

In the opinion of Ballard Spahr LLP, Bond Counsel, under existing law as presently enacted and construed, interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, assuming the accuracy of certifications of the Authority and assuming continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), except that interest on any Series 2017 Bond shall not be excluded while held by a substantial user of the Facilities (defined herein) or a related person as provided in the Code. Interest on the Series 2017 Bonds will be a specific tax preference item for purposes of determining individual and corporate federal alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Series 2017 Bonds are exempt from Pennsylvania personal property taxes, and the interest on the Series 2017 Bonds is exempt from Pennsylvania income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein for a more detailed discussion.

\$38,765,000



**SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY
AIRPORT SYSTEM REVENUE BONDS
SERIES 2017 (AMT)**

Dated: Date of Delivery

Due: January 1, in the years as shown on the inside front cover

The Susquehanna Area Regional Airport Authority (the "Authority") is issuing its \$38,765,000 aggregate principal amount of Airport System Revenue Bonds, Series 2017 (AMT) (the "Series 2017 Bonds"). The Series 2017 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of the principal of, premium, if any, and interest on the Series 2017 Bonds will be made. Purchasers will acquire beneficial interests in the Series 2017 Bonds, in the principal amounts described below, in book-entry only form. DTC will remit such payments to its participants who will be responsible for remittance to beneficial owners of the Series 2017 Bonds. See Appendix F - Book Entry Only System.

The Series 2017 Bonds will mature in the years and in the principal amounts, and will bear interest at the rates as shown on the inside front cover of this Official Statement. Interest on the Series 2017 Bonds will be payable semiannually on January 1 and July 1, commencing on January 1, 2018, by check mailed or transmitted, respectively, by Manufacturers and Traders Trust Company, as trustee (the "Trustee"). **The Series 2017 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.**

The Series 2017 Bonds are being issued to provide funds to, together with other available moneys: (i) refund all or a portion of the Authority's Airport System Revenue Bonds, Series 2008A (AMT); (ii) fund a deposit to the Debt Service Reserve Fund; and (iii) pay the costs of issuance of the Series 2017 Bonds.

The Series 2017 Bonds will be issued under and secured by the Master Trust Indenture, dated as of April 15, 2003, as previously supplemented and as further supplemented by the Fifth Supplemental Indenture, dated as of November 1, 2017, each by and between the Authority and the Trustee (collectively, the "Indenture"). The Series 2017 Bonds will be payable solely from, and secured by a pledge of, Net Revenues of the Airport System, as described herein. The Series 2017 Bonds will be on a parity with Bonds issued and currently Outstanding in an aggregate principal amount of \$104,175,000 (taking into effect the refunding to be funded with proceeds of the Series 2017 Bonds) under the Indenture and any additional Bonds that may be issued in the future under the Indenture.

MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2017 Bonds are limited obligations of the Authority. The Series 2017 Bonds shall not be deemed to constitute a debt or liability of the County of Dauphin, Cumberland, or York, the City of Harrisburg or York, the Township of Fairview or Lower Swatara, the Commonwealth of Pennsylvania (the "Commonwealth") or of any political subdivision thereof, except the Authority, or a pledge of the faith and credit of any of the aforesaid Counties, Cities, Townships, the Commonwealth or any political subdivision thereof, and neither the aforesaid Counties, Cities, Townships, the Commonwealth nor any such political subdivision thereof is obligated to pay the Series 2017 Bonds or interest thereon, and neither the full faith and credit nor the taxing power of the Counties, Cities, Townships, Commonwealth or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Series 2017 Bonds. The Authority has no taxing power.

This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed under "RISK FACTORS."

The Series 2017 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval of their legality by Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the Authority by Rhoads & Sinon LLP, Harrisburg, Pennsylvania, and for the Underwriter by McNees Wallace & Nurick LLC, Lancaster, Pennsylvania. PFM Financial Advisors LLC, Largo, Florida, has served as municipal advisor to the Authority with respect to the Series 2017 Bonds. It is expected that the Series 2017 Bonds in book-entry only form will be available for delivery to DTC in New York, New York on or about November 16, 2017.



