPENDENT AUDITORS**

The financial statements for the Airport for the Fiscal Year ended December 31, 2012 included in Appendix A to this Official Statement have been audited by Rubin Brown, independent auditors as set forth in their report dated June 19, 2013 also appearing in Appendix A.

### **FINANCIAL ADVISOR**

Public Financial Management, Inc. has acted as financial advisor to the City in connection with the issuance by the City of the Series 2014 Bonds.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

Causey Demgen & Moore Inc., an independent accounting firm, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Series 2002A Bonds.

## **RATINGS**

Moody's and S&P are expected to assign ratings of "A2" and "AA-," respectively, to the Insured Bonds based upon the Municipal Bond Insurance Policy to be issued by the Bond Insurer at the time of delivery of the Insured Bonds. Moody's and S&P have assigned ratings of "Baa1" and "BBB+" respectively, to the Series 2014 Bonds without taking into account the Municipal Bond Insurance Policy. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Any explanation of the significance of such ratings may only be obtained from Moody's and S&P, respectively. The City furnished to Moody's and S&P certain information and material concerning the Series 2014 Bonds. Generally, rating agencies base their ratings on such information and material, and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that a rating given will remain in effect for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Series 2014 Bonds.

## **MISCELLANEOUS**

The references in this Official Statement to the Bond Ordinance, statutes, resolutions, contracts and other documents are brief outlines or partial excerpts of certain provisions of the documents. These outlines or excerpts do not purport to be complete, and reference is made to the documents, copies of which are available at the offices of the City, for full and complete statements of their provisions. All estimates used in this Official Statement, including estimates of expected construction costs, are intended only as estimates and not as representations. The City and the Airport maintain websites at [www.springsgov.com](http://www.springsgov.com) and [www.flycos.com](http://www.flycos.com), respectively. Information on such websites is not part of this Official Statement nor has such information been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2014 Bonds.

The execution and delivery of this Official Statement by the Mayor and Director of Aviation have been duly authorized by the City Council of the City of Colorado Springs, Colorado.

THE CITY OF COLORADO SPRINGS,  
COLORADO

By     /s/ Steve Bach      
Steve Bach, Mayor

By     /s/ Dan Gallagher      
Dan Gallagher, Interim Director of Aviation

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**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF**  
**THE COLORADO SPRINGS AIRPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

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# 2012

For the year ended December 31, 2012

Colorado Springs Municipal Airport  
Financial Statements



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## Independent Auditors' Report

The Honorable Mayor,  
Members of the City Council and City Auditor  
Colorado Springs Municipal Airport  
Colorado Springs, Colorado

### Report On Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Colorado Springs Municipal Airport (the Airport), an enterprise fund of the City of Colorado Springs, Colorado, which comprise the statement of net position as of December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in fund net position and cash flows for the years then ended and the related notes to the financial statements.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis Of Matter***

As discussed in Note 1, the financial statements of the Airport are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Report Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

*RubinBrown LLP*

June 19, 2013

## Management's Discussion and Analysis (MD&A)

The following management's discussion and analysis of the Colorado Springs Airport's (the Airport) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 2012 and 2011. The information contained in this discussion should be considered in conjunction with the financial results, footnotes, and supplemental information in the Airport's financial statements.

The Airport's financial statements are prepared using an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other standards-setting bodies. The Airport is structured as an enterprise fund of the City of Colorado Springs, with revenues recognized when earned and expenses recognized when incurred. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See notes to the financial statements for a summary of the Airport's significant accounting policies.

Following this MD&A are the financial statements of the Airport together with the notes to the financial statements, which are essential for a full understanding of the data contained herein. The Airport's financial statements are designed to provide readers with a broad overview of the Airport's finances.

### Airport Activities Highlights

The activities of the Airport for the last three calendar years were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Enplaned Passengers	822,008	814,336	863,407
% increase (decrease)	.9%	-5.68%	-7.12%
Aircraft Operations	134,070	131,238	140,047
% increase (decrease)	2.2%	-6.29%	-3.42%
Landed Weight (in thousands)	1,150,438	1,120,533	1,158,795
% increase (decrease)	2.66%	-3.30%	-0.99%
Deplaned Freight and Mail (tons)	10,609	9,156	10,463
% increase (decrease)	15.9%	-12.49%	-27.41%

Total 2012 enplanements were 0.9 percent above 2011 levels due to an increase in service by Frontier Airlines. Aircraft operations increased by 2.2 percent; primarily due to increased military operations as a result of a change in troop deployments. General Aviation operations also contributed in the increase in operations for 2012. Landed weight for 2012, 2011 and 2010 reflects scheduled carriers, cargo operators, Charter, and Boeing operations. Military aircraft landed weight has been excluded from this calculation due to the fact their landed weight does not contribute to revenues earned. Airlines carried additional freight, resulting in a 15.9 percent increase in deplaned freight and no mail was reported.

Total 2011 enplanements were 5.68 percent below 2010 levels due to airline capacity consolidation in response to mergers, the sluggish national economy and rising fuel prices. Aircraft operations declined by 6.29 percent; primarily due to fewer military operations as a result of a change in troop deployments.

During 2012, five air carriers supported the Airport with non-stop service to seventeen major cities. In addition, two air cargo operators used the Airport's facilities.

**Financial Highlights**  
**Summary of Revenues, Expenses and Changes in Fund Net Assets**

	<b>2012</b>	<b>2011</b>	<b>\$ Increase (Decrease)</b>	<b>2010</b>	<b>\$ Increase (Decrease)</b>
Operating revenues	\$ 19,857,937	\$ 20,360,155	\$ (502,218)	\$ 19,209,227	\$ 1,150,928
Operating expenses	<u>14,342,230</u>	<u>14,399,903</u>	<u>(57,673)</u>	<u>15,380,368</u>	<u>(980,465)</u>
Excess before depreciation and other income, net	5,515,707	5,960,252	(444,545)	3,828,859	2,131,393
Depreciation and amortization	<u>16,991,200</u>	<u>10,851,764</u>	<u>6,139,436</u>	<u>10,787,280</u>	<u>64,484</u>
Operating income (loss)	(11,475,493)	(4,891,512)	(6,583,981)	(6,958,421)	2,066,909
Net non-operating income	1,370,686	1,199,548	171,138	1,356,334	(156,786)
Capital grants and contr.	<u>21,796,203</u>	<u>12,630,322</u>	<u>9,165,881</u>	<u>12,037,915</u>	<u>592,407</u>
Change in net assets	11,691,396	8,938,358	2,753,038	6,435,828	2,502,530
Net assets at beginning of year	<u>244,109,746</u>	<u>235,171,388</u>	<u>8,938,358</u>	<u>228,735,560</u>	<u>6,435,828</u>
Net assets at end of year	<u>\$ 255,801,142</u>	<u>\$ 244,109,746</u>	<u>\$ 11,691,396</u>	<u>\$ 235,171,388</u>	<u>\$ 8,938,358</u>

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2012 are as follows:

- ➔ Operating revenues decreased by approximately \$500,000 primarily due to a decrease in airline rates.
- ➔ The net result of the above was operating income before depreciation decreased by \$444,545 for 2012.
- ➔ Depreciation increased significantly due to a one-time adjustment, approximately \$5.4 million, to the useful life of various components of the main terminal building and assets no longer in service.
- ➔ Non-operating income increased by \$171,138. The change from 2011 to 2012 is primarily due to a decrease in interest expense and slightly higher PFC and CFC collections.
- ➔ Capital grant and contribution revenues totaled \$21,796,203 and \$12,630,322 in 2012 and 2011, respectively. The increase was the result of two large taxiway rehabilitation projects during 2012.
- ➔ For 2012, net assets increased \$11,691,396 as the result of the above activity. Total net assets at the end of 2012 were \$255,801,142.

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2011 are as follows:

- ➔ Operating revenues increased by approximately \$1.15 million primarily due to an increase in airline rates.
- ➔ Operating expenses decreased by 6.4 percent as a result of lower repair and maintenance costs.
- ➔ The net result of the above was operating income before depreciation increased by \$2,066,909 for 2011.
- ➔ Non-operating income decreased by \$156,786. The change from 2010 to 2011 is primarily due to a decrease in the Airport's investment income related to lower returns on investments as a result of declining interest rates and mark to market adjustments.

- ➔ Capital grant and contribution revenues totaled \$12,630,322 and \$12,037,915 in 2011 and 2010, respectively.
- ➔ For 2011, net assets increased \$8,938,358 as the result of the above activity. Total net assets at the end of 2011 were \$244,109,746.

### Financial Position Summary

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
Current assets (including restricted cash)	\$ 42,479,407	\$ 44,463,931	-4.46%	\$ 44,099,914	0.83%
Restricted Investments	5,459,865	5,468,053	-.15%	5,451,377	-.31%
Bond issue cost (net)	452,601	530,044	-14.61%	604,318	-12.99%
Note Receivable	1,937,172	1,984,060	-2.36%	2,027,576	-2.15%
Property and equipment (net)	255,462,331	243,377,050	4.97%	239,890,919	1.45%
<b>Total Assets</b>	<b>\$ 305,791,376</b>	<b>\$ 295,823,138</b>	<b>3.37 %</b>	<b>\$ 292,074,104</b>	<b>1.28%</b>
Current Liabilities	\$ 10,589,744	\$ 8,362,837	26.63%	\$ 9,598,188	-12.87%
Long-term debt (less current portion)	38,696,197	42,627,748	-9.22%	46,372,698	-8.08%
Other non-current liabilities	704,293	722,807	-2.56%	931,830	-22.43%
<b>Total Liabilities</b>	<b>49,990,234</b>	<b>51,713,392</b>	<b>-3.33%</b>	<b>56,902,716</b>	<b>-9.12%</b>
Net Assets:					
Invested in capital assets (net of debt)	218,369,494	202,686,807	7.74%	195,790,991	3.52%
Restricted	12,034,111	14,313,819	-15.93%	14,359,388	-.32%
Unrestricted	25,397,537	27,109,120	-6.31%	25,021,009	8.35%
<b>Net Assets</b>	<b>255,801,142</b>	<b>244,109,746</b>	<b>4.79%</b>	<b>235,171,388</b>	<b>3.80%</b>
<b>Total Liabilities and net assets</b>	<b>\$305,791,376</b>	<b>\$ 295,823,138</b>	<b>3.37%</b>	<b>\$ 292,074,104</b>	<b>1.28%</b>

The largest portion of the Airport's net assets each year represents its investment in capital assets less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors; consequently these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

At December 31, 2012, the amount of \$12 million or 4.7 percent of net assets represented resources that are subject to restrictions on how they can be used. For 2011, the amount was \$14.3 million or 5.86 percent of net assets. These restricted net assets are not available for new spending because they have already been committed as follows:

	<u>2012</u>	<u>2011</u>
Passenger Facility Charges	\$ 466,674	\$ 2,793,150
Bond and Operating and Maintenance Reserves	<u>11,567,437</u>	<u>11,520,669</u>
<b>Total Restricted</b>	<b>\$ 12,034,111</b>	<b>\$ 14,313,819</b>

The remaining unrestricted net assets of \$25.4 million for 2012 and \$27.1 million for 2011 may be used to meet any of the Airport's ongoing obligations.

### **Airline Signatory Rates and Charges for 2012 and 2011**

The Airport and fourteen (14) airlines and cargo carriers negotiated an agreement effective January 1, 2000, for five years, which establishes how the airlines will be assessed annual rates and charges for their use of the Airport. The agreement establishes rates and charges through a hybrid commercial compensatory methodology with a revenue sharing component. The final rates and charges for the signatory airlines were as follows (2012 rates are finalized after the issuance of these financial statements):

	<b>Year Ended December 31,</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Landing fees (per 1,000 lbs MGLW)	\$ 2.02	\$ 2.52
Terminal rental rate (per sq ft)	\$ 54.84	\$ 67.96
Loading bridge rate (per bridge)	\$ 12,711	\$ 10,632
Signatory airline cost (per enplaned passenger)	\$ 7.58	\$ 8.85

The airline derived revenue per enplaned passenger is calculated after the settlement of all rates and charges adjustments based on actual revenues and expenditures and inclusive of the net revenue sharing credited to the airlines, which was \$1,251,511 (preliminary) and \$212,377 in 2012 and 2011, respectively.

During 2004, the Airport and the airlines successfully negotiated an extension of the existing Use and Lease Agreement. The extension was effective from January 1, 2005, through December 31, 2009. In 2009, the Airport and the airlines agreed to further extend the existing Agreement for an additional two year term with an expiration date of December 31, 2011. The Agreement contains additional option years which were executed by mutual consent in 2011 and 2012. The current agreement expires on December 31, 2013.

### **Passenger Facility Charges**

In December 1992, the Airport received approval from the Federal Aviation Administration (the FAA) to collect a \$3.00 passenger facility charge (PFC) on each passenger enplaning at the Airport. The Airport has collected PFCs including interest earnings thereon, totaling \$65,405,466 and \$63,156,982 through the years ended December 31, 2012 and 2011, respectively. Additional information regarding PFCs can be found in Note A(3) of the accompanying financial statements.

### **Customer Facility Charges**

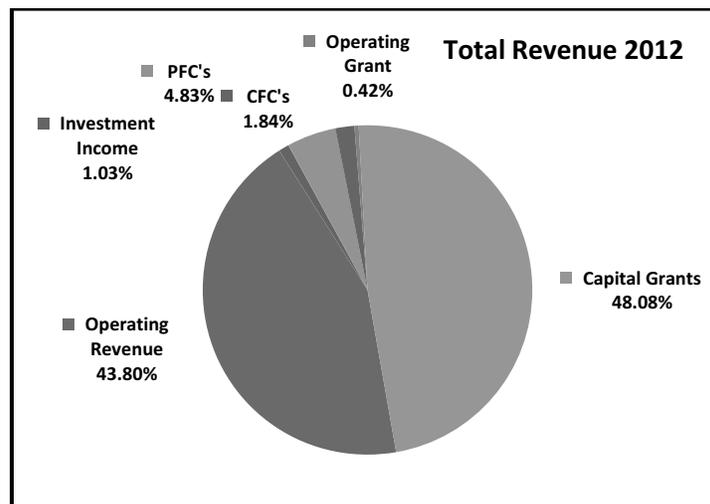
In 1994, the City of Colorado Springs issued \$6,093,000 aggregate principal amount of its Special Facility Bonds to finance the construction of service and storage facilities for rental car companies located on the Airport. The customer facility charge (CFC) was originally established to pay the debt service and expired on September 1, 2004. When the bonds were retired, there was an excess within the fund of \$3,576,541. Per the bond documents, these funds were given to the Airport where \$250,000 was set aside as reserved funds per the rental car agreement and the remaining was recorded as CFC revenue on the financial statements.

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

**Financial Details**  
**Revenues Overview:**

The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2012 and 2011 with a comparison of changes in dollar amounts to the previous years.

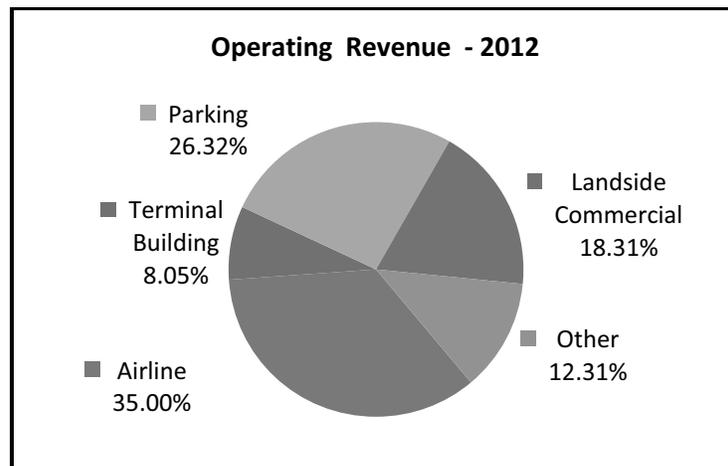
	<u>Year End</u> <u>12/31/2012</u>	<u>Year End</u> <u>12/31/2011</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2010</u>	<u>\$ Increase/</u> <u>(Decrease)</u>
<b>Operating Revenues</b>					
Airline	\$ 6,950,602	\$ 7,959,261	\$ (1,008,659)	\$ 6,708,684	\$ 1,250,577
Terminal Building	1,598,197	1,542,808	55,389	1,552,759	(9,951)
Parking	5,227,055	4,974,074	252,981	5,325,655	(351,581)
Landside Commercial	3,636,968	3,634,536	2,432	3,620,202	14,334
Other	2,445,115	2,249,476	195,639	2,001,927	247,549
<b>Total Operating Revenues</b>	<b>19,857,937</b>	<b>20,360,155</b>	<b>(502,218)</b>	<b>19,209,227</b>	<b>1,150,928</b>
<b>Other Income</b>					
Investment Income	465,831	775,234	(309,403)	630,250	144,984
Passenger Facility Charges	2,191,195	2,168,845	22,350	2,327,679	(158,834)
Customer Facility Charges	833,900	812,873	21,027	822,498	(9,625)
Operating Grant	191,306	156,546	34,760	69,893	86,653
Capital Grants	21,796,203	12,630,322	9,165,881	12,023,748	606,574
Capital Contributions	0	0	0	14,167	(14,167)
<b>Total Other Income</b>	<b>25,478,435</b>	<b>16,543,820</b>	<b>8,934,615</b>	<b>15,888,235</b>	<b>655,585</b>
<b>TOTAL INCOME</b>	<b>\$ 45,336,372</b>	<b>\$ 36,903,975</b>	<b>\$ 8,432,397</b>	<b>\$ 35,097,462</b>	<b>\$ 1,806,513</b>



## Operating Revenues:

Significant items for 2012 as compared to 2011 were as follows:

- ➔ Total operating revenue decreased by \$502,218, primarily due to a decrease in rates for landing fees and terminal rents in 2012.
- ➔ Parking revenue increased by \$252,981, primarily due to an increase in usage, particularly in long term parking.
- ➔ Other revenue increased \$195,639, primarily due to increased ground and building rent.



Significant items for 2011 as compared to 2010 were as follows:

- ➔ Total operating revenue increased by \$1,150,928, primarily due to increased effective rates in landing fees and terminal rents in 2011.
- ➔ Parking revenue decreased by \$351,581, primarily due to the decline in passenger traffic.

## Other Income:

The significant items for 2012 as compared to 2011 are as follows:

- ➔ Investment income decreased by \$309,403 from 2011 due to a lower interest rate and a decrease in the percentage of interest allocated to the Airport.
- ➔ Capital grants revenue increased by \$9,165,881 in 2012 as compared to 2011. This increase is a result of an OTA (Other Transaction Agreement) Grant offered by the TSA (Transportation Security Administration) to reimburse the Airport for work done on the Checked Baggage Inspection System Project in addition to the rehabilitation of 2 taxiways.

The significant items for 2011 as compared to 2010 are as follows:

- ➔ Investment income increased by \$144,984 from 2010 due to mark-to-market adjustments.
- ➔ Capital grants revenue increased by \$606,574 in 2011 as compared to 2010. This increase is a result of an OTA (Other Transaction Agreement) Grant offered by the TSA (Transportation Security Administration) to reimburse the Airport for work done on the Checked Baggage Inspection System Project.

#### Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2012 and 2011, along with comparisons in dollars to the prior years.

	<u>Year End</u> <u>12/31/2012</u>	<u>Year End</u> <u>12/31/2011</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2010</u>	<u>\$ Increase/</u> <u>(Decrease)</u>
<b>Operating Expenses</b>					
Salaries and Benefits	\$ 8,467,180	\$ 8,227,876	\$ 239,304	\$ 8,328,334	\$ (100,458)
Other Operating Expenses	5,875,050	6,172,027	(296,977)	7,052,034	(880,007)
<b>Total Operating Expenses</b>	<u>14,342,230</u>	<u>14,399,903</u>	<u>(57,673)</u>	<u>15,380,368</u>	<u>(980,465)</u>
Depreciation and gain or loss on disposal of capital assets	16,991,200	10,851,764	6,139,436	10,787,280	64,484
Interest Expense	2,279,901	2,451,783	(171,882)	2,510,178	(58,395)
<b>TOTAL EXPENSES</b>	<u>\$ 33,613,331</u>	<u>\$ 27,703,450</u>	<u>\$ 5,909,881</u>	<u>\$ 28,677,826</u>	<u>\$ (974,376)</u>

The significant issues affecting 2012 expenses as compared to 2011 were as follows:

- ➔ Other operating expenses were \$296,977 lower in 2012 compared to 2011 due to a reduction in the capitalization rate.
- ➔ Depreciation expense and gain or loss on disposal of capital assets was \$6,139,436 higher than 2011 as a result of corrections to the useful life of various components of the main terminal building and the removal of several assets no longer in service.
- ➔ Interest expense for 2012 was approximately \$171,882 lower than 2011 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

The significant issues affecting 2011 expenses as compared to 2010 were as follows:

- ➔ Other operating expenses were \$880,007 lower in 2011 compared to 2010. Additional details of variances are provided below under Expense by Category.
- ➔ Depreciation expense and gain or loss on disposal of capital assets was \$64,484 higher than 2010 due to the addition of capital assets being depreciated.
- ➔ Interest expense for 2011 was approximately \$58,395 lower than 2010 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

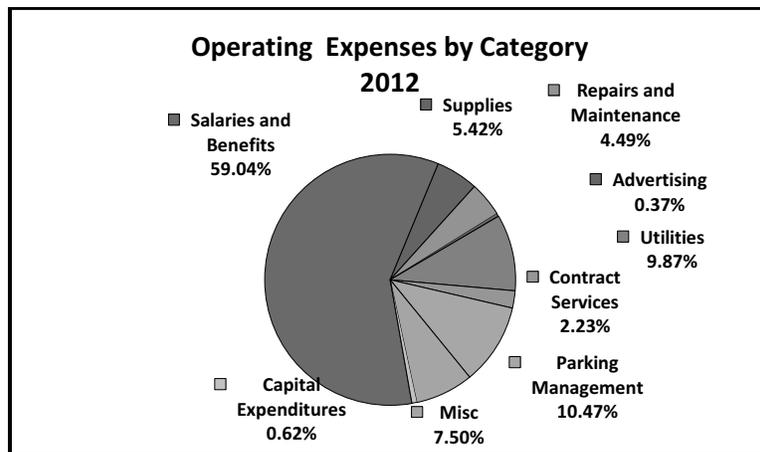
**Expense by Category:**

The following chart shows the operating expenses by category for the years ended December 31, 2012 and 2011.

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>\$ Increase/</u>	<u>2011</u>
	<u>Totals</u>	<u>% of Total</u>	<u>Totals</u>	<u>(Decrease)</u>	<u>% of Total</u>
Salaries and Benefits	\$ 8,467,180	59.04%	\$ 8,227,876	\$ 239,304	57.14%
Supplies	778,007	5.42%	871,515	(93,508)	6.05%
Repairs and Maintenance	643,596	4.49%	600,672	42,924	4.17%
Advertising	53,492	0.37%	56,099	(2,607)	0.39%
Utilities	1,415,214	9.87%	1,135,324	279,890	7.88%
Contract Services	319,348	2.23%	404,251	(84,903)	2.81%
Parking Management	1,501,313	10.47%	1,463,462	37,851	10.17%
Miscellaneous	1,075,706	7.50%	1,223,226	(147,520)	8.49%
Capital Expenditures	88,374	0.61%	417,478	(329,104)	2.90%
<b>TOTAL EXPENSES</b>	<b>\$ 14,342,230</b>	<b>100.00%</b>	<b>\$ 14,399,903</b>	<b>\$ (57,673)</b>	<b>100.00%</b>

The significant variances between 2012 and 2011 expenses by category were the result of:

- ➔ Salaries and benefits were \$239,304 higher in 2012 due to payout of retirement sick pay and an increase in overtime.
- ➔ Supplies were \$93,508 lower in 2012 primarily due to lower expenditures on fuel, deicing, plumbing and minor equipment.
- ➔ Utilities increased \$279,890 in 2012 due to increased usage and higher rates.
- ➔ Contract Services were \$84,903 lower in 2012 as compared to 2011 due to a reduction in the contracts for air service development analysis.
- ➔ Miscellaneous expenses were \$147,520 lower in 2012 as compared to 2011 as a result of reduced insurance costs and a lower admin pro-rate.
- ➔ Capital expenditures were \$329,104 lower in 2012 due to a lower capitalization rate.



## Budgetary Highlights

	<u>2012</u> <u>Budget</u>	<u>2012</u> <u>Actual</u>	<u>% Over/</u> <u>(Under)</u>	<u>2011</u> <u>Budget</u>	<u>2011</u> <u>Actual</u>	<u>% Over/</u> <u>(Under)</u>
<b>Operating Revenues</b>						
Airline Revenues	\$ 8,542,693	\$ 6,950,602	-18.64%	\$ 8,540,249	\$ 7,959,261	-6.80%
Other Operating Revenues	12,720,832	12,907,335	-1.47%	12,663,553	12,400,894	-2.07%
<b>Total Operating Revenues</b>	<b>21,263,525</b>	<b>19,857,937</b>	<b>-6.61%</b>	<b>21,203,802</b>	<b>20,360,155</b>	<b>-3.98%</b>
Total Operating Expenses	15,996,435	14,342,230	-10.34%	15,630,923	14,399,903	-7.88%
<b>Total Operating Income</b>	<b>\$ 5,267,090</b>	<b>\$ 5,515,707</b>	<b>4.72%</b>	<b>\$ 5,572,879</b>	<b>\$ 5,960,252</b>	<b>6.95%</b>

The significant variances related to the 2012 budget and actual figures were as follows:

- ➔ Airline revenues were approximately 18.6 percent less than budgeted and operating expenses were 10.3 percent less than budgeted. The Airport reduced its operating expenses, which reduces the rates airlines are charged for landing fees and terminal rents, effectively reducing the revenue the Airport receives from the airlines.

The significant variances related to the 2011 budget and actual figures were as follows:

- ➔ Airline revenues were approximately 7 percent less than budgeted. The Airport reduced its operating expenses, which reduces the rates airlines are charged for landing fees and terminal rents, effectively reducing the revenue the Airport receives from the airlines.

## Long-Term Debt

The Airport had \$39,820,000 and \$43,000,000 in bonds outstanding in three series of bonds: 2007A, 2007B, and 2002A as of December 31, 2012 and 2011, respectively. The bonds are payable solely from net revenues of the Airport system and from certain funds established under the bond ordinance.

Additional information regarding the Airport's outstanding bonds can be found in Note C(3) of the accompanying notes.

In May of 2006, the Airport signed a loan agreement with U.S. Bank to fund infrastructure improvements to a parcel of land in the Airport Business Park. Loan payments will be funded through a surcharge that will be collected from the tenant per the terms of a lease negotiated in June of 2006. On December 31, 2012 and 2011, the outstanding balance on the loan was \$2,078,150 and \$2,125,038 respectively.

In December of 2007, the Airport entered into a loan agreement with the Colorado Department of Transportation to fund improvements to the public roadway system and related signage. On December 31, 2012 and 2011, the outstanding balance on the loan was \$1,074,933 and \$1,589,035 respectively. The loan will be repaid with PFC revenues.

In July of 2008, the Airport entered into a loan agreement with the Colorado Department of Transportation to purchase equipment to enhance snow removal operations. On December 31, 2012 and 2011 the outstanding balance on the loan was \$272,407 and \$357,972. The loan will be repaid with PFC revenues.

In 2009, the Airport entered in a capital lease with AMPCO System Parking to furnish a parking revenue management system. The system acquired by this lease has been capitalized in the Airport's financial

statements. On December 31, 2012, the minimum lease obligation totaled \$191,296.

The Airport currently has public bond ratings from the three major rating agencies. Currently the ratings are as follows:

	Fitch		Moody's		S & P	
Airport Revenue Bonds	BBB+	Stable	Baaa1	Stable	A-	Stable

### **Capital Acquisition and Construction Activities**

During fiscal years ended December 31, 2012 and 2011, the Airport expended approximately \$29 million and \$15 million, respectively, in capital activities. Major construction projects in 2012 included the Checked Baggage Inspection System, the rehabilitation of Taxiway E, G, and H Phase III, the Security Checkpoint Expansion, the rehabilitation of Taxiway M & F and The Checked Baggage Inspection System. Property and equipment acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	<u>2012</u>	<u>2011</u>
Relocation of Admin Offices and Conference Rooms	405,432	224,273
Rehabilitation of Taxiway E, G, & H (Phase II)	-	75,840
Rehabilitation of Taxiway E, G, & H (Phase III)	9,682,778	303,150
Rehabilitation of Taxiway E, G, & H (Phase IV)	324,886	-
Rehabilitation of Taxiway M & F	7,237,570	-
Security Checkpoint Expansion	1,160,253	947,054
South Business Park	102,776	-
Modernization of Communications Center	44,916	139,487
Integrated Operations Center	361,844	132,637
Rehabilitation of Taxiway G & H (Phase I)	-	110,504
Demo Old Terminal Building	184,116	-
Remodel & Upgrade West Lav Dump	67,760	-
Airport Telephone System	117,482	-
Fleet Improvement (Phase III)	298,476	-
Fleet Improvement (Phase IV)	865,382	-
Airport Master Plan Update	369,903	248,475
Runway 12/30 (Design)	-	2,300
Rehabilitation of Taxiways G & H (Phase IV)	-	44,837
Runway 12/30 (Construction)	455,241	1,914,429
WAD South Taxilane and Parking Ramp (Design)	-	129,809
Airfield Guidance and Hold Signs	-	77,176
Interior Signage	47,168	34,228
Defense Access Roads	80,297	6,210,201
Checked Baggage Inspection System	7,193,308	4,217,113
Public Parking Shuttle	-	-
Miscellaneous other Airport Improvements	<u>81,465</u>	<u>85,896</u>
Total	<u>\$ 29,081,053</u>	<u>\$ 14,897,409</u>

Acquisitions are funded using a variety of financing techniques, including federal grants, passenger facility charges, customer facility charges, issuance of airport system revenue bonds, loans, capital leases and the Airport's capital fund.

Additional information regarding capital assets can be found in Note C(2).

### **Request for Information**

This financial report is designed to provide a general overview of the Airport's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to: June Eveland, Airport Accounting Manager, Colorado Springs Airport, 7770 Milton E. Proby Parkway, Suite 50, Colorado Springs, Colorado, 80916 or by email to [jevland@springsgov.com](mailto:jevland@springsgov.com).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENT OF NET POSITION  
December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Unrestricted cash and investments	\$ 32,890,072	\$ 32,331,745
Restricted cash and investments- passenger facility charges	312,052	2,586,552
Restricted cash and investments - bond reserves	6,107,572	6,052,616
Accounts receivable (net allowances of \$2,225 and \$22,583)	2,871,962	3,155,673
Restricted accounts receivable- passenger facility charges	154,622	206,598
Inventory	<u>143,127</u>	<u>130,747</u>
 Total current assets	 <u>42,479,407</u>	 <u>44,463,931</u>
<b>NONCURRENT ASSETS</b>		
Restricted assets		
Investments	<u>5,459,865</u>	<u>5,468,053</u>
 Unamortized bond issuance costs	 <u>452,601</u>	 <u>530,044</u>
 Note receivable	 <u>1,937,172</u>	 <u>1,984,060</u>
 Capital assets		
Land	18,416,793	18,423,581
Buildings	95,272,291	94,081,479
Improvements other than buildings	199,371,826	173,167,137
Machinery and equipment	23,153,458	10,662,102
Infrastructure	34,868,798	27,218,569
Vehicles	5,411,447	4,360,539
Construction in progress	4,897,631	24,880,583
Less accumulated depreciation	<u>(125,929,913)</u>	<u>(109,416,940)</u>
 Total capital assets (net of accumulated depreciation and amortization)	 <u>255,462,331</u>	 <u>243,377,050</u>
 Total noncurrent assets	 <u>263,311,969</u>	 <u>251,359,207</u>
 Total assets	 <u>\$ 305,791,376</u>	 <u>\$ 295,823,138</u>

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENT OF NET POSITION  
December 31, 2012 and 2011

	2012	2011
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of revenue bonds payable	\$ 3,350,000	\$ 3,180,000
Current portion of notes payable	671,786	649,106
Current portion of capital lease	151,690	141,464
Accounts payable	5,470,180	3,065,033
Accrued salaries and benefits	202,817	193,731
Compensated absences	34,983	27,974
Due to other City funds/CSU	118,770	27,005
Deferred revenue and other tenant deposits	589,518	1,078,524
	10,589,744	8,362,837
Total current liabilities		
NONCURRENT LIABILITIES		
Compensated absences	664,687	531,511
Revenue bonds payable	35,942,493	39,204,809
Notes payable	2,753,704	3,422,939
Capital lease	39,606	191,296
	39,400,490	43,350,555
Total noncurrent liabilities		
	49,990,234	51,713,392
Total liabilities		
NET POSITION		
Net investment in capital assets	218,369,494	202,686,807
Restricted for passenger facility charges	466,674	2,793,150
Restricted for bond reserves	11,567,437	11,520,669
Unrestricted	25,397,537	27,109,120
	255,801,142	244,109,746
Total net position		
	\$ 255,801,142	\$ 244,109,746

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
Year ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Airline revenues	\$ 6,950,602	\$ 7,959,261
Terminal building concessions	1,598,197	1,542,808
Parking concessions	5,227,055	4,974,074
Landside commercial concessions	3,636,968	3,634,536
Other charges	2,445,115	2,249,476
Total operating revenues	19,857,937	20,360,155
Operating expenses		
Salaries and benefits	8,467,180	8,227,876
Other operating expenses	5,875,050	6,172,027
Depreciation	16,991,200	10,851,764
Total operating expenses	31,333,430	25,251,667
Operating loss	(11,475,493)	(4,891,512)
Non-operating revenues (expenses)		
Investment income	465,831	775,234
Passenger facility charges	2,191,195	2,168,845
Customer facility charges	833,900	812,873
Operating grants	191,306	156,546
Interest expense	(2,279,901)	(2,451,783)
Gain/loss on disposal of capital assets	(31,645)	(262,167)
Total non-operating revenues	1,370,686	1,199,548
Loss before contributions	(10,104,807)	(3,691,964)
Capital grants	21,796,203	12,630,322
Change in net position	11,691,396	8,938,358
Total net position – beginning of year	244,109,746	235,171,388
Total net position – end of year	\$ 255,801,142	\$ 244,109,746

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF CASH FLOWS  
Year ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Receipts from customers	\$ 19,295,543	\$ 20,209,257
Receipts from interfund services provided	69,794	69,794
Payments to suppliers	(1,097,306)	(6,321,341)
Payments to employees	(8,349,147)	(8,268,292)
Payments for interfund services used	(671,210)	(820,426)
Net cash provided by operating activities	9,247,674	4,868,992
Cash flows from noncapital financing activities		
Operating grant	191,306	159,751
Net cash provided by noncapital financing activities	191,306	159,751
Cash flows from capital and related financing activities		
Capital grant	21,949,167	15,616,748
Capital expenditures	(26,234,277)	(10,935,184)
Passenger facility charges	2,243,141	2,160,850
Customer facility charges	887,267	771,140
Principal payments on loans	(649,106)	(625,715)
Interest payments on loans	(237,666)	(261,056)
Principal payments on revenue bonds	(3,180,000)	(3,020,000)
Interest payments on revenue bonds	(2,056,363)	(2,217,513)
Payment from accounts payable incurred for fixed asset additions	1,587,036	(417,016)
Net cash (used in) provided by capital and related financing activities	(5,690,801)	1,072,254
Cash flows from investing activities		
Interest received on investments	283,260	649,222
Purchases of investments	(29,681,100)	(38,739,932)
Proceeds from sales and maturities of investments	25,863,995	30,533,671
Net cash (used in) investing activities	(3,533,845)	(7,557,039)
Net increase (decrease) in cash and cash equivalents	214,334	(1,456,042)
Cash and cash equivalents – beginning of year	1,900,268	3,356,310
Cash and cash equivalents – end of year	2,114,602	1,900,268
Investments	42,654,959	44,538,698
Cash and investments	\$ 44,769,561	\$ 46,438,966
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	\$ 32,890,072	\$ 32,331,745
Restricted cash and investments	11,879,489	14,107,221
Total cash and investments	\$ 44,769,561	\$ 46,438,966

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF CASH FLOWS - CONTINUED  
Year ended December 31, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (11,475,493)	\$ (4,891,512)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	16,991,200	10,851,765
(Increase) in assets		
Receivables	(126,597)	(12,459)
Due from other City funds	-	(15)
Increase (decrease) in liabilities		
Accounts payable	4,106,534	(898,172)
Accrued salaries, benefits, and sick leave benefits	149,271	(40,415)
Due to other City funds	91,765	(71,572)
Deferred revenue and other tenant deposits	(489,006)	(68,628)
Net cash provided by operating activities	\$ 9,247,674	\$ 4,868,992

Noncash capital and related financing and investing activities:

The Airport had unrealized gains of \$208,586 and \$126,012, for the years ended December 31, 2012 and 2011, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$3,999,339 and \$2,412,303 as of December 31, 2012 and 2011, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

The City of Colorado Springs owns and operates the Colorado Springs Municipal Airport (Airport), which provides air transportation services for Colorado Springs, El Paso County, and surrounding communities. The Airport is located in the southeastern part of the City of Colorado Springs, Colorado.

The City, as lessor, has entered into lease agreements with various airlines, rental car companies, terminal concession operators, general aviation service providers, and business park tenants. The agreements cover not only the lease of airport building space and land to the lessees but also the lessees' payment of fees to the Airport based on the lessees' revenues. In addition, the City is a party to a parking management contract in which the City receives all revenues from its public parking facility and pays operating expenses and a management fee to the operator. Substantially all Airport revenue is generated from these agreements.

The Airport is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the financial position of the Airport. These financial statements do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

A Director of Aviation directs and manages the Airport. This Director reports to the City's Chief of Economic Vitality who reports to an elected Mayor. Major policy decisions are subject to the approval of the City Council.

2. *Measurement focus, basis of accounting, and financial statement presentation*

Airport funds are accounted for using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Airport distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Assets, liabilities, and net position*

A. Deposits and investments

The Airport's cash and cash equivalents are considered to be cash on hand, demand deposits, repurchase agreements, and amounts in the pooled cash and investment accounts of the City of Colorado Springs.

Investments are stated at fair value determined by quoted market prices.

B. Capital assets and depreciation

Capital assets are carried at cost. The Airport capitalizes acquired property that is of a tangible nature, has an estimated useful life of three years or more, and has a value of at least \$5,000.

Depreciation of capital assets for the Airport is provided for using the straight-line method based on the estimated service lives of the assets, which are as follows:

Buildings	10 – 40 years
Improvements other than buildings	25 years
Machinery and equipment	5 – 25 years
Infrastructure	30 years
Vehicles	3 – 15 years

Interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during 2012.

Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred.

C. Inventory

The Airport maintains a small amount of parts on hand for the repair and maintenance of snow removal equipment and other vehicles. The inventory is carried at purchase cost.

D. Compensated absences

The Airport's employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation and sick leave benefits at year-end is accrued and shown on the balance sheet.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Restricted net position

In accordance with applicable bond ordinance provisions and federal regulations, certain cash and investments are restricted and have been included in the accompanying balance sheets as restricted cash and investments. Additionally, the bond ordinance and federal regulations also require restriction of net position for specific purposes, including operating expense reserves, debt service reserves, and approved capital improvement projects. Net asset amounts required to be restricted are shown in the accompanying balance sheets as restricted net position.

F. Passenger facility charges

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA-approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as runway and taxiway rehabilitations, security enhancements, roadway upgrades, and drainage improvements. Governmental Accounting Standards Board (GASB) 34 requires PFCs be recognized when earned, not when received. Unspent PFC revenue is recorded in the financial statements as restricted cash and restricted net position.

G. Customer facility charges

In 1994, the City of Colorado Springs issued \$6,093,000 aggregate principal amount of its Special Facility Bonds to finance the construction of service and storage facilities for rental car companies located on the Airport. The customer facility charge (CFC) was originally established to pay the debt service and expired on September 1, 2004. When the bonds were retired, there was an excess within the fund of \$3,576,541. Per the bond documents, these funds were given to the Airport where \$250,000 was set aside as reserved funds per the rental car agreement and the remaining was recorded as CFC revenue on the financial statements.

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

H. Unamortized bond issue costs

Unamortized bond issue costs are amortized over the life of the bond issue using the effective interest method.

4. *Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. *Budgetary information*

In accordance with City Charter, the Airport is required to submit a balanced budget to City Council on or before the third Monday of November of each year. The budget is reviewed and modified as appropriate and an appropriation ordinance is prepared to adopt the budget no later than December 31 of each year. Annual appropriations lapse at year-end. The budget of the Airport is prepared on a modified accrual, non-GAAP, basis of accounting.