RBC Capital Markets

\$38,765,000
SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY
AIRPORT SYSTEM REVENUE BONDS
SERIES 2017 (AMT)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS*

\$13,540,000 5.000% Term Bond due January 1, 2035 Yield 3.620%[†] CUSIP* 86909RBG5

\$25,225,000 5.000% Term Bond due January 1, 2038 Yield 3.720%[‡] CUSIP* 86909RBH3

* Copyright 2010, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of owners of the Series 2017 Bonds only, and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2017 Bonds.

[†] Priced to January 1, 2028 optional call date.

[‡] Priced to January 1, 2028 optional call date.

SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY

BOARD OF DIRECTORS

Stephen Libhart, Chairman
James L. Helsel, Jr., Vice Chairman
James Anderson, III, Secretary
James Gross, Treasurer
Don Geistwhite Jr.
Dr. Bennett Chotiner
Keith Rodgers
Nick DiFrancesco
Keith Chase
Timothy Tate
Dr. Carolyn J. Van Newkirk
Ryan Grigsby
Ryan Maxwell
William Leonard

SENIOR MANAGEMENT

Timothy J. Edwards, Executive Director
Marshall B. Stevens, Deputy Executive Director
Thomas C. Peiffer, Deputy Director, Finance and Administration
David E. Spaulding, Deputy Director, Engineering and Planning
Belinda J. Svirbely, Deputy Director, Operations, Security & Public Safety
Scott R. Miller, Deputy Director, Business Development and Strategic Marketing
Kevin Bryner, Deputy Director, Information Technology

Bond Counsel

Ballard Spahr LLP

Authority Solicitor

Rhoads & Sinon LLP

Trustee

Manufacturers and Traders Trust Company

Municipal Advisor

PFM Financial Advisors LLC

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesperson or other person has been authorized by the Authority or RBC Capital Markets, LLC, as underwriter for the Series 2017 Bonds offered to the public as indicated on the inside cover (the “Underwriter”) to give any information or to make any representations with respect to the Series 2017 Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be a sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 respective responsibilities 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, and such information is not to be construed as the promise or guarantee of the Underwriter.

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 shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or in any other matter described herein, since the date hereof or the dates of the information contained herein.

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 statements. Historical operating statistics and financial results presented in this Official Statement may not be indicative of future performance.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Series 2017 Bonds is made only by means of this entire Official Statement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Series 2017 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN THE OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SEC NOR THESE STATES OR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

TABLE OF CONTENTS

INTRODUCTION	1
General.....	1
Use of Proceeds.....	1
The Authority.....	1
Harrisburg International Airport	2
Air Service Region.....	2
Agreements with Airlines	2
Events and Other Factors Affecting the Airline Industry and the Airport	2
Airlines Serving the Airport.....	3
The Capital Program	3
Series 2017 Bonds.....	3
Security for the Series 2017 Bonds.....	4
Subordinated Obligations.....	4
Debt Service Reserve Fund.....	5
Risk Factors	5
Continuing Disclosure Undertaking.....	5
Additional Information	5
APPLICATION OF THE SERIES 2017 BOND PROCEEDS.....	6
General.....	6
The Refunding Project	6
DESCRIPTION OF THE SERIES 2017 BONDS.....	7
Book-Entry Only System.....	7
Redemption Provisions	8
Notice of Redemption.....	9
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS.....	9
Flow of Funds	9
Security and Sources of Payment for Bonds.....	13
Subordinated Obligations.....	17
Junior Lien Indebtedness	17
Permitted Investments.....	18
Events of Default and Remedies; No Acceleration.....	18
AGGREGATE DEBT SERVICE REQUIREMENTS	19
THE AUTHORITY	20
General.....	20
The Airport System.....	20
Organization of the Authority.....	21
Financial Statements of the Authority.....	23
AIR SERVICE REGION.....	23
LARGEST LOCAL EMPLOYERS	25
HARRISBURG INTERNATIONAL AIRPORT	26
General.....	26
Airlines Serving the Airport.....	28
Aviation Activity	28
THE CAPITAL PROGRAM.....	32
CERTAIN CAPITAL PROGRAM FUNDING SOURCES.....	33
Passenger Facility Charges	33
Airport Improvement Program Grants	34
Commonwealth of Pennsylvania Grants.....	35
AIRPORT AGREEMENTS	35
Airline Agreements.....	35
Non-Airline Agreements.....	37