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), a reconciliation of resultant basis, timing, and perspective for the years ended December 31, 2012 and 2011, is presented below:

	2012	2011
Operating expenses (US GAAP basis)	\$ 31,333,430	\$ 25,251,667
Non-operating expenses (US GAAP basis)	2,279,901	2,451,783
	33,613,331	27,703,450
Less: Depreciation expense	(16,991,200)	(10,851,764)
Add: Capital expenditures (accrual basis)	29,272,028	15,027,958
Expenditures (budgetary basis)	\$ 45,894,159	\$ 31,879,644
 Appropriations	 \$ 83,602,901	 \$ 57,192,852

NOTE C – DETAILED NOTES

1. *Deposits and investments*

The City of Colorado Springs pools the cash and investments of its funds, including the Airport. The City's pooled cash and investments as of December 31, 2012 and 2011, amounted to \$166,451,638 and \$157,990,686, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2012 and 2011 was \$39,309,696 and \$40,970,913, respectively. The Airport's portion was approximately 23.6% and 25.9% of the total pooled cash and investments of the City as of December 31, 2012 and 2011. The pooled cash and investments of the City and the Airport as of December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
	City	Airport	City	Airport
Cash on hand	\$ 15,793	\$ 3,728	\$ 14,454	\$ 3,748
Deposits				
Demand, time deposits	7,668,550	1,809,778	7,289,648	1,890,392
Investments	158,767,295	37,496,190	150,686,584	39,076,773
Total pooled cash and investments	\$ 166,451,638	\$ 39,309,696	\$ 157,990,686	\$ 40,970,913

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Restricted investments

As of December 31, 2012 and 2011, the Airport’s restricted investments are comprised of \$5,459,865 and \$5,468,053, respectively, and represent reserves required by the Airport’s bond ordinance.

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds, and the market value of the securities in the pool is required to be in excess of one hundred two percent of the financial institution’s total uninsured public deposits.

As of December 31, 2012 and 2011, the bank balance of the City of Colorado Springs’ bank deposits exclusive of cash not included in pooled cash and investments was \$10,667,491 and \$10,288,520, respectively. As of December 31, 2012, of the total bank deposits, \$10,667,491 was covered by Federal Depository Insurance. As of December 31, 2011, of the total bank deposits, \$10,288,520 was covered by Federal Depository Insurance. The Airport’s share of those amounts as of December 31, 2012 and 2011 was \$1,809,778 and \$1,894,140, respectively.

The City of Colorado Springs and the Airport’s investments are subject to interest rate, credit, and concentration of credit risk. The City has adopted an Investment Policy requiring all investments be made in accordance with Colorado Revised Statutes. As a means of limiting its exposure to fair value losses arising from rising interest, the City’s investment policy limits investment maturities to five years.

As of December 31, 2012, the detail of pooled cash and investments held for the City and the Airport is as follows:

Investment Type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	\$ 165,494	\$ 39,085	0.00
Colorado Statewide Investment Program	6,367,394	1,503,792	0.00
Commercial paper	4,996,922	1,180,127	0.13
US Treasury securities	42,674,708	10,078,517	2.80
US Instrumentality securities	77,038,113	18,194,148	2.68
Corporate fixed-income securities	3,575,505	844,430	2.11
Municipal bonds	23,949,159	5,656,091	1.52
Total fair value	158,767,295	37,496,190	
Portfolio weighted average maturity			2.33
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	7,684,343	1,813,506	
	\$ 166,451,638	\$ 39,309,696	

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

As of December 31, 2011, the detail of pooled cash and investments held for the City and the Airport was as follows:

Investment Type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	\$ 42,093	\$ 10,916	0.00
Colorado Statewide Investment Program	20,633,516	5,350,783	0.00
Colorado Liquid Asset Trust	13	4	0.00
Commercial paper	1,999,678	518,567	0.18
US Treasury securities	37,273,240	9,665,876	3.09
US Instrumentality securities	84,504,519	21,914,119	2.32
Corporate fixed-income securities	6,233,525	1,616,508	1.99
<b>Total fair value</b>	<b>150,686,584</b>	<b>39,076,773</b>	
Portfolio weighted average maturity			2.15
Reconciliation to Total Pooled Cash and Investments	7,304,102	1,894,140	
Add: Cash on hand and in banks			
	<u>\$ 157,990,686</u>	<u>\$ 40,970,913</u>	

Credit Quality Distribution for Securities as a Percentage of Total Investments:

	S&P Rating	2012 % of Total	2011 % of Total
Money market mutual funds	AAA	0.10%	0.03%
Colorado Statewide Investment Program	AAAm	4.01%	13.69%
Commercial paper	A-1	3.15%	1.33
US Treasury Securities	AA	26.88%	24.74%
US Instrumentality Securities	AA	48.52%	56.07%
Municipal bonds	AAA	0.92%	-
Municipal bonds	AA	1.33%	-
Domestic corporate fixed income securities	AAA	0.70%	0.74%
Domestic corporate fixed income securities	AA	13.90%	2.54%
Domestic corporate fixed income securities	A	0.49%	0.86%
		<u>100%</u>	<u>100%</u>

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NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

The City's investments in COLOTRUST are rated AAAM by Standard & Poor's. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following addresses:

COLOTRUST  
1600 Broadway, Suite 1100  
Denver, CO 80202  
[www.colotrust.com](http://www.colotrust.com)

During 2012, the City invested in the PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the Trust). The Trust is an open-end, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high-quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's. PFM Asset Management LLC services as the investment advisor, administrator, and transfer agent. Shares of the fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority. U.S. Bank N.A. serves as the custodian and acts as safekeeping agent. As of December 31, 2012 and 2011, the City had \$6,367,394 and \$20,633,516, respectively, invested in the PFM Funds Prime Series, of which \$1,503,792 and \$5,350,783 at December 31, 2012 and 2011, respectively, related to the Airport.

To obtain financial statements for PFM Funds Prime Series, Colorado Investors Class, you may visit its website at [www.csipinvest.com](http://www.csipinvest.com).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
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NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 94,081,479	\$ 1,240,164	\$ (49,352)	\$ 95,272,291
Improvements other than buildings	173,167,137	26,591,424	(386,735)	199,371,826
Machinery and equipment	10,662,102	12,503,626	(12,270)	23,153,458
Vehicles	4,360,539	1,184,348	(133,440)	5,411,447
Infrastructure	27,218,569	7,650,229	-	34,868,798
Total capital assets Being depreciated	<u>309,489,826</u>	<u>49,169,791</u>	<u>(581,797)</u>	<u>358,077,820</u>
Less accumulated depreciation for:				
Buildings	(40,134,611)	(2,630,007)	43,184	(42,721,434)
Improvements other than buildings	(55,542,272)	(12,702,012)	295,097	(67,949,187)
Machinery and equipment	(5,043,052)	(740,085)	12,270	(5,770,867)
Vehicles	(3,795,626)	(141,952)	127,676	(3,809,902)
Infrastructure	(4,901,379)	(777,144)	-	(5,678,523)
Total accumulated depreciation	<u>(109,416,940)</u>	<u>(16,991,200)</u>	<u>478,227</u>	<u>(125,929,913)</u>
Total capital assets Being depreciated, net	<u>200,072,886</u>	<u>32,178,591</u>	<u>(103,570)</u>	<u>232,147,907</u>
Capital assets not being depreciated:				
Land	18,423,581	-	(6,788)	18,416,793
Construction in progress	24,880,583	29,081,053	(49,064,005)	4,897,631
Total capital assets, not being depreciated	<u>43,304,164</u>	<u>29,081,053</u>	<u>(49,070,793)</u>	<u>23,314,424</u>
Capital assets, net	<u>\$ 243,377,050</u>	<u>\$ 61,259,644</u>	<u>\$ (49,174,363)</u>	<u>\$ 255,462,331</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

2. *Capital assets – continued*

Capital assets activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 94,535,740	\$ -	\$ (454,261)	\$ 94,081,479
Improvements other than buildings	161,991,560	11,175,577	-	173,167,137
Machinery and equipment	10,750,953	37,161	(126,012)	10,662,102
Vehicles	4,314,503	66,161	(20,125)	4,360,539
Infrastructure	26,796,307	422,262	-	27,218,569
Total capital assets being depreciated	<u>298,389,063</u>	<u>11,701,161</u>	<u>(600,398)</u>	<u>309,489,826</u>
Less accumulated depreciation for:				
Buildings	(37,646,676)	(2,673,895)	185,960	(40,134,611)
Improvements other than buildings	(48,967,297)	(6,574,975)	-	(55,542,272)
Machinery and equipment	(4,420,248)	(715,466)	92,662	(5,043,052)
Vehicles	(3,701,948)	(113,803)	20,125	(3,795,626)
Infrastructure	(4,127,753)	(773,626)	-	(4,901,379)
Total accumulated depreciation	<u>(98,863,922)</u>	<u>(10,851,765)</u>	<u>298,747</u>	<u>(109,416,940)</u>
Total capital assets being depreciated, net	<u>199,525,141</u>	<u>849,396</u>	<u>(301,651)</u>	<u>200,072,886</u>
Capital assets not being depreciated:				
Land	18,423,581	-	-	18,423,581
Construction in progress	21,942,197	14,536,224	(11,597,838)	24,880,583
Total capital assets, not being depreciated	<u>40,365,778</u>	<u>14,536,224</u>	<u>(11,597,838)</u>	<u>43,304,164</u>
Capital assets, net	<u>\$ 239,890,919</u>	<u>\$ 15,385,620</u>	<u>\$ (11,899,489)</u>	<u>\$ 243,377,050</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
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NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable*

In April 2007, the City of Colorado Springs issued \$3,725,000 and \$8,500,000 of Refunding Airport System Revenue Bonds, Series 2007A and 2007B, for a current refunding of \$9,345,000 and \$2,625,000 of 1996A and 1996B Airport System Revenue Bonds, respectively. The refunding was undertaken to reduce annual future debt service payments. The reacquisition price was above the net carrying amount of the old debt by \$211,363. This amount is being netted against the new debt and amortized over the new debt's life, which is two years longer than the life of the old debt. The Series 2007A bonds, of which \$3,725,000 mature from 2007 to 2021, have interest rates ranging from 4.00% to 4.50%. The Series 2007B bonds, of which \$8,500,000 mature from 2007 to 2023, have interest rates ranging from 4.00% to 5.00%.

In December 2002, the City of Colorado Springs issued \$43,005,000 of Refunding Airport System Revenue Bonds, Series 2002A for a current refunding of \$41,650,000 of 1992A Airport System Revenue Bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price was above the net carrying amount of the old debt by \$1,049,331. This amount is being netted against the new debt and amortized over the old debt's life, which is equal to the life of the new debt. The Series 2002A Serial bonds, of which \$18,270,000 mature from 2004 to 2015, have interest rates ranging from 3.00% to 5.50% and of which \$3,350,000 mature in 2018 with an interest rate of 4.75%. Series 2002A term bonds of \$6,255,000 and \$15,130,000 are due from 2016 to 2017 and 2019 to 2022, respectively, and have interest rates of 4.75% and 5.00%, respectively.

In December 1996, the City of Colorado Springs issued \$12,450,000 Airport System Revenue Bonds, Series 1996A and \$3,485,000 Airport System Revenue Bonds, Series 1996B for the purposes of paying a portion of the costs of capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance. The 1996A and the 1996B bonds were refunded during 2007 by the 2007A and 2007B Airport Refunding Revenue Bonds outlined above.

In October 1992, the City of Colorado Springs, Colorado issued \$47,390,000 Airport System Revenue Bonds, Series 1992A, \$9,000,000 Airport System Revenue Bonds, Series 1992B and \$6,582,687 Airport System Revenue Bonds, Series 1992C for the purposes of paying a portion of the costs of a new terminal building and other capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance. The 1992A bonds were refunded during 2002 by the 2002A Airport Refunding Revenue Bonds outlined above. The Series 1992B bonds were redeemed during 1994.

All bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance. The Airport issued these revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as Airport revenue bonds to finance construction projects.

	Amount Pledged	Term of Commitment
Airport Revenue Bonds	\$55,649,862	2002-2023

Colorado Springs Municipal Airport  
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NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

The total pledged revenue is not estimatable in comparison to pledged debt because future revenue levels may vary. The bond debt coverage requirement for each issue must be met or the bonds will be in default which provides sufficient coverage each year for the pledged debt. The debt service coverage or comparison of pledged revenues net of specific operating expenses for the pledged debt is presented in the Supplementary Information for these financial statements.

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2012:

Year Ending December 31,	2007A		2007B		2002A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	250,000	98,788	330,000	291,363	2,770,000	1,496,488	3,350,000	1,886,639
2014	260,000	88,788	340,000	278,163	2,920,000	1,344,138	3,520,000	1,711,089
2015	270,000	78,388	355,000	264,563	3,055,000	1,212,738	3,680,000	1,555,689
2016	280,000	67,588	480,000	250,363	3,200,000	1,067,625	3,960,000	1,385,576
2017	295,000	56,387	585,000	231,162	3,350,000	915,625	4,230,000	1,203,174
2018-2022	1,105,000	103,351	3,805,000	764,976	15,130,000	1,937,500	20,040,000	2,805,827
2023	-	-	1,040,000	45,500	-	-	1,040,000	45,500
Totals	<u>\$ 2,460,000</u>	<u>\$ 493,290</u>	<u>\$ 6,935,000</u>	<u>\$ 2,126,090</u>	<u>\$ 30,425,000</u>	<u>\$ 7,974,114</u>	<u>\$ 39,820,000</u>	<u>\$ 10,593,494</u>

Colorado Springs Municipal Airport  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

4. *Note Payable/Note Receivable*

On May 16, 2006, the Airport entered into a loan agreement, not to exceed \$3,047,514, with U.S. Bank National Association to fund improvements to a parcel of land in the Airport’s Business Park. The improvements consist of infrastructure development, including utility lines, roads, and general grading in order to prepare the property for development. The loan is collateralized by real property. The total amount outstanding as of December 31, 2012 is \$2,078,150. Loan payments through October 2030, will be made with funds derived from a surcharge, above and beyond the monthly land lease, that is collected from the tenant.

Related to the Note Payable is a Note Receivable that represents the tenant’s infrastructure surcharge payment discussed above. The ground lease for the land parcel has been structured such that it contains two components. The first component is the ground rent. The second component of the lease is a surcharge in the exact amount needed to repay the commercial loan. This revenue stream will be used strictly to repay the loan and will be kept separate from the flow of funds associated with the Airline Use and Lease Agreement.

The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2012:

Year Ending December 31,	Payment	Interest	Principal
2013	\$ 228,696	\$ 174,566	\$ 54,130
2014	228,696	169,536	59,160
2015	228,696	164,307	64,389
2016	228,696	158,616	70,080
2017	228,696	152,421	76,275
2018-2022	1,143,480	648,238	495,242
2023-2027	1,143,480	387,096	756,384
2028-2030	554,768	52,278	502,490
Totals	<u>\$ 3,985,208</u>	<u>\$ 1,907,058</u>	<u>\$ 2,078,150</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

4. *Note Payable/Note Receivable – continued*

On December 19, 2007, the Airport entered into a loan agreement in the amount of \$3,500,000 with the Colorado Department of Transportation to fund improvements to public roadway signage and to resurface the entry/exit roads to the Airport. The interest rate on the loan is 3.0%. Debt service payments on this loan will be made from PFC revenues. This loan matures on November 2, 2014. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2012:

Year Ending December 31,	Payment	Interest	Principal
2013	\$ 561,772	\$ 32,248	\$ 529,524
2014	561,772	16,363	545,409
Totals	<u>\$ 1,123,544</u>	<u>\$ 48,611</u>	<u>\$ 1,074,933</u>

On July 3, 2008, the Airport entered into a loan agreement in the amount of \$600,000 with the Colorado Department of Transportation to purchase equipment to enhance snow removal capabilities. Debt service payments on this loan will be made from PFC revenues. This loan matures on July 3, 2015. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2012:

Year Ending December 31,	Payment	Interest	Principal
2013	\$ 96,304	\$ 8,172	\$ 88,132
2014	96,304	5,528	90,776
2015	96,304	2,805	93,499
Totals	<u>\$ 288,912</u>	<u>\$ 16,505</u>	<u>\$ 272,407</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
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NOTE C – DETAILED NOTES – Continued

5. *Leases*

The Airport leases facilities and land to various airlines, concessionaires, and others. Substantially all of the leases are operating leases for land, buildings, and terminal space. The leases contain provisions for cancellation by either party if certain conditions are met. The car rental agreement expired on January 31, 2012, and continues under a month-to-month basis while a new agreement is negotiated. The airline agreement expires on December 31, 2013, with negotiations currently underway on a new agreement that will take effect on January 1, 2014. The Airport fully anticipates executing new airline and car rental agreements that contain similar terms to the existing agreement. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2012:

Year Ending December 31,		
2013	\$	3,253,451
2014		2,082,716
2015		1,292,781
2016		1,039,084
2017		948,947
2018-2022		4,374,137
2023-2027		4,039,116
2028-2032		3,770,440
2033-2037		3,590,139
2038-2042		3,232,480
2043-2047		2,228,915
2048-2052		1,927,315
2053-2057		1,166,590
2058-2062		20,577
	<u>\$</u>	<u>32,966,688</u>

Minimum future rentals do not include contingent rentals, which may be received under certain leases on the basis of revenue, fuel flow, or number of uses. Contingent rentals amounted to \$525,945 and \$473,472 for the years ended December 31, 2012 and 2011, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

5. *Leases – continued*

The following is an analysis of the Airport’s investment in property on operating leases and property held for lease by major classes as of the dates indicated:

	December 31, 2012	December 31, 2011
Land	\$ 18,416,793	\$ 18,423,581
Buildings	95,272,291	94,081,479
Improvements other than buildings	199,371,826	173,167,137
Infrastructure	34,868,798	27,218,570
	347,929,708	312,890,767
Less accumulated depreciation	(116,349,144)	(100,578,263)
	\$ 231,580,564	\$ 212,312,504

Additionally, the United States Air Force leases property from the City pursuant to a ninety-nine year lease, and in turn, Peterson Air Force Base furnishes all aircraft rescue and firefighting services at the Airport as annual contributions (in-kind services) in lieu of payment of landing fees under the lease.

In 2009, the Airport entered into a capital lease with AMPCO System Parking to furnish a parking revenue management system. The system acquired by this lease has been capitalized in the Airport’s financial statements.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 are as follows:

Year Ending December 31,	Minimum Lease Obligation
2013	\$ 160,275
2014	40,068
Minimum lease obligation	200,343
Amount representing interest	(9,047)
Present value of net minimum payments	\$ 191,296
Less: Current portion	(151,690)
Noncurrent capital lease	\$ 39,606

Colorado Springs Municipal Airport  
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NOTE C – DETAILED NOTES – Continued

5. *Leases – continued*

This capital lease agreement has been included as an asset as follows:

	December 31, 2012	December 31, 2011
Machinery and equipment	\$ 674,519	\$ 674,519
Less accumulated depreciation	(250,134)	(182,683)
Net capitalized lease property	\$ 424,385	\$ 491,836

6. Changes in long-term liabilities

Long-term liabilities activity for the year ended December 31, 2012, was as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Revenue bonds	\$ 43,000,000	\$ -	\$ (3,180,000)	\$ 39,820,000	\$ 3,350,000
Deferred amounts					
on refundings	(524,764)	-	74,545	(450,219)	(76,372)
Bond discount	(90,427)	-	13,139	(77,288)	(13,140)
Total bonds payable	42,384,809	-	(3,092,316)	39,292,493	3,260,488
Note payable	4,072,045	-	(646,555)	3,425,490	671,786
Capital lease	332,760	-	(141,464)	191,296	151,690
Compensated absences- accrued sick and vacation benefits	559,485	835,595	(695,410)	699,670	34,983
Long-term liabilities	\$ 47,349,099	\$ 835,595	\$ (4,575,745)	\$ 43,608,949	\$ 4,118,947

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE C – DETAILED NOTES – Continued

6. *Changes in long-term liabilities – continued*

Long-term liabilities activity for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Revenue bonds	\$ 46,020,000	\$ -	\$ (3,020,000)	\$ 43,000,000	\$ 3,092,315
Deferred amounts on refundings	(595,495)	-	70,731	(524,764)	74,545
Bond discount	(103,817)	-	13,390	(90,427)	13,140
Total bonds payable	45,320,688	-	(2,935,879)	42,384,809	3,180,000
Note payable	4,697,760	-	(625,715)	4,072,045	649,106
Capital lease	464,688	-	(131,928)	332,760	141,464
Compensated absences- accrued sick and vacation benefits	630,598	442,660	(513,773)	559,485	27,974
Long-term liabilities	<u>\$ 51,113,734</u>	<u>\$ 442,660</u>	<u>\$ (4,207,295)</u>	<u>\$ 47,349,099</u>	<u>\$ 3,998,544</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

7. *Interfund balances*

The composition of interfund balances as of December 31, 2012, is as follows:

	December 31, 2012	December 31, 2011
Due to support services fund	\$ 4,420	\$ -
Due to CSU	114,350	17,005
Due to general fund	-	10,000
	\$ 118,770	\$ 27,005

8. *Commitments*

As of December 31, 2012, the Airport had commitments outstanding, in the form of contracts and purchase orders, of approximately \$4,057,816 primarily for construction projects and equipment.

NOTE D – OTHER INFORMATION

1. *Risk management*

The City of Colorado Springs has established a risk management division to coordinate and administer workers' compensation, property, and general liability insurance programs for all of its activities and operations. For workers' compensation coverage, the City has purchased commercial insurance to cover losses in excess of \$750,000 per occurrence. The City pays losses less than this amount through its Workers Compensation Self-Insurance Fund. The Airport is included in the Workers' Compensation Self-Insurance program. For property coverage, the Airport has purchased a commercial insurance policy with varying deductibles. All deductibles related to this policy are paid from Airport operating funds. General liability coverage for the Airport is purchased from commercial carriers for losses up to \$200,000,000. No claims were incurred in excess of the coverage for 2012, 2011 or 2010.

2. *Post-retirement health care and life insurance benefits*

In accordance with the City of Colorado Springs' Personnel Policy, the Airport offers a health care plan, including life insurance benefits, to retirees with the Airport's contribution determined by City Council. Employees retiring prior to 1979 receive this health care plan benefit without cost to the employee. Those retiring during or after 1979 and hired prior to August 1, 1988, receive a limited Airport contribution not to exceed \$91.40 per month.

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NOTE D – OTHER INFORMATION – Continued

2. *Post-retirement health care and life insurance benefits – continued*

Benefits were provided as follows:

	Year Ended December 31,	
	2012	2011
Retirees with full coverage	-	-
Retirees with partial coverage	29	29
	29	29
Cost of retirement benefits	\$ 24,261	\$ 24,269

Post-retirement health care and life insurance benefits are funded through current revenue sources appropriated and accounted for in the City’s annual budget.

3. *Retirement plans*

A. Defined Benefit Pension Plan

Plan Description: The City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). Prior to January 1, 2006, the LGDTF was known as the Municipal Division Trust Fund (MDTF). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All permanent employees, except uniformed police and fire, of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish and amend benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: Plan members and the City are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of the plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the City it is 10% of covered salary. A portion of the City’s contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see note D.3.B Post-employment Health Care Benefits). Beginning July 1, 2005, if the City rehired a PERA retiree as an employee or under any other work arrangement, it was required to report and pay employer contributions on the amounts paid for the retiree; however, no member contributions are required. The City is also required to pay an amortization equalization disbursement (AED) equal to 2.2% of the total payroll. Additionally, the City is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5% of the total payroll. The Airport’s contributions to LGDTF for the years ended December 31, 2012, 2011, and 2010, were \$685,271, \$679,595, and \$674,175, respectively, equal to the required contributions for each year.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans – continued*

B. Post-employment Health Care Benefits

Plan Description: The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish and amend the HCTF benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: The City is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute, which is included in the contribution rate of 13.7% of covered salary. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Airport's contributions to HCTF for the years ending December 31, 2012, 2011, and 2010, were \$51,005, \$50,598, and \$50,194, respectively, equal to their required contributions for each year.

C. Defined Contribution Plan

Plan Description: The LGDTF members of the City may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the state legislature.

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the Internal Revenue Service (\$17,000 for 2012 and \$16,500 for 2011 calendar years). There is a catch-up provision that allows participants age 50 and older who are contributing the maximum to contribute an additional \$5,000 annually to their account. The 401(k) Plan member contributions from the Airport for the years ended December 31, 2012, 2011, and 2010, were \$62,000, \$63,870, and \$67,836, respectively.

D. Uniformed Employee Defined Benefit Plan

All fire and police officers of the City participate in one of five agent, multiple-employer, defined benefit pension plans, depending upon their status as a police or fire officer and their hire date (Old Hire/Alternate/Statewide). The Alternate Fire and Alternate Police plans were merged into the FPPA Defined Benefit System known as the Colorado Springs New Hire Pension Plan (CSNHPP) on October 1, 2006. As a function of the merger, FPPA is the plan administrator for the CSNHPP. FPPA Board of Directors functions as the trustee and pension board for CSNHPP and administers the benefits under the CSNHPP plan as well as the statewide plan. The Old Hire plans will continue to be administered jointly by the City and FPPA. The plans are included as pension trust funds. FPPA issues

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans – continued*

a publicly available annual financial report that includes financial statements and required supplementary information. That report can be obtained by writing to: Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721 or by calling FPPA at 303-770-3772.

4. *Disclosures about fair value of financial instruments*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Restricted assets – investments and cash and investments

The carrying amount approximates fair value because of the short maturity of most of these instruments. The fair values of some investments are estimated based on quoted market prices for those or similar investments.

Revenue bonds payable

The fair value of the Airport’s revenue bonds payable is estimated based on the quoted market prices of the debt in secondary bond markets.

The estimated fair values of the Airport’s financial instruments are as follows as of December 31, 2012 and 2011:

	December 31, 2012	
	Carrying Amount	Fair Value
Restricted assets – investments	\$ 5,459,865	\$ 5,459,865
Cash and investments	39,309,696	39,309,696
Revenue bonds payable	39,820,000	40,485,861
	December 31, 2011	
	Carrying Amount	Fair Value
Restricted assets – investments	\$ 5,468,053	\$ 5,468,053
Cash and investments	40,970,913	40,970,913
Revenue bonds payable	43,000,000	44,908,650

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

NOTE D – OTHER INFORMATION – Continued

5. *Compliance with OMB Circular A-133*

The Colorado Springs Airport receives funding from the Federal Aviation Administration and the City of Colorado Springs administers these grants. As such, these grants have been audited in accordance with OMB Circular A-133 at the City level.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant. Such audits could lead to reimbursements to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. Management believes disallowances, if any, resulting from any such audits would be immaterial.

6. *Subsequent Events*

Subsequent events have been evaluated through June 19, 2013, which was the date the financial statements were available to be issued. Management has identified the following subsequent event.

In early 2013, Frontier Airlines reported that they would be ending all service at the Colorado Springs Airport as of April 8, 2013. Frontier Airlines accounts for approximately 18% of enplanements.

SUPPLEMENTARY AND OTHER INFORMATION

Colorado Springs Municipal Airport  
Colorado Springs Colorado  
SCHEDULE OF FINANCIAL ACTIVITY PER THE  
BOND ORDINANCE FUNDS AND ACCOUNTS  
Year ending December 31, 2012

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund	Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Customer Facility Account	Totals
			Bond Account	Interest Account				Prepaid Revenue Account	Capital Account			
Beginning balance as of January 1, 2012	\$1,303,235.49	\$0.00	\$0.00	\$0.00	\$5,433,850.00	\$3,944,154.00	\$750,000.00	\$1,358,462.50	\$6,230,581.92	\$600,034.84	\$5,262,326.70	\$24,882,645.45
Add: Commitments as of December 31, 2011	-	\$194,100.23	-	-	-	-	-	-	16,470,669.25	3,752,111.65	-	20,416,881.13
Adjusted balance as of January 1, 2012	1,303,235.49	194,100.23	-	-	5,433,850.00	3,944,154.00	750,000.00	1,358,462.50	22,701,251.17	4,352,146.49	5,262,326.70	45,299,526.58
Calendar year 2012 activity												
Operating Revenues	19,857,937.87											19,857,937.87
Non-Operating Revenues												
Interest Earnings	20,546.70		14,809.92	5,156.80	84,508.64	33,931.22	6,448.44	11,679.96	192,327.79	7,730.76	41,743.45	418,883.68
Passenger facility charges									-	2,191,195.39		2,191,195.39
Customer facility charges											833,899.50	833,899.50
Other revenue (expense)	(24,767.03)								(6,878.80)			(31,645.83)
Operating Transfers In												-
FAA Grant Revenues		182,000.00							21,310,209.03			21,492,209.03
Decrease in O&M Reserve	(54,955.00)					\$54,955.00						-
Sub-total revenues	21,101,998.03	376,100.23	14,809.92	5,156.80	5,518,358.64	4,033,040.22	756,448.44	1,370,142.46	44,196,909.19	6,551,072.64	6,137,969.65	90,062,006.22
Operating Expenses		(14,249,590.01)										(14,249,590.01)
Operating Transfers Out												-
Operating Capital		(190,973.98)										(190,973.98)
Capital Expenses									(24,669,713.09)	(4,411,340.30)		(29,081,053.39)
Non-Operating Expenses												
Debt Service Expenses			(3,180,000.00)	(2,056,362.50)								(5,236,362.50)
Debt Issuance Expense												
Sub-total expenses	-	(14,440,563.99)	(3,180,000.00)	(2,056,362.50)	-	-	-	-	(24,669,713.09)	(4,411,340.30)	-	(48,757,979.88)
Balance before encumbrances, commitments, and transfers	21,101,998.03	(14,064,463.76)	(3,165,190.08)	(2,051,205.70)	5,518,358.64	4,033,040.22	756,448.44	1,370,142.46	19,527,196.10	2,139,732.34	6,137,969.65	41,304,026.34
Encumbrances at December 31, 2012	-	(79,175.00)	-	-	-	-	-	-	(2,886,317.69)	(1,086,113.65)	-	(4,051,606.34)
Other commitments at December 31, 2012												-
Sub-total commitments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers:												
Operating/Maintenance	(14,143,638.76)	14,143,638.76										-
Bond Debt Service	(5,236,362.50)		3,180,000.00	2,056,362.50								-
2012 Bond Ordinance Requirements												-
Income Available for Sharing-City's Portion	(45,383.00)								45,383.00			-
Funding Adj.-Encumbrances/ Working Capital	(73,335.54)								73,335.54			-
Non-Preferential Gate Use Fee	(283,200.00)								283,200.00			-
Net (Rev)/Expense on Fountain Term Site	(8,742.00)								8,742.00			-
Net (Rev)/Expense on Business Park Phase 1	(160,168.00)								160,168.00			-
Repayment of Loans to Capital Account	-								163,675.00			-
Interest to:												-
Airlines	144,855.02	-	(14,809.92)	(5,156.80)	(84,508.64)	(33,931.22)	(6,448.44)					0.00
Capital Account								(11,679.96)	11,679.96			-
Sub-total transfers	(19,805,974.78)	14,143,638.76	3,165,190.08	2,051,205.70	(84,508.64)	(33,931.22)	(6,448.44)	(11,679.96)	746,183.50	-	-	0.00
Ending Balance December 31, 2012	1,296,023.25	-	-	-	5,433,850.00	3,999,109.00	750,000.00	1,358,462.50	17,387,061.91	1,053,618.69	6,137,969.65	37,252,420.00

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINES SERVING THE AIRPORT  
December 31, 2012  
(unaudited)

**Passenger Airlines**

<b><u>Carrier</u></b>	<b><u>Flown by</u></b>
Allegiant Air	
American Airlines	
Continental/Continental Express Airlines	ExpressJet and Skywest
Delta/Delta Connection Air Lines	SkyWest
Frontier	Lynx Aviation and Republic Airlines
United Airlines	ExpressJet, SkyWest, Republic Airlines and Shuttle America

**All-Cargo Airlines**

Fed Ex  
Key Lime

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRLINE TRAFFIC  
For the years ended December 31, 2003-2012  
(unaudited)

Year	Enplaned passengers				Aircraft Operations (No. of Departures)					Enplaned passengers per departure	
	Major/ National Airlines	Regional/ Commuter Airlines	Total	Percent Increase (Decrease)	Major/ National Airlines	Regional/ Commuter Airlines	Cargo Airlines	Total	Percent Increase (Decrease)	Major/ national airlines	Regional/ commuter airlines
2003	755,056	256,587	1,011,643	-5.3%	11,059	7,474	2,032	20,565	-6.7%	68	34
2004	715,187	319,560	1,034,747	2.3%	10,477	9,204	1,926	21,607	5.1%	68	35
2005	720,710	310,123	1,030,833	-0.4%	11,170	7,860	1,823	20,853	-3.5%	65	39
2006	735,077	281,939	1,017,016	-1.3%	10,599	7,244	1,731	19,574	-6.1%	69	39
2007	706,900	326,686	1,033,586	1.6%	10,702	7,148	1,591	19,441	-0.7%	66	46
2008	644,357	353,990	998,347	-3.4%	10,242	7,686	1,272	19,200	-1.2%	63	46
2009	599,399	330,201	929,600	-6.9%	9,529	6,726	826	17,081	-11.0%	63	49
2010	626,212	237,195	863,407	-7.1%	9,785	5,474	860	16,119	-5.6%	64	43
2011	584,139	230,197	814,336	-5.7%	9,494	4,952	880	15,326	-4.9%	62	46
2012	579,635	242,373	822,008	0.9%	9,414	4,297	850	14,561	-5.0%	62	56

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINE SHARES OF ENPLANED PASSENGERS  
For the year ended December 31, 2003 - 2012  
(unaudited)

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012		
	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total									
<b>Major/national airlines</b>																					
Allegiant Air (1)	35,825	3.5%	37,440	3.6%	30,697	3.0%	35,224	3.5%	33,281	3.2%	33,543	3.4%	32,673	3.5%	38,258	4.5%	41,855	5.1%	38,834	4.7%	
America West Airlines (2)	38,249	3.8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
American Airlines	205,365	20.3%	161,958	15.7%	190,594	18.5%	205,064	20.2%	219,085	21.2%	213,341	21.4%	208,535	22.4%	190,462	22.2%	178,324	21.9%	177,505	21.6%	
Continental Airlines (3)	10,295	1.0%	10,581	1.0%	481	0.0%	185	0.0%	-	-	-	-	93	0.0%	-	0.0%	-	0.0%	151	0.0%	
Delta Air Lines (4)	69,157	6.8%	85,216	8.3%	80,364	7.8%	66,019	6.5%	41,539	4.0%	36,371	3.6%	46,526	5.0%	63,279	7.4%	55,533	6.8%	52,719	6.4%	
Midwest Airlines (5)	-	-	-	-	-	-	-	-	11,719	1.1%	4,793	0.5%	-	-	-	-	-	-	-	-	
Northwest Airlines (6)	78,327	7.7%	86,261	8.3%	83,026	8.1%	75,689	7.4%	78,955	7.7%	52,286	5.2%	-	-	8,532	-	-	-	-	-	
United Airlines (7)	317,321	31.4%	332,448	32.1%	334,426	32.4%	351,779	34.6%	321,194	31.1%	302,857	30.3%	310,776	33.5%	325,112	37.8%	306,549	37.7%	308,263	37.5%	
Vanguard Airlines (8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Charters	517	0.1%	1,283	0.1%	1,122	0.1%	1,117	0.1%	1,127	0.1%	1,166	0.1%	796	0.1%	569	0.3%	1,878	0.2%	2,163	0.3%	
	755,056	74.6%	715,187	69.1%	720,710	69.9%	735,077	72.3%	706,900	68.4%	644,357	64.5%	599,399	64.5%	626,212	72.2%	584,139	71.7%	579,635	70.5%	
<b>Regional/commuter airlines</b>																					
America West Express (9)	69,221	6.8%	107,428	10.4%	119,326	11.6%	94,078	9.3%	91,746	8.9%	-	-	-	-	-	-	-	-	-	-	
American Eagle Airline (10)	-	-	-	-	22,239	2.2%	29,866	2.9%	17,338	1.7%	-	-	-	-	-	-	-	-	-	-	
Chautauqua Airlines (11)	1,760	0.2%	5,826	0.6%	-	-	-	-	12,797	1.2%	-	-	-	-	-	-	-	-	-	-	
Comair (12)	25,030	2.5%	28,998	2.8%	30,226	2.9%	25,407	2.5%	18,817	1.8%	5,166	0.5%	-	-	-	-	-	-	-	-	
Continental Express (13)	59,071	5.8%	59,186	5.7%	70,000	6.8%	79,538	7.8%	63,737	6.2%	71,763	7.2%	71,734	7.7%	70,194	8.2%	72,905	9.0%	32,486	4.0%	
Great Plains Airlines (14)	2,772	0.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ExpressJet Airlines (15)	-	-	-	-	-	-	-	-	44,345	4.3%	48,050	4.8%	-	-	-	-	-	-	-	-	
Frontier/Lynx (16)	-	-	-	-	-	-	-	-	-	-	62,316	6.2%	103,964	11.2%	110,371	13.0%	104,961	12.9%	154,743	18.8%	
Mesa Airlines (17)	5,179	0.5%	4,643	0.5%	4,333	0.4%	2,886	0.3%	-	-	-	-	-	-	-	-	-	-	-	-	
Northwest Airlink (18)	-	-	-	-	1,445	0.1%	2,105	0.2%	413	0.0%	20,598	2.1%	48,034	5.2%	-	-	-	-	-	-	
Skywest (19)	93,554	9.3%	107,941	10.4%	56,403	5.5%	48,059	4.7%	77,493	7.5%	63,520	6.4%	41,021	4.4%	56,113	6.6%	52,331	6.4%	43,673	5.3%	
Trans States Airlines (20)	-	-	5,538	0.5%	6,151	0.6%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
US Airways (21)	-	-	-	-	-	-	-	-	-	-	82,577	8.3%	65,448	7.0%	517	-	-	-	-	-	
Republic Airways (22)	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,104	1.4%	
Shuttle America (23)	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	367	0.0%	
	256,587	25.4%	319,560	30.9%	310,123	30.1%	281,939	27.7%	326,686	31.6%	353,990	35.5%	330,201	35.5%	237,195	27.8%	230,197	28.3%	242,373	29.5%	
<b>Total</b>	1,011,643	100.0%	1,034,747	100.0%	1,030,833	100.0%	1,017,016	100.0%	1,033,586	100.0%	998,347	100.0%	929,600	100.0%	863,407	100.0%	814,336	100.0%	822,008	100.0%	

- 1 Allegiant Airlines started service in February 2002.
- 2 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group. US Airways and America West merged in 2005
- 3 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2006. ExpressJet began flying for Continental Express in 2010.
- 4 Service also provided by Atlantic Southeast Airlines and Mesaba. Mesaba discontinued service in September 2012.
- 5 Midwest Airlines started service in July 2007 and discontinued service April 2008.
- 6 Northwest merged with Delta Air Lines in September 2008. Mesaba flew for Northwest, Jan - Apr 2010.
- 7 United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express. Data includes Air Wisconsin, Atlantic Coast, Mesa, SkyWest, and ExpressJet serving as United Express carriers. United does not report passenger activity for United Express carriers separately.
- 8 Vanguard filed for bankruptcy protection on July 30, 2002 and ceased all operations at the Airport.
- 9 US Express took over flying after US Airways and America West merged.
- 10 American Eagle Airlines began service June 2005 and ceased service November 2007.
- 11 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004. Chautauqua started service as Continental Express in January 2007 and stopped May 2007.
- 12 Comair resumed service in December 2002 as Delta Connection and ceased operations April 2008.