FINANCIAL INFORMATION	38
General.....	38
Summary of Operations	38
Debt Service Coverage.....	40
Management Discussion of Airport Finances	42
Operating Revenue Diversity.....	44
Operating Leases.....	46
Pension and Retirement Plans.....	46
Property and Casualty Insurance.....	46
Investment Policy.....	47
AIRPORT SYSTEM ENVIRONMENTAL MATTERS.....	47
Memorandum of Understanding with PADEP.....	47
FYR by EPA & PADEP.....	47
AIRLINE INFORMATION.....	48
RISK FACTORS	48
The Series 2017 Bonds are Limited Obligations	48
Factors Affecting the Airline Industry	49
Effect of Airline Bankruptcy.....	50
Aviation Security Concerns	51
Aviation Security and Health Safety Concerns.....	51
Regulations and Restrictions Affecting the Airport.....	52
Ability to Meet Rate Covenant	52
Availability of PFCs.....	53
Forward-Looking Statements.....	53
Loss of Federal Tax Exemption	54
Expiration and Possible Termination of Airline Agreement.....	54
Competition.....	54
Limitations on Bondholders' Remedies.....	55
Dependence Upon Government Grants	55
Bond Ratings.....	55
Litigation.....	55
TAX MATTERS.....	55
Federal Law	55
Commonwealth of Pennsylvania Law	56
Changes in Federal and State Tax Law.....	56
LEGAL MATTERS.....	57
LITIGATION	57
RATINGS	57
INDEPENDENT AUDITORS.....	58
MUNICIPAL ADVISOR	58
UNDERWRITING	58
CONTINUING DISCLOSURE UNDERTAKING.....	58
CERTAIN RELATIONSHIPS	59
MISCELLANEOUS	59
AUTHORIZATION.....	60
APPENDIX A – SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS, DECEMBER 31, 2016 AND 2015	A-1
APPENDIX B – DEFINITIONS.....	B-1
APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SUBORDINATE INDENTURE.....	C-1

APPENDIX D –	FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E –	FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	E-1
APPENDIX F –	BOOK-ENTRY ONLY SYSTEM.....	F-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

Relating to
\$38,765,000
SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY
AIRPORT SYSTEM REVENUE BONDS
SERIES 2017 (AMT)

INTRODUCTION

General

This Official Statement, which includes the cover page, inside front cover page, and appendices hereto, provides certain information about the Susquehanna Area Regional Airport Authority (the “**Authority**”) and is furnished in connection with the offering by the Authority of its \$38,765,000 aggregate principal amount of Airport System Revenue Bonds, Series 2017 (AMT) (the “**Series 2017 Bonds**”). For a discussion of the terms of the Series 2017 Bonds, see “DESCRIPTION OF THE SERIES 2017 BONDS.” Capitalized terms not otherwise defined have the meanings for such terms set forth in **Appendix B – Definitions**.

Use of Proceeds

The Series 2017 Bonds are being issued to provide funds to, together with other available moneys: (i) refund all or a portion of the Authority’s Airport System Revenue Bonds, Series 2008A (AMT) (the “**Series 2008A Bonds**” or the “**Refunded Bonds**”); (ii) fund a deposit to the Debt Service Reserve Fund with respect to the Series 2017 Bonds; and (iii) pay the costs of issuance of the Series 2017 Bonds. See “APPLICATION OF THE SERIES 2017 BOND PROCEEDS” and “PLAN OF FINANCING.”