- 13 Continental Express service in April 2002. ExpressJet began flying for Continental Express in 2009. The Continental/United merger began in 2011, with the majority of Continental flights being flown by ExpressJet and SkyWest.
- 14 Great Plains ceased service as of March 2003.
- 15 ExpressJet Airline started service April 2007 and ceased all brand flying in September of 2008.
- 16 Frontier/Lynx started service in April 2008.
- 17 Mesa Airlines discontinued service November 2006.
- 18 Northwest Airlink includes Pinnacle service that began June 2005 and discontinued service September 2005. Provided service for January, February, June, July, and August in 2006. Provided service for June, July, and August in 2007.
- 19 Mesaba Airlines operated as Northwest Airlink starting September 2008. SkyWest's enplaned passenger count represents activity serving as Delta Connection and United Express carrier. Began service again in April 1999. Data reflected is only for Delta.
- 20 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005. Trans States Airlines operated as United Express from March 2006 through September 2006. Trans States/United Express passenger activity is not reported separately by United.
- 21 US Airways operated by Mesa Air Group after America West and US Airways merger. US Airways discontinued served January 2010.
- 22 Republic Airways began operating for United Airlines in August 2012.
- 23 Shuttle America began operating for United Airlines in November 2012.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRCRAFT LANDED WEIGHT  
For the years ended December 31, 2003 - 2012  
(unaudited)

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	1,000-lb units	Percent of total																		
<b>Passenger Airlines</b>																				
<b>Major and national</b>																				
Air Wisconsin (United Express) (1)	163,342	10.4%	108,501	6.9%	13,581	0.9%	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Allegiant (2)	43,215	2.7%	44,834	2.9%	36,090	2.4%	42,548	3.0%	38,781	2.9%	35,922	2.8%	34,613	3.0%	39,267	3.4%	41,895	3.7%	37,503	3.3%
American West Airlines (3)	56,478	3.6%	-	-	-	-	-	-	-	-	-	-	-	-	517	0.1%	-	-	-	0.0%
American Airlines	326,804	20.7%	238,368	15.2%	264,071	17.3%	287,393	20.3%	256,543	19.2%	249,202	19.2%	243,362	20.8%	231,569	20.0%	220,395	19.7%	219,278	19.1%
Atlantic Coast (United Express) (4)	13,959	0.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Continental Airlines (5)	12,716	0.8%	13,456	0.9%	481	0.0%	256	0.0%	-	-	-	-	110	-	-	-	-	-	-	0.0%
Delta Air Lines	97,614	6.2%	104,400	6.7%	104,588	6.8%	81,090	5.7%	49,302	3.7%	40,428	3.1%	50,500	4.3%	53,004	4.6%	51,266	4.6%	57,439	5.0%
ExpressJet Airlines (United Express) (6)	-	-	-	-	-	-	-	-	-	-	-	-	1,058	0.1%	-	-	-	-	-	0.0%
Mesa Air Group (United Express) (7)	4,641	0.3%	55,028	3.5%	34,306	2.2%	48,886	3.5%	45,219	3.4%	55,002	4.3%	68,109	5.8%	13,133	1.2%	-	-	-	0.0%
Midwest Airline (8)	-	-	-	-	-	-	-	-	16,732	1.3%	8,131	0.6%	-	-	-	-	-	-	-	0.0%
Northwest Airlines (9)	102,209	6.5%	114,480	7.3%	109,674	7.2%	92,331	6.5%	95,419	7.2%	62,373	4.8%	-	-	-	-	-	-	-	0.0%
SkyWest Airlines (United Express) (10)	50,525	3.2%	114,408	7.3%	322,989	21.2%	314,317	22.2%	343,257	25.8%	327,464	25.3%	314,881	26.9%	396,801	34.3%	394,046	35.2%	398,204	34.6%
United Airlines (11)	188,819	12.0%	144,225	9.2%	54,551	3.6%	41,233	2.9%	-	-	-	-	-	-	229	-	-	-	-	0.0%
	1,060,322	67.3%	937,700	59.9%	940,331	61.6%	908,054	64.1%	845,253	63.5%	778,522	60.1%	712,633	60.9%	734,520	63.6%	707,602	63.2%	712,805	62.0%
<b>Regional and commuter</b>																				
American Eagle (12)	-	-	-	-	26,264	1.7%	39,798	2.8%	20,100	1.5%	-	-	-	-	-	-	-	-	-	-
Chautauqua Airlines (American Connection) (13)	2,515	0.2%	7,668	0.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chautauqua Airlines (Continental Express) (14)	-	-	-	-	-	-	-	-	14,997	1.1%	-	-	-	-	-	-	-	-	-	-
Comair (Delta Connection) (15)	45,474	2.9%	47,366	3.0%	48,006	3.2%	33,835	2.4%	23,651	1.8%	6,901	0.5%	-	-	-	-	-	-	-	-
Continental Express (16)	63,277	4.0%	68,232	4.4%	78,282	5.1%	84,273	5.9%	84,273	5.9%	74,414	5.7%	74,728	6.4%	73,872	6.5%	93,983	8.4%	37,677	3.3%
GO-Jet Airlines (17)	-	-	-	-	-	-	5,628	0.4%	-	-	-	-	-	-	-	-	-	-	-	0.0%
Great Plains Airlines (18)	6,616	0.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
ExpressJet Airlines (19)	-	-	-	-	-	-	-	-	64,312	4.8%	61,224	4.7%	-	-	-	-	-	-	-	0.0%
ExpressJet Airlines (United) (20)	-	-	-	-	-	-	-	-	-	-	-	-	-	264	0.1%	-	1,232	0.1%	2,109	0.2%
Lynx (Frontier) (21)	-	-	-	-	-	-	-	-	-	-	78,917	6.1%	123,387	10.6%	146,053	12.7%	144,095	12.9%	220,716	19.2%
Mesa Air Group (US Express) (22)	87,467	5.5%	128,413	8.2%	147,341	9.7%	115,782	8.2%	93,609	7.0%	88,932	6.9%	70,531	6.0%	-	-	-	-	-	0.0%
Mesa Airlines (23)	9,960	0.6%	10,790	0.7%	9,462	0.6%	6,806	0.5%	-	-	-	-	-	-	-	-	-	-	-	0.0%
Mesaba Airlines (Delta) (24)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,897	1.7%	-	-	-	0.0%
Mesaba Airlines (Northwest Airlink) (25)	-	-	-	-	-	-	-	-	-	-	18,093	1.4%	55,424	4.7%	-	-	-	-	-	0.0%
Pinnacle (Northwest Airlink) (26)	-	-	-	-	1,645	0.1%	2,632	0.2%	517	0.1%	5,593	0.4%	-	-	-	-	-	-	-	0.0%
Shuttle American (Delta) (27)	-	-	-	-	-	-	-	-	-	-	-	-	-	5,772	0.6%	-	-	-	-	0.0%
Skywest (Delta Connection) (28)	127,464	8.1%	167,179	10.7%	73,602	4.8%	60,160	4.2%	87,052	6.5%	74,058	5.7%	47,003	4.0%	62,201	5.5%	57,930	5.2%	51,442	4.5%
Trans States Airlines (American Connection) (29)	-	-	7,489	0.5%	7,699	0.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Trans States Airlines (United Express) (30)	-	-	-	-	-	-	8,425	0.6%	-	-	-	-	-	-	-	-	-	-	-	0.0%
Shuttle America (United) (34)	-	-	-	-	-	-	-	0.0%	-	-	-	-	-	-	-	-	-	-	825	0.1%
Republic Airways (United) (35)	-	-	-	-	-	-	-	0.0%	-	-	-	-	-	-	-	-	-	-	11,856	1.0%
	342,773	21.7%	437,137	28.0%	392,301	25.7%	357,339	25.2%	367,160	27.5%	408,132	31.4%	371,073	31.7%	307,059	27.1%	297,240	26.6%	324,625	28.3%
<b>Total Passenger Airlines</b>	<b>1,403,095</b>	<b>89.0%</b>	<b>1,374,837</b>	<b>87.9%</b>	<b>1,332,632</b>	<b>87.3%</b>	<b>1,265,393</b>	<b>89.3%</b>	<b>1,212,413</b>	<b>91.0%</b>	<b>1,186,654</b>	<b>91.5%</b>	<b>1,083,706</b>	<b>92.6%</b>	<b>1,041,579</b>	<b>90.7%</b>	<b>1,004,842</b>	<b>89.8%</b>	<b>1,037,430</b>	<b>90.3%</b>
<b>All-cargo airlines</b>																				
Airborne Express (31)	26,926	1.7%	28,244	1.8%	29,634	2.0%	25,397	1.8%	25,678	1.9%	15,848	1.2%	-	-	-	-	-	-	-	-
FedEx	137,572	8.7%	151,897	9.7%	155,966	10.2%	117,927	8.3%	83,840	6.3%	84,927	6.6%	80,712	6.9%	98,452	8.6%	100,745	9.0%	99,619	8.7%
Key Lime Air	2,149	0.1%	2,614	0.2%	5,917	0.4%	7,341	0.5%	9,767	0.7%	7,318	0.6%	4,495	0.4%	4,656	0.5%	4,936	0.4%	4,708	0.4%
Sundance Air (32)	4,934	0.3%	3,930	0.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Superior (33)	1,287	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	172,868	10.9%	186,685	12.0%	191,517	12.6%	150,665	10.6%	119,285	8.9%	108,093	8.4%	85,207	7.3%	103,108	9.1%	105,681	9.4%	104,327	9.1%
<b>Charter</b>	<b>831</b>	<b>0.1%</b>	<b>2,213</b>	<b>0.1%</b>	<b>1,629</b>	<b>0.1%</b>	<b>1,235</b>	<b>0.1%</b>	<b>1,132</b>	<b>0.1%</b>	<b>1,167</b>	<b>0.1%</b>	<b>1,488</b>	<b>0.1%</b>	<b>1,162</b>	<b>0.2%</b>	<b>5,885</b>	<b>0.4%</b>	<b>7,619</b>	<b>0.7%</b>
<b>Boeing</b>															12,946	1.2%	4,125	0.4%	1,062	0.1%
<b>Total</b>	<b>1,576,794</b>	<b>100.0%</b>	<b>1,563,735</b>	<b>100.0%</b>	<b>1,525,778</b>	<b>100.0%</b>	<b>1,417,293</b>	<b>100.0%</b>	<b>1,332,830</b>	<b>100.0%</b>	<b>1,295,914</b>	<b>100.0%</b>	<b>1,170,401</b>	<b>100.0%</b>	<b>1,158,795</b>	<b>100.0%</b>	<b>1,120,533</b>	<b>100.0%</b>	<b>1,150,438</b>	<b>100.0%</b>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRCRAFT LANDED WEIGHT- Continued  
For the years ended December 31, 2003 - 2012  
(unaudited)

- 1 Air Wisconsin discontinued service October 2005.
- 2 Allegiant Air began service in February 2002.
- 3 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group. US Airways and America West merged in September 2005.
- 4 Atlantic Coast (United Express Connection) started service November 2002 and ceased service May 2003.
- 5 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2007.
- 6 ExpressJet Airlines (United Express Connection) provide service for December 2009.
- 7 Mesa Air Group (United Express) started service October 2003.
- 8 Midwest Airline began service July 2007 and ceased operations April 2008.
- 9 Northwest Airlines merged with Delta Air Lines in September 2008.
- 10 SkyWest Airlines (United Express) began service March 2002.
- 11 United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express.
- 12 American Eagle Airlines began service June 2005 and ceased activity November 2007.
- 13 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 14 Chautauqua Airlines began service in January 2007 as Continental Express and stopped service May 2007.
- 15 Comair started service in December 2002 as Delta Connection and ceased operations April 2008.
- 16 Continental Express started service in April 2002.
- 17 ExpressJet began service for Continental Express in 2010.
- 18 Go-Jet Airlines (United Express) provided service for January, February, September, and October in 2006.
- 19 Great Plains Airlines ceased service as of March 2003.
- 20 ExpressJet Airlines began service April 2007 and ceased all brand flying September 2008.
- 21 Lynx (Frontier) started service in April 2008.
- 22 Mesa Air Group (America West Express) merged with US Airways September of 2005.
- 23 Mesa Airlines discontinued service November 2006.
- 24 Mesaba Airlines flew for Delta in September 2010
- 25 Mesaba Airlines started service in September 2008 as Northwest Airlinck and ceased activity April 2010.
- 26 Pinnacle began service as Northwest Airlinck June 2005 and discontinued service September 2005. Provided service for January, February, June, July, and August in 2006.
- 27 Provided service June, July, and August 2007 and June, July, and August 2008.
- 28 Shuttle America flew for Delta in June, July and August of 2010
- 29 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005.
- 30 Trans States Airlines operated as United Express from March 2006 through September 2006.
- 31 Airborne Express ceased operations August 2008.
- 32 Sundance Air ceased cargo service in November 2004.
- 33 Superior ceased cargo service May 2003.
- 34 Shuttle America began operating for United Airlines in November 2012.
- 35 Republic Airways began operating for United Airlines in August 2012.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AVERAGE DAILY DEPARTURES BY AIRLINES  
For the years ended December 31, 2003-2012  
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Major / National airlines</b>										
Allegiant Air (1)	1	1	1	1	1	1	1	1	1	1
American (2)	7	6	7	8	6	5	5	5	5	5
America West (3)	6	6	7	6	4	--	--	--	---	---
Continental (4)	4	5	5	5	5	5	5	5	4	2
Delta (5)	11	14	8	6	6	5	4	5	4	4
Great Plains Airlines (6)	1	--	--	--	--	--	--	--	---	---
ExpressJet Airlines (7)	--	--	--	--	4	4	--	--	--	--
Frontier	--	--	--	--	--	4	5	6	5	6
Mesa (8)	2	2	2	1	--	--	--	--	---	---
Midwest Airlines (9)	--	--	--	--	1	1	--	--	---	---
Northwest (10)	2	2	2	2	2	2	2	--	---	---
United (11)	17	18	20	20	19	19	19	20	16	20
US Airways (12)	--	--	--	--	--	4	4	0	---	---
<b>Total major and national airlines</b>	<b>51</b>	<b>54</b>	<b>52</b>	<b>49</b>	<b>48</b>	<b>50</b>	<b>45</b>	<b>42</b>	<b>35</b>	<b>38</b>

- 1 Allegiant Air started service February 2002.
- 2 Includes departures of Chautauqua Airlines/Trans States Airlines (American Connection) and American Eagle.
- 3 Includes departures of America West Express. America West merged with US Airways September 2005.
- 4 Includes departures of Continental Express.
- 5 Includes departures of Comair (Delta Connection) and SkyWest.
- 6 Great Plains ceased service March 2003.
- 7 ExpressJet Airlines started service April 2007 ceased September 2008.
- 8 Mesa Airlines discontinued service November 2006.
- 9 Midwest Airlines started service July 2007 ceased operations April 2008.
- 10 Includes departures of Pinnacle and Mesaba (Northwest Airlinck).
- 11 Includes departures of Air Wisconsin, Atlantic Coast, Go-Jet Airlines, Mesa Air Group, SkyWest, Trans States, and ExpressJet serving as United Express carriers.
- 12 Includes Republic Airways and Shuttle America & US Express. US Airways merged with America West in Sept 2005.

Source: City of Colorado Springs, Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
RECENT TRENDS IN TOTAL AIR CARGO  
For the years ended December 31, 2003-2012  
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
2003	18,161	527	18,688	-14.3%
2004	17,754	482	18,236	-2.4%
2005	16,568	157	16,725	-8.3%
2006	16,301	1	16,302	-2.5%
2007	13,475	0	13,475	-17.3%
2008	11,994	0	11,994	-11.0%
2009	11,484	0	11,484	-4.3%
2010	11,172	0	11,172	-2.7%
2011	10,826	0	10,826	-3.1%
2012	11,920	0	11,920	10.1%

Source: City of Colorado Springs, Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL ANNUAL DEBT SERVICE COVERAGE  
For the years ended December 31, 2003-2012  
(unaudited)

Fiscal Year	Applicable Revenues (A)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	22,289,621	12,967,319	9,322,302	2,000,855	3,652,705	1.65
2004	22,571,575	13,039,813	9,531,762	2,169,586	3,660,099	1.64
2005	22,648,070	13,216,784	9,431,286	2,167,466	3,660,882	1.62
2006	23,602,795	13,804,532	9,798,263	2,175,370	3,659,313	1.68
2007	23,855,188	14,722,292	9,132,896	2,101,895	3,546,516	1.62
2008	24,147,143	14,537,476	9,609,667	3,525,250	2,100,363	1.71
2009	23,444,173	14,914,375	8,529,798	1,729,912	3,503,526	1.63
2010	21,065,961	15,380,368	5,685,593	1,295,000	2,272,688	1.59
2011	21,995,280	14,399,903	7,595,377	3,020,000	2,217,513	1.45
2012	21,305,501	14,342,230	6,963,271	3,180,000	2,056,363	1.33

(A) Includes Prepaid Revenue Account balances for each year; the yearly amounts are:

2002-2007	\$1,458,671
2008-2012	\$1,358,463

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL NON-AIRLINE REVENUES  
For the years ended December 31, 2003-2012  
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Terminal Building</b>										
Concession										
Food & Beverage	\$285,409	\$293,139	\$335,268	\$369,325	\$380,917	\$367,591	\$331,061	\$323,087	\$308,389	\$318,086
Retail	350,534	344,683	334,216	399,700	462,088	451,669	398,677	368,979	336,619	327,854
Advertising	178,774	167,367	168,961	181,018	193,627	174,220	155,156	127,337	111,075	179,626
Non-Airline Space Rental	251,448	308,223	457,597	485,955	514,791	533,190	545,917	629,327	684,721	675,696
Other	139,145	120,513	122,113	114,328	115,918	119,014	112,874	96,197	94,774	89,727
	<u>1,205,310</u>	<u>1,233,925</u>	<u>1,418,155</u>	<u>1,550,326</u>	<u>1,667,341</u>	<u>1,645,684</u>	<u>1,543,685</u>	<u>1,544,927</u>	<u>1,535,578</u>	<u>1,590,989</u>
<b>Terminal Area</b>										
Public Parking	5,427,189	5,513,116	5,442,666	6,066,711	6,256,899	6,097,045	5,566,698	5,325,655	4,974,074	5,227,055
Rental Car Fees and Rents	3,671,807	3,846,367	3,633,315	3,643,068	3,675,676	3,672,308	3,676,794	3,508,167	3,493,309	3,478,524
Ground Transportation Fees	100,090	98,940	104,819	102,917	96,578	104,305	90,347	91,849	98,613	88,748
Support Building Rentals	125,875	126,425	123,718	84,502	70,642	34,422	20,765	20,185	29,375	69,696
	<u>9,324,961</u>	<u>9,584,848</u>	<u>9,304,518</u>	<u>9,897,198</u>	<u>10,099,795</u>	<u>9,908,080</u>	<u>9,354,604</u>	<u>8,945,856</u>	<u>8,595,371</u>	<u>8,864,023</u>
<b>Airfield Area</b>										
Fuel Farm Rentals	23,576	25,443	25,443	25,443	25,443	25,443	28,446	19,450	28,946	29,196
Remain Over Night	100	-	200	238,500	130,650	80,100	79,750	94,900	41,150	38,185
Diversion Landing Fees	83,675	31,329	59,561	31,447	19,007	23,686	50,349	68,523	60,141	19,533
	<u>107,351</u>	<u>56,772</u>	<u>85,204</u>	<u>295,390</u>	<u>175,100</u>	<u>129,229</u>	<u>158,545</u>	<u>182,873</u>	<u>130,237</u>	<u>86,914</u>
<b>Fountain Site</b>										
Ground & Building Rentals	44,419	186,011	197,879	202,192	128,717	149,832	41,948	54,960	13,059	13,341
Utility Reimbursements	28,482	33,979	45,923	32,145	19,725	-	-	-	-	-
	<u>72,901</u>	<u>219,990</u>	<u>243,802</u>	<u>234,337</u>	<u>148,442</u>	<u>149,832</u>	<u>41,948</u>	<u>54,960</u>	<u>13,059</u>	<u>13,341</u>
<b>Aviation Support</b>										
Fuel Sales	517,231	609,503	854,894	913,206	932,994	1,407,581	685,427	867,806	1,147,831	1,183,966
Ground and Building Rentals	390,716	625,761	512,070	526,864	605,327	686,804	716,201	710,833	750,608	1,115,095
	<u>907,947</u>	<u>1,235,264</u>	<u>1,366,964</u>	<u>1,440,070</u>	<u>1,538,321</u>	<u>2,094,385</u>	<u>1,401,628</u>	<u>1,578,639</u>	<u>1,898,439</u>	<u>2,299,061</u>
<b>Business Park Phase I</b>										
Ground & Building Rentals	-	-	-	-	39,330	169,652	188,885	188,885	188,885	199,281
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,330</u>	<u>169,652</u>	<u>188,885</u>	<u>188,885</u>	<u>188,885</u>	<u>199,281</u>
<b>Administrative</b>										
Miscellaneous	45,003	145,328	124,817	67,114	212,143	189,309	235,818	94,491	115,237	114,146
Late Fees	13,196	12,825	15,871	19,132	32,130	52,426	81,265	87,631	18,076	9,593
TSA Reimbursement	-	19,758	-	-	-	-	-	-	-	-
CSC Group Support Reimbursement	-	-	-	-	-	-	-	-	-	-
Fingerprinting	5,635	10,535	15,435	13,755	20,745	18,675	14,085	21,805	23,760	22,320
	<u>63,834</u>	<u>188,446</u>	<u>156,123</u>	<u>100,001</u>	<u>265,018</u>	<u>260,410</u>	<u>331,168</u>	<u>203,927</u>	<u>157,073</u>	<u>146,059</u>
<b>Total Non-Airline Revenues</b>	<u>\$11,682,304</u>	<u>\$12,519,245</u>	<u>\$12,574,766</u>	<u>\$13,517,322</u>	<u>\$13,933,347</u>	<u>\$14,357,272</u>	<u>\$13,020,463</u>	<u>\$12,700,067</u>	<u>\$12,518,642</u>	<u>\$13,199,668</u>

Source: City of Colorado Springs, Airport records, except as noted.  
2003-2012 Airline Rates and Changes Settlement Accrual, Exhibit F-6.