The Authority

The Authority is a joint municipality authority created by the Counties of Dauphin, Cumberland, and York, the Cities of Harrisburg and York, and the Townships of Fairview and Lower Swatara under the Pennsylvania Municipality Authorities Act, 53 Pa. C.S.A. § 5601 *et seq.*, as amended and supplemented (the “**Act**”). Each of the aforementioned municipalities appoints representatives to serve for five-year staggered terms on the Authority’s board of directors. On January 2, 1998, the Commonwealth of Pennsylvania (the “**Commonwealth**”), acting through the Pennsylvania Department of Transportation (“**PennDOT**”), transferred operation and ownership of the Harrisburg International Airport, located in the Township of Lower Swatara, Boroughs of Middletown and Highspire, Dauphin County, Pennsylvania, and Capital City Airport (“**Capital City Airport**”), which is the general aviation airport of the Airport System, located in the Township of Fairview, York County, Pennsylvania, to the Authority. The Authority owns, operates, and maintains (i) the Harrisburg International Airport, (ii) Capital City Airport, (iii) since 2004, the Franklin County Regional Airport (previously known as Chambersburg Municipal Airport), a general aviation airport approximately 45 miles from the Airport and located in Franklin County, Pennsylvania (“**Franklin County Regional Airport**”) and (iv) since August 2006, the Gettysburg Regional Airport (previously known as the Gettysburg Airport and Travel Center), a general aviation airport located just outside of Gettysburg, Adams County, Pennsylvania (the “**Gettysburg Regional Airport**” and, together with Harrisburg International Airport, Capital City Airport, and Franklin County Regional Airport, the “**Airport System**”). Neither the Authority nor the Harrisburg International Airport has any financial relationship to the City of Harrisburg or any of the other appointing counties, cities or townships. See “THE AUTHORITY.”

Harrisburg International Airport

Harrisburg International Airport (the “**Airport**”) is a commercial service airport. The Airport is comprised of approximately 800 acres of land, located approximately twelve road miles southeast of Harrisburg, the capital of the Commonwealth, and adjacent to the main Amtrak rail line in Pennsylvania. As of September 2017, there were six airlines and their regional affiliated partners that provided scheduled service to and from the Airport. In addition, two all-cargo carriers provided cargo service at the Airport. See “HARRISBURG INTERNATIONAL AIRPORT” herein for a more complete description of the Airport. The Airport is classified as a small hub airport by the Federal Aviation Administration (the “FAA”). In calendar year 2016, the number of enplaned passengers at the Airport equaled 607,324.

Air Service Region

The Airport’s immediate Air Service Region, located primarily within a one hour drive of the Airport, is comprised of the eight county region including Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York. A secondary air service region comprising another 15 counties generally within a two hour drive of the Airport extends toward Altoona to the west, University Park to the northwest, Wilkes-Barre/Scranton to the northeast and Reading to the east. These areas are considered by the Authority to have market development potential. See “HARRISBURG INTERNATIONAL AIRPORT - The Air Service Region.”

Agreements with Airlines

The Authority has entered into substantially similar airline operating agreements and terminal building leases (each an “**Airline Agreement**”), which relate to the terminal lease and airline operations, with the following passenger airlines servicing the Airport: American Airlines (“**American**”), Delta Air Lines (“**Delta**”), United Airlines (“**United**”), Allegiant Air (“**Allegiant**”) and Air Canada. The Authority has also entered into substantially similar Airline Agreements, which relate to only airline operations, with each of the following all-cargo airlines servicing the Airport: Federal Express and UPS. These passenger and cargo airlines are collectively referred to as the “**Signatory Airlines.**” The Term of each Airline Agreement extends through December 31, 2019. The passenger airlines work with their affiliate airlines to operate and provide commercial airline services at the Airport. The Signatory Airlines and their affiliates account for substantially all of the airline traffic activity at the Airport. See “AIRPORT AGREEMENTS - Airline Agreements” for a more detailed discussion.

Events and Other Factors Affecting the Airline Industry and the Airport

Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Series 2017 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; terrorism; world health concerns; weather-related events; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports for connecting traffic; fundamental change in United States airline industry service patterns to and from small and medium sized airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The Airport’s Air Service Region is served by numerous other air carrier airports, including large-hub airports at Baltimore, Philadelphia, and Washington Dulles, as well as airports with scheduled passenger service at Altoona, Hagerstown, Lancaster, University Park, Wilkes-Barre/Scranton and Williamsport. Service from the Airport, particularly to airports in the northeast region of the country, is subject to competition from rail and other forms of transportation.

Many of these factors, most of which are outside the Authority's control, are discussed in further detail in "RISK FACTORS." If aviation and enplaned passenger traffic at the Airport decline, a corresponding reduction in Net Revenues may occur.

The future levels of aviation activity and enplaned passenger traffic at the Airport will depend upon the factors listed above, certain of which cannot be controlled by the Authority. The impact of such factors which may affect future aviation activity and enplaned passenger traffic at the Airport are discussed in greater detail throughout this Official Statement. See particularly "HARRISBURG INTERNATIONAL AIRPORT," "FINANCIAL INFORMATION" and "RISK FACTORS."

Airlines Serving the Airport

American has been the air carrier with the largest market share at the Airport and accounted for approximately 39.5% of passenger enplanements at the Airport in 2016. Delta and United accounted for approximately 26.5% and 21% respectively of passenger enplanements at the Airport in 2016. Allegiant initiated service in 2012 and accounted for approximately 11.5% of passenger enplanements at the Airport in 2016. Air Canada initiated service in 1996 and accounted for 1.1% of passenger enplanements at the Airport in 2016. Southern Airways Express initiated service to Pittsburgh in November 2016, however, due to pilot shortages the service is on hiatus. The airline plans to resume Harrisburg to Pittsburgh service during the 4th quarter of 2017. See "RISK FACTORS – General Financial Condition of Certain Airlines Serving the Airport" and "– Effect of Bankruptcy."

The Capital Program

The Authority has developed a Capital Program for the period 2017 to 2022 (the "**Capital Program**") to address needed improvements and to rehabilitate portions of the Airport System.

The Capital Program at the Airport for the period of 2017 to 2022 encompasses approximately \$65 million in capital improvements to rehabilitate the runway, to replace fire and snow removal equipment and to construct a cargo area. Further, the Authority expects to undertake capital improvements in the approximate amount of \$13 million during the period of 2017 to 2022 at Capital City Airport, Franklin County Regional Airport and Gettysburg Regional Airport. The Authority expects to fund such improvements with AIP grants and Commonwealth grants, and, to the extent available, moneys in the General Fund. The Authority does not anticipate issuing additional Bonds to fund such improvements. See "HARRISBURG INTERNATIONAL AIRPORT" and "THE CAPITAL PROGRAM."

Series 2017 Bonds

The Series 2017 Bonds will be issued in the aggregate principal amounts, bear interest at the rates and mature on the dates and in the amounts set forth on the cover page and inside front cover hereof. Interest on the Series 2017 Bonds will accrue from their date of delivery to the Underwriter and will be payable commencing on January 1, 2018, and semiannually thereafter on each January 1 and July 1, computed on the basis of a 360-day year of twelve 30-day months. The Series 2017 Bonds are subject to redemption prior to maturity as described in "DESCRIPTION OF THE SERIES 2017 BONDS – Redemption Provisions for Series 2017 Bonds." The Series 2017 Bonds initially will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("**DTC**") as securities depository for the Series 2017 Bonds. Individual purchases may be made in book-entry only form. See "DESCRIPTION OF THE SERIES 2017 BONDS – Book-Entry Only System" and **Appendix F – Book-Entry Only System** for a more detailed description.