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**APPENDIX B  
ECONOMIC AND DEMOGRAPHIC INFORMATION  
REGARDING CITY OF COLORADO SPRINGS**

The following demographic and financial information on the City of Colorado Springs (the “City”) is for informational purposes only. The Series 2014 Bonds are payable solely out of the Net Revenues derived from the operation and use of the Airport System and are not payable from the City’s general or other funds or any other revenues of the City.

The City is a home rule city and adopted a charter pursuant to Article XX of the Constitution of the State by vote of the electorate on May 11, 1909 (the “Charter”). The City is located in south central Colorado, approximately 70 miles south from Denver via Interstate 25. The City is situated at the base of the foothills of Pikes Peak in the Rocky Mountain Front Range region. The City is the county seat of El Paso County. The 2011 estimated population of the City was 423,807.

Pursuant to the Charter, the City is governed by the nine-member Council.

**Economic and Demographic Statistics**

**Population.** The following table sets forth a history of the populations of the City, El Paso County and the State. Between 2000 and 2010, the City’s population increased 15.4%, El Paso County’s population increased 20.4% and the State’s population increased 16.9%.

**TABLE B-1  
Population**

Year	City of Colorado Springs	Percent Change	El Paso County	Percent Change	Colorado	Percent Change
1970	135,517	--	235,972	--	2,209,596	--
1980	215,105	58.7%	309,424	31.1%	2,889,735	30.8%
1990	280,430	30.3	397,014	28.3	3,294,394	14.0
2000	360,890	28.7	516,929	30.2	4,301,261	30.6
2010	416,427	15.4	622,263	20.4	5,029,196	16.9
2011	423,807	2.3	637,293	2.4	5,118,519	1.8

Sources: United States Department of Commerce, Bureau of the Census (1970-2010), and Colorado State Demography Office (2011 estimates).

**Age Distribution.** The following table sets forth a projected comparative age distribution profile for the City, El Paso County, the State and the nation as of January 1, 2013.

**TABLE B-2  
Age Distribution**

<u>Age</u>	<u>Percent of Population</u>			
	<u>City of Colorado Springs</u>	<u>El Paso County</u>	<u>Colorado</u>	<u>United States</u>
0-4	7.42%	7.33%	6.88%	6.60%
5-9	7.10	7.11	6.80	6.47
10-14	6.92	7.12	6.64	6.56
15-17	4.24	4.38	4.00	4.11
18-20	4.30	4.60	4.06	4.34
21-24	6.13	6.17	5.42	5.61
25-34	14.46	13.80	14.02	13.08
35-44	12.72	12.76	13.62	12.90
45-54	13.87	14.14	14.12	14.03
55-64	11.59	11.66	12.48	12.37
65-74	6.55	6.51	7.12	7.85
75-84	3.37	3.18	3.41	4.22
85 and older	1.34	1.22	1.45	1.87

Source: © 2012 The Nielsen Company, *SiteReports*.

**Income.** The following table sets forth annual per capita personal income levels for El Paso County, the State and the nation. Per capita personal income levels in El Paso County have consistently been lower than personal income levels in the State and the nation during the period shown.

**TABLE B-3  
Per Capita Personal Income**

<u>Year</u> <sup>(1)</sup>	<u>El Paso County</u>	<u>Colorado</u>	<u>United States</u>
2007	\$37,399	\$42,724	\$39,506
2008	38,336	44,180	40,947
2009	37,151	41,154	38,637
2010	37,915	42,107	39,791
2011	39,909	44,053	41,560
2012	-- <sup>(2)</sup>	45,135	42,693

(1) County figures posted November 2012; state and national figures posted March, 2013. All figures are subject to periodic revisions.

(2) County figure for 2012 has not yet been posted.

Source: United States Department of Commerce, Bureau of Economic Analysis.

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as

the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

**TABLE B-4**  
**Median Household Effective Buying Income Estimates<sup>(1)</sup>**

<u>Year</u>	<u>City of Colorado Springs</u>	<u>El Paso County</u>	<u>Colorado</u>	<u>United States</u>
2009	\$42,444	\$44,964	\$45,490	\$42,513
2010	42,962	45,406	45,543	43,252
2011	40,962	43,321	43,625	41,368
2012	41,010	43,276	43,515	41,253
2013	39,710	42,643	43,718	41,358

(1) The difference between consecutive years is not an estimate of change from one year to the next; combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source: © 2009-2012 The Nielsen Company, *SiteReports*.

**TABLE B-5**  
**Percent of Households by Effective Buying Income Groups**

<u>Effective Buying Income Group</u>	<u>City of Colorado Springs</u>	<u>El Paso County</u>	<u>State of Colorado</u>	<u>United States</u>
Under \$15,000	13.71%	13.75%	13.05%	14.91%
\$ 15,000 - \$24,999	12.97	13.00	12.03	13.70
\$ 25,000 - \$34,999	16.24	16.25	15.13	13.80
\$ 35,000 - \$49,999	17.63	17.61	16.85	17.90
\$ 50,000 - \$74,999	18.45	18.42	19.27	18.46
\$ 75,000 - \$99,999	11.42	11.40	11.89	10.74
\$100,000 - \$124,999	4.41	4.40	4.86	4.39
\$125,000 - \$149,999	2.49	2.49	3.08	2.49
\$150,000 - \$199,999	1.12	1.12	1.49	1.34
\$200,000 - \$249,999	0.39	0.39	0.56	0.53
\$250,000 - \$499,999	0.83	0.83	1.18	1.07
\$500,000 or more	0.34	0.34	0.61	0.67

Source: © 2013 The Nielsen Company, *SiteReports*.

**Employment.** The following table presents information on employment within El Paso County, the State and the nation, for the time period indicated.

**TABLE B-6**  
**Labor Force and Percent Unemployed**

<u>Year</u>	<u>El Paso County <sup>(1)</sup></u>		<u>Colorado <sup>(1)</sup></u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2007	299,794	4.3%	2,685,040	3.8%	4.6%
2008	301,899	5.6	2,732,133	4.8	5.8
2009	301,938	8.8	2,736,565	8.1	9.3
2010	302,033	9.8	2,725,202	8.9	9.6
2011	300,553	9.2	2,723,027	8.3	8.9
2012	300,562	8.7	2,742,053	7.5	8.1
<u>Month of August</u>					
2012	301,922	9.1%	2,750,982	7.9%	8.2%
2013	301,561	8.0	2,781,249	6.7	7.6

(1) Figures for the County and the State are not seasonally adjusted.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data, and U.S. Bureau of Labor, Bureau of Labor Statistics.

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The following table sets forth the number of individuals employed in selected industries in El Paso County covered by unemployment insurance. The largest employment sector in El Paso County in the first quarter of 2013 was government (comprising approximately 19.8% of the county's work force), followed, in order, by retail trade; health care and social assistance; accommodation and food services; and professional and technical services. For the 12-month period ended December 31, 2012, total average employment in the County increased 1.0% as compared to the same 12-month period ending December 31, 2011, and average weekly wages increased 1.3% during the same time period.

**TABLE B-7**  
**Average Number of Employees Within Selected Industries – El Paso County**

Industry	2008	2009	2010	2011	2012	1 <sup>st</sup> Quarter 2013
Agriculture, Forestry, Fishing, Hunting	250	184	175	217	200	175
Mining	133	126	143	156	183	147
Utilities	657	676	623	601	562	485
Construction	15,250	12,883	11,366	10,941	11,319	10,937
Manufacturing	15,582	13,361	12,498	12,571	12,824	11,328
Wholesale Trade	5,954	5,279	4,780	4,700	4,746	4,828
Retail Trade	28,578	27,189	27,466	28,229	28,292	28,291
Transportation & Warehousing	4,045	3,732	3,594	3,568	3,624	3,485
Information	7,590	6,897	6,979	7,201	7,158	6,977
Finance & Insurance	11,771	11,152	10,758	10,807	11,018	11,424
Real Estate, Rental & Leasing	4,268	3,967	3,902	3,889	3,879	3,851
Professional & Technical Services	21,289	21,424	20,786	20,418	19,994	21,986
Management of Companies/Enterprises	881	916	897	944	1,068	1,120
Administrative & Waste Services	18,183	17,338	17,602	17,069	17,175	16,654
Educational Services	3,770	3,821	4,065	4,316	4,384	4,526
Health Care & Social Assistance	22,989	23,407	24,182	25,195	26,059	26,699
Arts, Entertainment & Recreation	4,152	3,783	3,770	3,994	4,068	3,837
Accommodation & Food Services	24,541	23,565	23,619	24,817	25,368	25,245
Other Services	9,566	8,911	8,878	8,770	9,050	8,997
Non-classifiable	17	15	8	13	24	32
Government	45,440	45,774	46,137	46,852	46,689	47,201
Total <sup>(1)</sup>	<u>244,907</u>	<u>234,398</u>	<u>232,225</u>	<u>235,266</u>	<u>237,682</u>	<u>238,226</u>

(1) Figures may not equal totals when added due to the rounding of averages.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

**Major Employers.** The following table sets forth a brief description of the major employers located in El Paso County. No independent investigation has been made regarding these major employers. Therefore, there can be no representation as to whether or not such employers will retain their status as major employers in the County.

**TABLE B-8**  
**Largest Employers in Pikes Peak Region – April 2013**  
 1,000 or more employees

Employer <sup>(1)</sup>	Product or Service
Fort Carson	Military installation
Peterson Air Force Base	Military installation
Schriever Air Force Base	Military installation
United States Air Force Academy	Air Force academy
Memorial Health Services	Hospital/healthcare service provider
El Paso County School District #11 – Colo. Springs	Public education
El Paso County School District #20 – Air Academy	Public education
Penrose-St. Francis Health Services	Hospital/healthcare service provider
City of Colorado Springs	City government
El Paso County	County government
Lockheed Martin Corporation	Defense contractor
Colorado Springs Utilities	Electric, gas, water service provider
Progressive Insurance Company	Personal/commercial auto insurance
The Broadmoor Hotel	Hotel/resort
El Paso County School District #49 – Falcon	Public education
United Services Automobile Association	Insurance agency and brokerage
Verizon Business	Software/security systems developer
University of Colorado at Colorado Springs	Higher education
El Paso County School District #2 – Harrison	Public education
Atmel Corporation	Memory design/manufacturer
Northrop Grumman Corporation	Marketing for government contracts

(1) Entities that employ 1,000 or more employees.

Source: Colorado Springs Regional Business Alliance.

**Retail Sales.** Annual retail sales figures for the City, El Paso County and the State are set forth below.

**TABLE B-9**  
**Retail Sales**  
(in thousands)

<u>Year</u>	<u>City of Colorado Springs</u>	<u>Percent Change</u>	<u>El Paso County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
2007	\$12,005,699	--	\$13,779,102	--	\$148,673,216	--
2008	11,732,018	(2.3)%	13,653,152	(0.9)%	152,747,684	2.7%
2009	10,896,068	(7.1)	12,584,675	(7.8)	134,058,593	(12.2)
2010	11,497,546	5.5	13,327,512	5.9	143,670,319	7.2
2011	11,944,487	3.9	13,923,885	4.5	154,697,943	7.7
2012	12,177,690	2.0	14,165,375	1.7	159,509,596	3.1

Source: State of Colorado, Department of Revenue, Annual Reports, Sales and Use Tax, 2007-2012.

**Current Construction.** The following table sets forth the number of permits issued for both residential and commercial construction in the County during the time period indicated.

**TABLE B-10**  
**Building Permits Issued for New Structures in El Paso County<sup>(1)</sup>**

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family<sup>(2)</sup></u>		<u>Commercial<sup>(3)</sup></u>	
	<u>Permits</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2008	1,223	\$261,700,154	762	\$ 94,804,836	319	\$333,205,071
2009	1,105	378,446,473	232	38,800,733	150	252,887,945
2010	1,404	465,349,499	311	48,074,978	110	59,133,507
2011	1,399	496,585,288	821	106,115,419	96	180,264,482
2012	2,216 <sup>(4)</sup>	801,352,986	767	108,456,822	151	122,188,512
2013 <sup>(5)</sup>	2,158 <sup>(6)</sup>	844,228,706	524	97,885,135	126	53,070,945

(1) Pikes Peak Regional Building Department issue permits for unincorporated El Paso County and for the municipalities of Colorado Springs, Fountain, Green Mountain Falls, Manitou Springs, Monument, and Palmer Lake.

(2) Includes townhouses, duplexes, condominiums, and multi-family buildings.

(3) Includes hotels, motels, amusement/recreation, manufacturing, offices, banks and professional buildings; and stores and other retail buildings.

(4) Approximately 81 permits issued to replace residences destroyed by Waldo Canyon wildfire.

(5) As of September 30, 2013.

(6) Approximately 203 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

Source: Pikes Peak Regional Building Department.

**Foreclosure Activity.** The following table sets forth the number of foreclosures filed in El Paso County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

**TABLE B-11**  
**History of Foreclosure Filings – El Paso County**

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
2008	4,470	--
2009	5,288	18.3%
2010	4,657	(11.9)
2011	3,461	(25.7)
2012	3,364	(2.8)
2013 <sup>(1)</sup>	1,507	--

(1) As of September 30, 2013.

Sources: El Paso County Public Trustee’s Office.

**Tourism.** Tourism has played an important part in the area’s economy. Major tourist attractions in the area include the United States Air Force Academy, Pikes Peak, Cave of the Winds, Seven Falls, Garden of the Gods, Royal Gorge, the Broadmoor Hotel and the United States Olympic Training Center.

On December 16, 2013, the Colorado Economic Development Commission (“CEDC”) awarded \$120.5 million in Regional Tourism Act funding to the City for its “City for Champions” project. The four-element project proposed by the City includes the creation of a U.S. Olympic Museum Hall of Fame in the downtown area of the City, an approximately 13,000 seat multi-use stadium and event center also to be located in the downtown area of the City, a high altitude sports medicine and performance center at the University of Colorado – Colorado Springs campus and a new visitors center at the Air Force Academy. A condition of the CEDC award of such funding is that construction of the project be completed within 10 years of the date of the award.

## APPENDIX C SUMMARY OF THE BOND ORDINANCE

The following summary describes certain provisions of the 1992 Airport System General Bond Ordinance, as supplemented by the First Supplemental Airport System Bond Ordinance, the Second Supplemental Airport System Bond Ordinance, the Third Supplemental Airport System Bond Ordinance, the Fourth Supplemental Airport System Bond Ordinance and the Fifth Supplemental Airport System Bond Ordinance (collectively, the “Bond Ordinance”) and is qualified in its entirety by reference to the documents themselves for a full statement of their provisions.

### **Definitions**

The following are definitions of certain terms as used in the Bond Ordinance:

“*Accreted Value*” when used with respect to a Capital Appreciation Bond as of a given date, means the principal amount thereof plus accrued and unpaid interest thereon to that date.

“*Airport Consultant*” means an individual, firm or corporation in the airport management consulting business, as from time to time appointed by the Finance Director on behalf and in the name of the City which has a wide and favorable reputation for special skill and knowledge in methods of the development, operation and management of airports and airport facilities, but which has no substantial interest, direct or indirect, in the City and in the case of an individual, is not a member of the Council or an officer or employee of the City, and in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the Council or an officer or employee of the City.

“*Airport System*” means the presently existing Colorado Springs Municipal Airport (also known as Colorado Springs Airport) and all other airports, heliports or functionally similar aviation facilities now or subsequently owned by the *City* and all related facilities, but excluding any Special Facilities.

“*Average Annual Debt Service Requirements*” means the sum of the Debt Service Requirements on the Outstanding Bonds (excluding any redemption premiums payable on any Redemption Date and excluding any Bonds the principal of which is payable within less than one year from the date in which issued) to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the last Fiscal Year in which any Bond becomes due at maturity or on a Redemption Date on which any Bond is called for prior redemption, whichever time is earlier (but excluding any reserve requirement to secure such payments unless otherwise expressly provided), divided by the number of Fiscal Years (including portions thereof) during the period beginning with the Fiscal Year in which such computation is made and ending with the last Fiscal Year in which any Bond becomes due at maturity or on a Redemption Date on which any Bond is called, for prior redemption, whichever time is earlier. For purposes of this definition: (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or shall bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate

Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds) but not exceeding any maximum interest rate nor less than any minimum interest rate established with respect to such Variable Rate Bonds in any Supplemental Ordinance or (ii) if the interest rate or rates such Variable Rate Bonds bear or shall bear during such period has been determined and is not subject to further fluctuation, at such interest rate or rates thus determined and (b) any Tender Bonds (other than those constituting Balloon Bonds) Outstanding at the time of such determination shall mature on the stated maturity or mandatory Redemption Date or Dates thereof. In the case of any interest rate exchange agreements entered into by the City with respect to the Airport System for a term exceeding one year pursuant to which the City is obligated to make interest-like payments from Net Revenues to or on behalf of another person and that person is obligated to make similar interest-like payments to or on behalf of the City for deposit in the Bond Fund (based on a different rate of or formula for interest), with neither party obligated to repay any principal, (A) all variable rate payments made pursuant to such agreement shall be assumed to be equal to a fixed annual amount equal to the amount payable under such agreement during the preceding twelve months (or such lesser period as such agreement has been in effect, with such amount being annualized) next preceding the date of computation and (B) the net amount to be paid by the City (computed in accordance with this sentence) shall be taken into account in calculating Average Annual Debt Service Requirements; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Average Annual Debt Service Requirements. If all or any portion or portions of Outstanding Bonds constitute Balloon Bonds, then, for purposes of determining Average Annual Debt Service Requirements, each maturity which constitutes Balloon Bonds shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Balloon Bonds are issued or unless the stated maturity date of such maturity occurs within 12 months from the date such calculation is made (as described below), be treated as if such maturity were to be amortized over a term of not more than 25 years and with substantially level debt service payments commencing not later than the year following the year in which such Balloon Bonds mature, and extending not later than 25 years from the date such Balloon Bonds were originally issued: the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published; another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Financial Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the General Bond Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; provided, however, any maturity of Bonds which constitutes Balloon Bonds and for which the stated maturity date occurs within 12 months from the date such calculation is made, shall be assumed to become due and payable on the stated maturity date unless there is delivered to the entity making the calculation an unconditional commitment from a lender rated at least "A2" by Moody's Investors Service or "A" by Standard & Poor's to pay the Balloon Bonds when due; upon the receipt of such

commitment, such Balloon Bonds shall be assumed to be refinanced in accordance with the terms set out in such commitment and such terms shall be used for purposes of calculating Average Annual Debt Service Requirements, provided that such assumption shall not result in an amortization period longer than or an interest rate lower than that which would be assumed above.

*“Aviation Director”* means the de jure or de facto director of aviation of the City, or his or her designee, and his or her successor in functions, if any.

*“Balloon Bonds”* means any Bonds which are not Capital Appreciation Bonds 25% or more of the original principal amount of which matures during any consecutive twelve month period if such maturing principal amount is not required to be amortized by mandatory redemption or prepayment prior to such period.

*“Bond Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Bond Retirement Fund” created under the Bond Ordinance.

*“Bond Reserve Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Bond Reserve Fund” created under the Bond Ordinance.

*“Bond Reserve Requirement”* means an amount equal to the lesser of (a) the Maximum Annual Debt Service Requirements on all Outstanding Bonds, (b) 125% of the Average Annual Debt Service Requirements on all Outstanding Bonds, or (c) 10% of the aggregate proceeds of all Bonds issued upon original issuance thereof (but not including any series of Bonds which has been paid in full or provision for which payment in full has been made). Any computation under the Bond Ordinance is to be computed or recomputed at the time any series of Bonds is issued.

*“Bonds”* means bonds, notes, certificates, commercial paper or other securities issued pursuant to the provisions of the Bond Ordinance which are payable from the Net Revenues and which payment is secured by a pledge of and lien on the Net Revenues, including without limitation Balloon Bonds, Completion Bonds, Refunding Bonds, Credit Enhanced Bonds, Tender Bonds, Capital Appreciation Bonds and Variable Rate Bonds; but not including any Special Facilities Bonds, Subordinate Bonds or General Obligation Bonds.

*“Capital Account”* means the account within the Capital Improvement Fund designated as the “City of Colorado Springs, Colorado Airport System Capital Account” created under the Bond Ordinance.

*“Capital Appreciation Bonds”* means Bonds sold at a discount from the stated face amount thereof greater than 10% and on which no interest is payable for a period greater than one year.

*“Capital Improvement Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Capital Improvement Fund” created under the Bond Ordinance.

*“Charter”* means the home rule charter of the City, as amended from time to time.

“*Clerk*” means the de jure or de facto city clerk of the City, or a deputy clerk of the City whenever the Clerk is unable to act in such capacity, or their designees, and their successors in functions, if any.

“*Code*” means the Internal Revenue Code of 1986, as amended.

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

“*Consulting Engineer*” means any registered or licensed professional engineer, any firm of such engineers, any licensed professional architect, or any firm of such architects, as from time to time appointed and designated by the Mayor on behalf and in the name of the City who has a wide and favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities and who is entitled to practice and is practicing as such under the laws of the State; but who has no substantial interest, direct or indirect, in the City and, in the case of an individual, is not a member of the Council or an officer or employee of the City and, in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the Council or an officer or employee of the City.

“*Controller*” means the de jure or de facto controller of the City, or his or her designee, and his or her successor in functions, if any.

“*Cost*” means all costs, as designated by the City, of any Improvement Project, Refunding Project, or combination thereof (as the context requires), as further specified in the Bond Ordinance.

“*Council*” means the city council of the City and any successor governing body of any municipal corporation owning the Airport System.

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

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

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

“*Debt Service Requirements*” for any period means the sum of (a) the amount required to pay the interest on any Bonds during such period; and (b) the amount required to pay the principal or Redemption Price of any Bonds or the Maturity Amount of any Capital Appreciation Bonds during such period, whether at stated maturity, upon mandatory redemption or upon the exercise of any option to redeem such Bonds.

*“Escrow Fund”* means any fund established with a trust bank, designated by the City, in whole or in part with the proceeds of any Refunding Bonds or other moneys to provide for the timely payment of any Debt Service Requirements.

*“Facilities”* means any real, personal, or real and personal property, or any interest therein (other than Special Facilities, except to the extent otherwise provided herein) comprising or to compromise a part of the Airport System, including without limitation land for environmental or noise abatement purposes and any additions, betterments, extensions, other improvements or equipment of or related to the Airport System.

*“Federal Securities”* means (a) bills, certificates, notes, bonds or similar securities which are direct obligations of, or the principal of and interest on which are unconditionally guaranteed by, the United States; (b) obligations of the Resolution Funding Corporation (provided, only the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form shall constitute Federal Securities); and (c) obligations rated “AAA” by Standard & Poor’s or “Aaa” by Moody’s Investors Service which are not subject to redemption prior to maturity (except as provided by the security or escrow agreement described below) and are issued or incurred by any state, commonwealth or territory of the United States of America or any political subdivision, public instrumentality or public authority of any state, commonwealth or territory of the United States of America, which obligations are fully secured by and payable solely from an escrow fund consisting of direct obligations of, or obligations the timely payment of principal and interest on which are fully guaranteed by, the United States of America, which security is held by a corporate fiduciary pursuant to a security or escrow agreement (which may not be amended to provide for redemption on a date earlier than that originally contemplated by the parties on the date such security or escrow agreement was first executed) and the sufficiency of which, for payment of such obligations, has been verified by an Independent Accountant.

*“Finance Director”* means the de jure or de facto finance director of the City, or his or her designee, and his or her successor in functions, if any.

*“Financial Consultant”* means any firm which is appointed by the Mayor to render fiscal advice and to perform financial advisory services with respect to any series of Bonds.

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

*“General Obligation Bond Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System General Obligation Bonds Bond Retirement Fund” created under the Bond Ordinance.

*“General Obligation Bonds”* means bonds or other securities or obligations the proceeds of which have been or are to be used with respect to the Airport System, which are secured by the full faith and credit and payable from general (ad valorem) taxes of the City and which (a) are outstanding on the date of adoption of the Bond Ordinance or (h) have a lien on Net Revenues subordinate and junior to the lien thereon of the Bonds.

*“Gross Revenues”* means any income, charges (including, without limitation, customer facility charges) and revenue derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project or otherwise. The term includes, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof, and, except as otherwise provided in the Bond Ordinance, interest and other realized gain from any investment of moneys accounted for in the various funds established by the Bond Ordinance which are not required to be rebated to the federal government. The term also includes any other revenue or other items designated in a Supplemental Ordinance as “Gross Revenues”; provided, however, once an item or revenue has been designated in a Supplemental Ordinance as “Gross Revenues,” such designation may not subsequently be reversed. The term does not include: (a) any Bond proceeds or other moneys (including interest and other gain thereon) credited to the Project Fund or any Escrow Fund (including any interest and other gain thereon), any interest and other gain on amounts credited to the Capital Improvement Fund or the Rebate Fund or any interest and other gain required by a Supplemental Ordinance to be credited to the Project Fund; (b) any money’s received as grants, appropriations or gifts directly or indirectly from the United States, the use of which is limited by the grantor or donor to the acquisition of Airport Facilities or other purposes not including the payment of Debt Service Requirements; (c) any money received as grants, appropriations or gifts from the State, or other sources, the use of which is limited by the grantor or donor to the acquisition of Airport Facilities or other purposes not including the payment of Debt Service Requirements; (d) except as may be provided in a Supplemental Ordinance, any PFC Revenues or other passenger taxes or charges (including interest and other gain thereon) imposed for the use of the Airport System; (e) any proceeds of Special Facilities Bonds (including interest and other gain thereon) or, except as otherwise provided in the Bond Ordinance or in a Supplemental Ordinance or in a Supplemental Ordinance, any revenues derived from any Special Facilities other than ground rentals relating to such Special Facilities and any moneys paid to the City in lieu of such ground rentals; provided, however, if any revenues from a Special Facility are designated in a Supplemental Ordinance as Gross Revenues, all revenues from such Special Facility must be so designated; (f) the proceeds of any insurance policy, except any such proceeds derived in respect of loss of use or business interruption, or the proceeds of any condemnation award; and (g) any money received in respect of any Credit Facility, unless otherwise provided by Supplemental Ordinance.

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

*“Independent Accountant”* means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State, who is, in fact, independent and not under the control of the City; but who has no substantial interest, direct or indirect, in the City (but who may be regularly retained to make annual or similar audits of any books or records of the City) and in the case of an individual, is not a member of the Council or an officer or employee of the City, and in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the Council or an officer or employee of the City.

*“Interest Account”* means the account within the Bond Fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Interest Account” created under the Bond Ordinance.

*“Investment Securities”* means Federal Securities and various other investment securities meeting requirements set forth in the Bond Ordinance.

*“Maximum Annual Debt Service Requirements”* means the largest sum of the Debt Service Requirements on the Outstanding Bonds (excluding any redemption premiums payable on any Redemption Date and excluding any Bonds the principal of which is payable within less than one year from the date on which issued) to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the last Fiscal Year in which any Bond becomes due at maturity or on a Redemption Date on which any Bond is called for prior redemption, whichever time is earlier (but excluding any reserve requirement to secure such payments unless otherwise expressly provided). For purposes of this definition, (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or shall bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds) but not exceeding any maximum interest rate nor less than any minimum interest rate established with respect to such Variable Rate Bonds in any Supplemental Ordinance or (ii) if the interest rate or rates such Variable Rate Bonds bear or shall bear during such period has been determined and is not subject to further fluctuation, at such interest rate or rates thus determined; (b) and Tender Bonds (other than those constituting” Balloon Bonds) Outstanding at the time of such determination shall mature on the stated maturity or mandatory Redemption Date or Dates thereof, (c) if all or any portion or portions of Outstanding Bonds constitute Balloon Bonds, then, for purposes of determining Maximum Annual Debt Service Requirements, each maturity which constitutes Balloon Bonds shall, unless otherwise provided in the Supplemental Ordinance pursuant to which such Balloon Bonds are issued or unless the stated maturity date of such maturity occurs within 12 months from the date such calculation is made (as described below), be treated as if such maturity were to be amortized over a term of not more than 25 years and with substantially level debt service payments commencing, not later than the year following the year in which such Balloon Bonds mature, and extending not later than 25 years from the date such Balloon Bonds were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Financial Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the General Bond Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; provided, however, any maturity of Bonds which

constitutes Balloon Bonds and for which the stated maturity date occurs within 12 months from the date such calculation is made, shall be assumed to become due and payable on the stated maturity date unless there is delivered to the entity making the calculation an unconditional commitment from a lender rated at least “A2” by Moody’s Investors Service or “A” by Standard & Poor’s to pay the Balloon Bonds when due; upon the receipt of such commitment, such Balloon Bonds shall be assumed to be refinanced in accordance with the terms set out in such commitment and such terms shall be used for purposes of calculating Maximum Annual Debt Service Requirements, provided that such assumption shall not result in an amortization period longer than or an interest rate lower than that which would be assumed above and (d) the amount payable with respect to any Capital Appreciation Bond will be its Maturity Amount. In the case of any interest rate exchange agreements entered into by the City with respect to the Airport System for a term exceeding one year pursuant to which the City is obligated to make interest-like payments from Net Revenues to or on behalf of another person and that person is obligated to make similar interest-like payments to or on behalf of the City for deposit in the Bond Fund (based on a different rate of or formula for interest), with neither party obligated to repay any principal, (a) any variable rate payments made pursuant to such agreement will be assumed to be equal to a fixed annual amount equal to the amount payable under such agreement during the preceding 12 months (or such lesser period as such agreement has been in effect, with such amount being annualized) next preceding the date of computation and (b) the net amount to be paid by the City (computed in accordance with this sentence) will be taken into account in calculating Maximum Annual Debt Service Requirements; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Maximum Annual Debt Service Requirements.

“*Maturity Amount*” means, with respect to a Capital Appreciation Bond, the aggregate principal and interest due and payable at the stated maturity of such Capital Appreciation Bond.

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

“*Net Real Lease*” means a lease of facilities relating to the Airport System or Special Facilities entered into by the City pursuant to which the lessee or licensee agrees to pay to the City rentals during the term thereof, and to pay in addition all operation and maintenance expenses relating to the leased facilities, including, without limitation, maintenance costs, insurance and all property taxes and assessments lawfully levied.

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

“*Operation and Maintenance Expenses*” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System or any part thereof, excluding any expenses to equip the Airport System with items which individually cost \$50,000 or more and have a reasonably expected useful life in excess of five years, as further specified in the Bond Ordinance. The term does not include any allowance for depreciation; the Cost of any Improvement Project (except to the extent not paid as a part of such Cost and otherwise properly characterized as an Operation and Maintenance Expense); any reserves for major capital replacements or Operation and Maintenance Expenses; payments in

respect of Debt Service Requirements; any expenses which would otherwise be characterized as Operation and Maintenance Expenses paid by lessees or licensees under Net Rent Leases; any Operation and Maintenance Expenses relating to Special Facilities (except as otherwise provided in the Bond Ordinance); or any liabilities imposed on the City, including without limitation negligence in the operation of the Airport System; or any operation and maintenance expenses of the Airport System paid from moneys other than Gross Revenues.

*“Operation and Maintenance Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Operation and Maintenance Fund” created under the Bond Ordinance.

*“Operation and Maintenance Reserve Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Operation and Maintenance Reserve Fund” created under the Bond Ordinance.

*“Operation and Maintenance Reserve Requirement”* means an amount equal to 25% of the amount of the Operation and Maintenance Expenses of the Airport System as set forth in the annual budget for such Fiscal Year.

*“Ordinance”* means the Bond Ordinance, as amended and supplemented from time to time by any Supplemental Ordinance.

*“Other Available Funds”* means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, on the first day of such Fiscal Year in the Prepaid Revenue Account, which amount is not to be in excess of 25% of Maximum Annual Debt Service Requirements.

*“Outstanding”* when used with reference to any Bonds and as of any particular date means all such Bonds in any manner theretofore or thereupon issued, except: (a) any Bonds canceled or paid by or on behalf of the City on or before such date; (b) any Bonds which are deemed to be paid pursuant to the Bond Ordinance or for which sufficient moneys are held in trust pursuant to the Bond Ordinance; (c) any Bonds (not deemed to be paid as provided in the Bond Ordinance) during such period when the Debt Service Requirements thereof are scheduled to be paid with moneys or Federal Securities irrevocably committed to make such payments, including, without limitation, any amounts in an Escrow Fund; provided, however, that the foregoing does not apply with respect to determinations of the Bonds “Outstanding” for the purposes of the events of default and amendment provisions of the Bond Ordinance; (d) any Bonds in lieu of or in substitution for which other Bonds have been executed and delivered; and (e) any tender Bonds deemed tendered or purchased as provided by Supplemental Ordinance. In determining whether the owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver. Bonds owned by the City are not to be deemed to be Outstanding but Bonds owned by any Person who has acquired such ownership by virtue of payments by such Person under a Credit Facility are to be deemed to be Outstanding.

*“Owner”* means the person shown on the registration records maintained by a Registrar as the registered owner of any Bond.

*“Paying Agent”* means Wells Fargo Bank, National Association, in Denver, Colorado, the Paying Agent for the Series 2014 Bonds, and any successor commercial bank as such paying agent.

*“PFC Act”* means the Aviation Safety and Capacity Expansion Act of 1990, Pub.L. 101-508, Title IX, Subtitle B, Sections 9110 and 9111, and the Aviation Investment and Reform Act for the 21st Century, Pub.L. 106-181, as amended from time to time.

*“PFC Regulations”* means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulations issued with respect to the PFC Act.

*“PFC Revenues”* means all income and revenue received by or required to be remitted to the City from the passenger facility charges imposed by the City pursuant to the PFC Act, the PFC Regulations and an ordinance or ordinances adopted by the Council, including any interest earned after such charges have been remitted to the City as provided in the PFC Regulations.

*“Prepaid Revenue Account”* means the account within the Capital Improvement Fund designated as the “City of Colorado Springs, Colorado Airport System Prepaid Revenue Account” created under the Bond Ordinance.

*“Principal Account”* means the account within the Bond Fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Principal Account” created under the Bond Ordinance.

*“Project Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Project Fund” created under the Bond Ordinance.

*“Rebate Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Rebate Fund” created under the Bond Ordinance.

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

*“Redemption Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Bonds Redemption Fund” created under the Bond Ordinance.

*“Redemption Price”* means the principal amount or Accreted Value, as applicable, of any Bonds plus the applicable premium, if any, payable on a Redemption Date.

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

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

*“Registrar”* means Wells Fargo Bank, National Association, in Denver, Colorado, the Registrar for the Series 2014 Bonds, and any successor commercial bank as such registrar.

*“Regular Record Date”* means, with respect to a particular series of Bonds, the record date for determining Bond ownership for the purpose of paying interest as it becomes due, as such date is provided by Supplemental Ordinance.

*“Renewal and Replacement Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Renewal and Replacement Fund” created under the Bond Ordinance.

*“Renewal and Replacement Requirement”* means an amount equal to the greater of (a) \$750,000; or (b) if the City, at its option, requests a Consulting Engineer to deliver to the Clerk a certificate for such purpose, the amount stated in such certificate as being reasonable and necessary for the Airport System in the opinion of the Consulting Engineer.

*“Revenue Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Revenue Fund” created under the Bond Ordinance.

*“Special Facilities”* means facilities relating to or used in connection with the Airport System, the cost of which is financed with the proceeds of Special Facilities Bonds issued pursuant to the Bond Ordinance.

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

*“Subordinate Bond Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Subordinate Revenue Bonds Bond Retirement Fund” created under the Bond Ordinance.

*“Subordinate Bond Reserve Fund”* means the fund designated as the “City of Colorado Springs, Colorado Airport System Subordinate Revenue Bonds Bond Reserve Fund” created under the Bond Ordinance.

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

*“Supplemental Ordinance”* means any ordinance of the City amending or supplementing the Bond Ordinance, including without limitation any such ordinance authorizing the issuance of Bonds under the Bond Ordinance.

*“Tax Compliance Certificate”* means the tax compliance certificate executed by the City in connection with the initial issuance and delivery of the Series 2014 Bonds.

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

“*Treasurer*” means the de jure or de facto treasurer of the City, or his or her designee, and his or her successor in functions, if any.

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

### **Special Obligations**

The Series 2014 Bonds are special obligations of the City payable solely from the Net Revenues of the Airport System. The Series 2014 Bonds do not constitute a debt of the City within the meaning of any Constitutional, Charter or statutory provision or limitation, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2014 Bonds.

### **Equality of Lien**

The covenants and agreements set forth in the Bond Ordinance to be performed on behalf of the City are to be for the equal benefit, protection and security of the owners of any and all Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, are to be of equal rank without preference, priority or distinction, except as otherwise expressly provided in or pursuant to the Bond Ordinance.

### **Additional Securities**

The Series 2014 Bonds and the Series 2007 Bonds constitute an irrevocable and first lien (but not necessarily an exclusively first lien) upon the Net Revenues. After the issuance of the Series 2014 Bonds, one or more series of additional Bonds may be issued and delivered, subject to the requirements of the Bond Ordinance. For a description of such requirements, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Parity Securities” in the forepart of this Official Statement.

Nothing in the Bond Ordinance prevents the City from issuing Bonds or other securities or incurring other obligations (including General Obligation Bonds) having a lien on the Net Revenues subordinate to the lien thereon of the Series 2014 Bonds. Nothing in the Bond Ordinance permits the City to issue Bonds or other securities or incur other obligations having a lien on the Net Revenues superior to the lien thereon of the Series 2014 Bonds, and any such Bonds or other securities or other obligations are prohibited by the Bond Ordinance.

### **Flow of Funds**

So long as any Bonds are Outstanding, the entire Gross Revenues, upon their receipt from time to time by the City, are to be set aside and immediately deposited to the credit of the Revenue Fund. Any moneys received for Operation and Maintenance Expenses by the City from any source other than Gross Revenues may also be deposited to the credit of the Revenue Fund and subsequently transferred to the Operation and Maintenance Fund as provided in the Bond Ordinance. So long as any Bonds are Outstanding, the Revenue Fund is to be administered, and the moneys on deposit therein are to be applied in the order of priority set

forth in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Application and Use of Revenues” in the forepart of this Official Statement.

### **Project Fund**

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

Upon substantial completion of an Improvement Project, surplus moneys in the Project Fund, not reserved for the payment of any remaining Costs, are to be paid to the Bond Reserve Fund if the balance therein is less than the Bond Reserve Requirement, and otherwise to the Interest Account, the Principal Account, the Redemption Fund or the Rebate Fund or to any combination thereof. Notwithstanding the above, any surplus moneys in the Project Fund are to be applied so as to permit compliance with requirements of the Code.

Alterations of, additions to, and deletions from any Improvement Project may be made prior to the withdrawal of all moneys accounted for in the applicable account in the Project Fund, provided certain conditions set forth in the Bond Ordinance are satisfied. If the moneys at that time credited to the Project Fund are not, in the opinion of the Consulting Engineer, in excess of the estimated Cost of such Improvement Project then unpaid and if the proposed modifications increase or decrease the estimated Cost of such Improvement Project by more than 10%, the modifications will not be permitted unless (a) the Airport Consultant files a certificate with the Clerk stating that the proposed modifications will not prevent the City from performing its rate maintenance covenant under the Bond Ordinance, (b) the Consulting Engineer files a certificate with the Clerk stating that the proposed modifications will not increase the estimated Cost of such Improvement Project, as originally fixed by Supplemental Ordinance, by more than 25% and (c) Bond Counsel provides the Clerk with an opinion to the effect that the proposed modifications will not adversely affect the tax exempt status of any Bonds. If the moneys at that time credited to the Project Fund are, in the opinion of the Consulting Engineer, in excess of the estimated Cost of such Improvement Project then unpaid, the proposed modifications will not be permitted unless (i) the Consulting Engineer files a certificate with the Clerk stating that the proposed modifications will not result in Costs exceeding the amount of such excess; and (ii) in the case of modifications which decrease the estimated Cost of such Improvement Project by more than 10%, the Airport Consultant files a certificate with the Clerk stating that the proposed modifications will not prevent the City from performing its rate maintenance covenant under the Bond Ordinance.