Security for the Series 2017 Bonds

The Series 2017 Bonds are to be issued and secured pursuant to (i) the Master Trust Indenture, dated as of April 15, 2003 (the “**Master Indenture**”), as supplemented by the First Supplemental Trust Indenture, dated as of April 15, 2003 (the “**First Supplemental Indenture**”), the Second Supplemental Trust Indenture, dated as of August 1, 2004 (the “**Second Supplemental Indenture**”), the Third Supplemental Trust Indenture, dated as of April 1, 2008 (the “**Third Supplemental Indenture**”), the Fourth Supplemental Trust Indenture dated as of December 1, 2012 (the “**Fourth Supplemental Indenture**” and the Fifth Supplemental Trust Indenture dated as of November 1, 2017 (the “**Fifth Supplemental Indenture**”) and, together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, the “**Indenture**”), all by and between the Authority and Manufacturers and Traders Trust Company, as trustee (the “**Trustee**”); and (ii) the provisions of the Act.

As of the date of this Official Statement, \$43,535,000 aggregate principal amount of Refunded Bonds, issued under the Indenture are Outstanding. The Refunded Bonds are expected to be refunded in whole or in part with proceeds of the Series 2017 Bonds, together with other available monies from the Authority. Further, as of the date of this Official Statement, \$53,375,000 aggregate principal amount of Airport System Revenue Bonds, Series 2012A (AMT) (the “**Series 2012A Bonds**”), \$49,520,000 Airport System Revenue Bonds, Series 2012B (Non-AMT) (the “**Series 2012B Bonds**,” and together with the Series 2012A Bonds, the “**Series 2012 Bonds**”) and \$1,280,000 aggregate principal amount of Airport System Revenue Bonds, Series 2008B (Taxable) (the “**Series 2008B Bonds**”) issued under the Indenture are Outstanding. The Series 2008B Bonds, the Series 2012 Bonds, the Series 2017 Bonds and any additional Bonds that may be issued in the future pursuant to the Indenture (collectively, the “**Bonds**”), are limited obligations of the Authority payable solely from and equally and ratably secured by a pledge of Net Revenues of the Airport System. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS,” **Appendix B** - Definitions and **Appendix C** - Summary of Certain Provisions of the Indenture and the Subordinate Indenture, for a more detailed discussion. See “- Subordinated Obligations” for a discussion of bonds and other obligations that the Authority may issue and secure on a subordinated basis to the Bonds.

THE SERIES 2017 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM, AND SECURED BY THE PLEDGE OF, NET REVENUES OF THE AIRPORT SYSTEM AND CERTAIN FUNDS AND ACCOUNTS HELD OR SET ASIDE UNDER THE INDENTURE. THE SERIES 2017 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COUNTIES OF DAUPHIN, CUMBERLAND, OR YORK, THE CITIES OF HARRISBURG OR YORK, THE TOWNSHIPS OF FAIRVIEW OR LOWER SWATARA, OR THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE AUTHORITY, OR A PLEDGE OF THE FAITH AND CREDIT OF ANY OF THE AFOREMENTIONED COUNTIES, CITIES, TOWNSHIPS, OR THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE COUNTIES, CITIES, TOWNSHIPS, COMMONWEALTH, NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE SERIES 2017 BONDS OR THE INTEREST THEREON, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTIES, CITIES, TOWNSHIPS, COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2017 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Subordinated Obligations

The Authority is authorized under the Indenture to issue Subordinated Obligations that may be payable from and secured by a pledge of the Net Revenues subordinate to the pledge made to the Trustee

under the Master Indenture to secure the Bonds. Specifically, the Authority is authorized to issue Subordinated Obligations under the Master Subordinate Trust Indenture dated as of April 15, 2003, as supplemented from time to time, (as so supplemented, the “**Subordinate Indenture**” and, together with the Indenture, the “**Indentures**”), by and between the Authority and Manufacturers and Traders Trust Company, as trustee (the “**Subordinate Trustee**,” and together with the Trustee, the “**Trustees**”); and (ii) the provisions of the Act.