### **Reserve Fund**

The Bond Ordinance creates a Bond Reserve Fund to be maintained as a continuing reserve to be used to prevent deficiencies in the payment of the Debt Service Requirements of Outstanding Bonds resulting from the failure to deposit into the Bond Fund sufficient funds to pay such amounts as the same accrue.

No payment need be made into the Bond Reserve Fund at any time so long as the moneys deposited in the Bond Reserve Fund equal not less than the Bond Reserve Requirement. If

moneys on deposit in the Bond Reserve Fund exceed the Bond Reserve Requirement, the excess is to be transferred to the Revenue Fund unless such excess is otherwise used as provided by the Bond Ordinance. In the event any Supplemental Ordinance so provides, the City may at any time or from time to time, subject to certain limitations, deposit a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Bond Reserve Requirement: provided that any such Credit Facility is to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund as provided in the Bond Ordinance.

On the final maturity date of any series of Bonds, any moneys in the Bond Reserve Fund in excess of the Bond Reserve Requirement with respect to Bonds to be Outstanding immediately after such date may be used to pay the principal of and interest on such series of Bonds on such final maturity date.

Commencing on the first day of the month following the date of issuance of any Bonds which results in an increased Bond Reserve Requirement, or the date on which the moneys in the Bond Reserve Fund for any other reason are less than the Bond Reserve Requirement, the City is required to accumulate monthly, over a period of not more than 60 months, amounts necessary to accumulate or reaccumulate the Bond Reserve Requirement.

### **Rebate Fund**

The Rebate Fund established pursuant to the Bond Ordinance is to be used for the deposit of certain investment earnings which may be subject to rebate to the federal government pursuant to the Code. Amounts on deposit in the Rebate Fund will not be subject to the lien and pledge of the Bond Ordinance to the extent that such amounts are required to be paid to the United States Treasury. The City will cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at the address provided in the Tax Compliance Certificate) at the times and in the amounts set forth in the Tax Compliance Certificate.

If the moneys on deposit in the Rebate Fund are insufficient for the purpose of rebate, the City will transfer moneys to the Rebate Fund from the Project Fund and from the Bond Reserve Fund. Upon receipt by the City of an opinion of nationally recognized bond counsel acceptable to the City to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained in it, such excess will be transferred as Gross Revenues to the Revenue Fund.

### **Obligations Secured by Other Revenues**

The City may, from time to time, incur indebtedness payable solely from certain revenues of the Airport System which do not constitute Gross Revenues at such times and upon such terms and conditions as the City shall determine, provided that such indebtedness must specifically include a provision that payment of such indebtedness is neither secured by nor payable from Gross Revenues. The City may also, from time to time, incur indebtedness payable from and secured by Gross Revenues and certain revenues of the Airport System which do not constitute Gross Revenues at such times and upon such terms and conditions as the City shall determine, provided that the conditions set forth in the Bond Ordinance for the issuance of indebtedness payable from and secured by Gross Revenues are met.

## **Rate Covenant**

In the Bond Ordinance, the City covenants that it will at all times fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least sufficient: (a) to provide for the payment of Operation and Maintenance Expenses for such Fiscal Year; and (b) to provide for the larger of either: (i) the amounts needed in such Fiscal Year for making the deposits required to be made to the Bond Fund, the Bond Reserve Fund, the Subordinate Bond Fund, the Subordinate Bond Reserve Fund, the Rebate Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund and the General Obligation Bond Fund as described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Application and Use of Revenues” in the forepart of this Official Statement; or (ii) an amount not less than 125% of the Debt Service Requirements of the Outstanding Bonds for such Fiscal Year, including, without duplication, related Credit Facility Obligations.

The Bond Ordinance provides further that all such rentals, rates, fees and other charges for the use of the Airport System must be reasonable in relation to the cost of providing, operating and maintaining the particular facility and the services furnished by such facility.

## **Tax Covenants**

The City covenants for the benefit of the owners of the Outstanding Bonds that it will not take any action or omit to take any action with respect to the Outstanding Bonds, the proceeds thereof, any other funds of the City or any facilities financed with the proceeds of the Outstanding Bonds if such action or omission (a) would cause the interest on the Outstanding Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code (except in the case of the Series 2014 Bonds held by a “substantial user” of the facilities financed and refinanced from the proceeds of the applicable Series 2014 Bonds or a “related person” as defined in the Code); or (b) would cause interest on the Outstanding Bonds to lose its exclusion from Colorado taxable income. The foregoing covenant is to remain in full force and effect notwithstanding the payment in full or defeasance of any series of Outstanding Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Code have been met. The City also agrees to comply with all of its covenants set forth in the Tax Compliance Certificate with respect to the Series 2014 Bonds.

## **Other Covenants**

***Operation and Maintenance of Airport System.*** The City covenants that it will operate the Airport System in a sound and economical manner and will maintain and preserve the Airport System and Special Facilities in good repair, working order and sanitary condition, free from obstructions, in a manner suitable for air transport operations.

***Competing Airport Facilities.*** Unless, in an attorney’s opinion, compliance with this covenant in a particular situation would violate federal or state antitrust laws, the City covenants that it will not facilitate the construction or operation of other facilities competing with the operation of the Airport System in a manner that would materially and adversely affect the

City's ability to comply with the requirements of the rate maintenance covenant in the Bond Ordinance.

***Disposal of Airport Prohibited.*** Except in the normal course of business, neither all nor a substantial part of the Airport System is to be disposed of until all Bonds have been paid in full; provided, however, that the City may transfer all or a substantial part of the Airport System to another public entity if such public entity succeeds to the duties, privileges, powers, liabilities, disabilities, immunities and rights of the City with respect to the Airport System without, in an attorney's opinion, adversely and materially affecting the privileges and rights of any owner of any Outstanding Bonds or any related Credit Facility Obligation.

***Fire and Extended Coverage Insurance.*** The City will insure and at all times keep the Airport System insured to the extent possible with a responsible insurance company to assume the risk against direct physical damage or loss from fire and extended coverage perils in an amount not less than 80% of the replacement value of the facilities so insured. If at any time the City is unable to obtain insurance at reasonable cost to the extent above required, the City is to maintain such insurance to the extent reasonably obtainable.

### **Investment of Funds**

Moneys deposited in the funds designated in the Bond Ordinance and not required for immediate use, are to be invested or reinvested by the Treasurer, with the approval of the Controller, in Investment Securities. All such investments are to (a) either be subject to redemption at any time at a fixed value by the holder thereof at the option of such holder, or (b) mature not later than the estimated date or respective dates on which the proceeds are to be expended as estimated by the City Engineer and the Controller at the time of such investment or reinvestment; provided that investments of moneys in the Bond Reserve Fund are to mature not later than 10 years (or such shorter period as provided in the Bond Ordinance) from the date of investment and in no event later than the final fixed maturity date of the Bonds.

### **Interest Rate Exchange Agreements**

The City may enter into an interest rate exchange agreement or agreements, the payments on which are subordinate to the Bonds Outstanding. The City may enter into an interest rate exchange agreement or agreements, payments on which are on a parity with the Bonds Outstanding, provided that with respect to each such agreement: (a) the City and the Paying Agent shall have received a rating confirmation from each rating agency rating any Bonds Outstanding that such interest rate exchange agreement will not adversely affect the rating on any of the Bonds and (b) the Paying Agent shall have received the written consent of the Bond Insurer with respect to such Bonds evidencing its consent to such interest rate exchange agreement.

## Events of Default and Remedies

Each of the following events is an “event of default” under the Bond Ordinance (and other additional events of default may be specified in a Supplemental Ordinance in the future):

- (a) payment of the principal of or premium, it any, on any of the Bonds is not made by the City when the same becomes due and payable;
- (b) payment of any installment of interest is not made by the City when due and payable;
- (c) the City for any reason is rendered incapable of fulfilling its obligations under the Bond Ordinance;
- (d) the City fails to perform (or in good faith to begin the performance of) all of the acts required by the Bond Ordinance or any other material contract relating to Gross Revenues or to the Airport System, and such failure continues for 60 days (or such shorter period as provided in the Bond Ordinance) after receipt of written notice specifying such failure and requiring it to be remedied from the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding; provided, however, that no event of default will have occurred if the Finance Director determines that corrective action has been instituted within this 60-day period and is being diligently pursued;
- (e) the City unreasonably delays the reconstruction of any material part of the Airport System which is destroyed or damaged and is not promptly repaired or replaced;
- (f) an order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the Airport System or for the Gross Revenues and any other moneys subject to the lien securing the Bonds then outstanding, or such an order or decree is entered without the consent or acquiescence of the City and is not vacated, discharged or stayed on appeal within 60 days after entry;
- (g) the City defaults on the due and punctual performance of any representations, covenants, conditions, agreements and other provisions contained in the Bonds or the Bond Ordinance, and such default continues for 60 days after receipt of written notice specifying such default and requiring the same to be remedied is given to the City by the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding; provided, however, that no event of default will have occurred if the Finance Director determines that corrective action has been instituted within this 60-day period and is being diligently pursued; or
- (h) the City files a petition in bankruptcy relating to the Airport System.

Upon the happening and continuance of any of the events of default, the holders of not less than 25% of the aggregate principal amount of the Bonds then outstanding may proceed against the City to protect and enforce the rights of any holder of Bonds under the Bond

Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings will be instituted and maintained for the equal benefit of all holders of the Bonds then Outstanding and any related Credit Facility.

### **Defeasance**

When the whole amount of the principal of, premium, if any, and interest due and payable on the Series 2014 Bonds has been duly paid, the covenants, agreements and other obligations of the City to the owners of the Series 2014 Bonds will cease and be discharged and satisfied. The Series 2014 Bonds will be deemed to be duly paid when the City has placed in escrow an amount sufficient (including the known minimum yield available for such purpose from Federal Securities) to pay the principal of, premium, if any, and interest due and payable on the Series 2014 Bonds then outstanding, as the same become due to the final maturities of the Series 2014 Bonds or upon any redemption date as of which the City has exercised or has obligated itself to exercise its right of prior redemption.

### **Amendment**

The Bond Ordinance may be amended in certain circumstances without the consent of the Insurer or the bondholders. Such circumstances include (a) the issuance of additional Bonds; (b) curing or correcting any ambiguities or formal defects or omissions in the Bond Ordinance, or in regard to questions arising under the Bond Ordinance, as the City may deem necessary or desirable and which do not adversely affect the interests of the owners of the Bonds; (c) granting to the owners of the Bonds additional rights, remedies, powers or security; (d) adding to the covenants and agreements of the City set forth in the Bond Ordinance; (e) adding to the limitations and restrictions on the City set forth in the Bond Ordinance; (f) confirming any pledge under the Bond Ordinance; and (g) maintaining the exclusion from gross income of interest on the Bonds for federal income tax purposes. In all other circumstances the Bond Ordinance may be amended only with the written consent of the Insurer and the holders of not less than a majority of the aggregate principal amount of the Bonds then outstanding, but no such amendment, without the consent of the holders of any Bond affected, may (i) change the maturity, redemption or payment of principal of or interest on the Bonds; (ii) reduce the principal amount of, or the interest or redemption premium payable on, any Bond; (iii) create a lien or pledge of Net Revenues superior to the lien or pledge created by the Bond Ordinance; (iv) reduce the principal amount of the Bonds required to consent to any amendment; or (v) establish priorities as between the Bonds. In calculating the aggregate principal amount of Bonds then outstanding, Capital Appreciation Bonds, if any, will be deemed to be outstanding in an aggregate principal amount equal to the aggregate Accreted Values of Capital Appreciation Bonds at the time of determination.

**APPENDIX D**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

January \_\_\_\_, 2014

City of Colorado Springs, Colorado  
30 S. Nevada Avenue  
Colorado Springs, CO 80901

**\$11,185,000**  
**City of Colorado Springs, Colorado**  
**Airport System Revenue Refunding Bonds Series 2014**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Colorado Springs, Colorado (the “**City**”), in connection with the City’s issuance of \$11,185,000 aggregate principal amount of the “City of Colorado Springs, Colorado, Airport System Revenue Refunding Bonds, Series 2014” (the “**Series 2014 Bonds**”) pursuant to 1992 Airport System General Bond Ordinance, as supplemented and amended by certain supplemental ordinances, including the Fifth Supplemental Airport System Bond Ordinance (Ordinance No. 13-79), with respect to the Series 2014 Bonds (collectively, the “**Ordinance**”). All capitalized terms used and not defined herein shall have the same meanings set forth in the Ordinance.

The Series 2014 Bonds are being issued as fully registered bonds and are dated the date of issuance. The Series 2014 Bonds mature, bear interest, are payable and are subject to redemption, prior to maturity, in the manner and upon the terms set forth therein and in the Ordinance.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including, without limitation, Article XX of the Colorado Constitution, the Supplemental Public Securities Act, title 11, article 57, part 2, Colorado Revised Statutes, as amended (the “**Supplemental Public Securities Act**”), the Charter of the City, a certified transcript of the record of proceedings of the City Council of the City taken preliminary to and in the authorization of the Series 2014 Bonds, the form of the Series 2014 Bonds, and certificates of officers of the City (specifically including tax certificates and pricing certificates) and of others delivered in connection with the issuance of the Series 2014 Bonds.

We express no opinion herein relating to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2014 Bonds. As to questions of fact material to our opinion, we have relied upon the representations of the City and other parties contained in the Ordinance, certified proceedings, reports, certificates and other instruments (and have assumed the genuineness of signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents and the conformity with original documents of copies submitted to us) without undertaking to verify the same by independent investigation.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Ordinance is enforceable against the City in accordance with its terms.

2. The Series 2014 Bonds are valid and binding special obligations of the City, payable solely from the sources provided therefor in the Ordinance.

3. The Ordinance creates, pursuant to the home rule powers of the City under Article XX of the Colorado Constitution and the Supplemental Public Securities Act, an irrevocable and first lien (but not necessarily an exclusive lien) on the Net Revenues of the Airport System for the benefit of the Series 2014 Bonds, on a parity with the lien thereon of Bonds heretofore or hereafter issued by the City.

4. The interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2014 Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). It should be noted, however, that interest on the Series 2014 Bonds will be treated as an item of tax preference in calculating the federal alternative minimum tax liability imposed on individuals, trusts, estates and corporations. The foregoing opinions assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2014 Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with such requirements of the Code. Failure to comply with such requirements could cause the interest on the Series 2014 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014 Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2014 Bonds.

5. To the extent interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2014 Bonds.

It is to be understood that the rights of the owners of the Series 2014 Bonds and the enforceability of the Series 2014 Bonds and the Ordinance may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted; and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Ordinance are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the City to pay the principal of, and premium, if any, and interest on, the Series 2014 Bonds from the Net Revenues of the Airport System.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion. Our present engagement as bond counsel with respect to the issuance of the Series 2014 Bonds terminates upon the issuance of the Series 2014 Bonds. This opinion has been prepared solely for your use and should not be quoted in whole or in part or otherwise be referred to, nor be filed with or furnished to any governmental agency or other person or entity, without the prior written consent of this firm; provided, however, that copies of this opinion may be included in the closing transcripts for the transactions relating to the Series 2014 Bonds. The opinions set forth herein are expressions of our professional judgment and are not intended to be a guaranty of any result.

Respectfully submitted,

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Colorado Springs, Colorado (the “Issuer”) in connection with the issuance of its \$11,185,000 City of Colorado Springs, Colorado Airport System Revenue Refunding Bonds, Series 2014 (the “Series 2014 Bonds”) pursuant to the terms of the Bond Ordinance (as defined herein). The Issuer covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Series 2014 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

**Section 2. Definitions.** In addition to the definitions set forth in the Bond Ordinance, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following, capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Certificate.

“*Beneficial Owner*” shall mean any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

“*Bond Ordinance*” shall mean the Issuer’s 1992 Airport System General Bond Ordinance, as supplemented by a First Supplemental Airport System Bond Ordinance, a Second Supplemental Airport System Bond Ordinance, a Third Supplemental Airport System Bond Ordinance, a Fourth Supplemental Airport System Bond Ordinance and a Fifth Supplemental Airport System Bond Ordinance adopted by the City Council.

“*Dissemination Agent*” means, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“*Obligated Person*” shall mean any “obligated person” within the meaning of the Rule.

“*Official Statement*” shall mean the Official Statement, dated January 16, 2014, prepared and distributed in connection with the initial sale of the Series 2014 Bonds.

*“Participating Underwriter”* shall mean any of the original underwriters of the Series 2014 Bonds required to comply with the Rule in connection with offering of the Series 2014 Bonds.

*“Rule”* shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Section 3. Provision of Annual Reports.**

(a) The Issuer shall, or shall cause the Dissemination Agent, not later than 180 days after the end of each Fiscal Year, commencing with the report for the 2013 Fiscal Year ending December 31, 2013, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted either as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the Airport Enterprise Fund may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in paragraph (a), the Issuer shall provide its Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall provide a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the electronic format prescribed by the MSRB; and
- (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been filed as required hereunder, and stating the date filed.

**Section 4. Content of Annual Reports.** The Issuer’s Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Series 2014 Bonds, unless otherwise noted):

(a) The audited financial statements of the Airport Enterprise Fund for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Airport Enterprise Fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar

to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Table 1—City of Colorado Springs, Colorado, Airport System Bonds, Debt Service Requirements (but only to the extent such information has changed);

(c) Table 2—City of Colorado Springs, Colorado, Airport System Bonds, Historical Debt Service Coverage;

(d) Table 3—Colorado Springs Airport, Airlines Serving the Airport;

(e) Table 4—Colorado Springs Airport, Historical Airline Traffic;

(f) Table 5—Colorado Springs Airport, Airline Shares of Enplaned Passengers;

(g) Table 6—Colorado Springs Airport, Historical Aircraft Landed Weight; and

(h) Table 7—City of Colorado Springs, Colorado, Airport Enterprise Fund, Summary of Revenues, Expenses and Changes in Net Position (to the extent such financial information is not otherwise provided in the audited financial statements required in (a) above).

Any or all of the items listed above may be included by specific reference to other documents, which are available to the public on the MSRB's Internet Web Site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

#### **Section 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2014 Bonds or arising under the Bond Ordinance.

(i) principal and interest payment delinquencies;

(ii) nonpayment related defaults;

(iii) modifications to rights of bondholders;

(iv) optional, contingent or unscheduled bond calls;

(v) defeasances;

(vi) rating changes;

- (vii) adverse tax opinions or events affecting the tax-exempt status of the Series 2014 Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
- (x) substitution of the credit or liquidity providers or their failure to perform; and
- (xi) release, substitution or sale of property securing repayment of the Series 2014 Bonds.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event with respect to the Series 2014 Bonds, the Issuer shall as soon as possible, but in no event more than ten (10) days following such event, determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file notice of such occurrence with the MSRB.

**Section 6. Termination of Reporting Obligation.** The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2014 Bonds. If such termination occurs prior to the final maturity of the Series 2014 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** The Issuer may perform the duties of the Dissemination Agent, or from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible or liable in any manner whatsoever for the content of any notice or report prepared by the Issuer pursuant to this Certificate. Any such Dissemination Agent shall file with the Issuer a written acceptance of such designation.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2014 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2014 Bonds in the same manner as provided in the Bond Ordinance for amendments to the Bond Ordinance with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2014 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Issuer to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer (or the Dissemination Agent, if other than the Issuer), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Bond Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities

which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2014 Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2014 Bonds, and shall create no rights in any other person or entity.

**Section 13. Electronic Format and Identifying Information.** All documents provided to the MSRB pursuant to this Certificate shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Certificate as of \_\_\_\_\_, 2014.

CITY OF COLORADO SPRINGS, COLORADO

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

## **APPENDIX F BOOK-ENTRY-ONLY SYSTEM**

### **Introduction**

*Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. The City makes no representations as to the accuracy or completeness of such information. The beneficial owners of the Series 2014 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.*

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2014 BONDS UNDER THE BOND ORDINANCE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2014 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2014 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

### **General**

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Series 2014 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC

is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue 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. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE SERIES 2014 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

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**APPENDIX G  
SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on 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 unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer 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. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100