As of the date of this Official Statement, no Subordinated Obligations are Outstanding. Any Subordinated Obligation hereafter issued will be a limited obligation of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues (as defined in the Subordinate Indenture) of the Airport System, which is subordinate to the pledge of Net Revenues for the Bonds, including the Series 2017 Bonds and any future Bonds issued pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS,” **Appendix B** - Definitions and **Appendix C** - Summary of Certain Provisions of the Indenture and the Subordinate Indenture, for a more detailed discussion.

Debt Service Reserve Fund

Amounts in the Debt Service Reserve Fund are available to pay debt service on the Bonds. Proceeds of the Series 2017 Bonds will be used to fund a deposit to the Series 2017 Debt Service Reserve Account to be established within the Debt Service Reserve Fund for the Series 2017 Bonds. See “APPLICATION OF THE SERIES 2017 BOND PROCEEDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS.”

Risk Factors

The Series 2017 Bonds involve investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2017 Bonds should read this entire Official Statement including information under the section “RISK FACTORS.”

Continuing Disclosure Undertaking

The Authority has covenanted for the benefit of the owners of the Series 2017 Bonds to provide annually certain financial information and operating data concerning the Authority to the Electronic Municipal Market Access (“**EMMA**”) of the Municipal Securities Rulemaking Board (the “**MSRB**”) pursuant to the requirements of Rule 15c2-12 (the “**Rule**”) of the Securities and Exchange Commission (“**SEC**”). See “CONTINUING DISCLOSURE UNDERTAKING” and **Appendix E** - Form of Continuing Disclosure Undertaking.

Additional Information

This Official Statement contains brief descriptions of, among other things, the Series 2017 Bonds, the Indenture, the Subordinate Indenture, the Authority, the Airport System, the Capital Program and the Master Plan. Such descriptions do not purport to be comprehensive or definitive. **All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2017 Bonds are qualified in their entirety by reference to the form of the Series 2017 Bonds included in the Fifth Supplemental Indenture.**

The Authority’s audited financial statements for the years ended December 31, 2016 and 2015 are included in this Official Statement as **Appendix A**. Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings set forth in **Appendix B**. A summary of the Indenture and Subordinate Indenture is attached hereto as **Appendix C**. The substantially final text of the opinion to be delivered by Bond Counsel, Ballard Spahr LLP, is included as **Appendix D**. The Authority has undertaken

in a Continuing Disclosure Undertaking, the form of which is attached as **Appendix E**, to assist the Underwriter in complying with the provisions of the Rule as promulgated by the SEC under the Securities Exchange Act of 1934, as amended, and as in effect as of the date hereof (the “**Exchange Act**”), by providing annual financial and operating data, and material event notices required by the Rule. A description of the book-entry system maintained by DTC is set forth in **Appendix F**.

Inquiries regarding information about the Authority may be directed to Timothy J. Edwards, Executive Director, One Terminal Drive, Suite 300, Middletown, Pennsylvania, 17057, Telephone No. (717) 948-3900.

APPLICATION OF THE SERIES 2017 BOND PROCEEDS

General

The Series 2017 Bonds, together with other available monies, are being issued to provide funds to: (i) refund all or a portion of the Refunded Bonds, as more fully described below under “The Refunding Project”; (ii) fund a deposit to the Debt Service Reserve Fund; and (iii) pay the costs of issuance of the Series 2017 Bonds. The following table sets forth the estimated uses of the proceeds of the Series 2017 Bonds.

SOURCES:

Par Amount of the Series 2017 Bonds	\$38,765,000.00
Original Issue Premium	4,273,689.80
Available Funds of the Authority	4,252,575.79
TOTAL	<u>\$47,291,265.59</u>

USES:

Refunding Escrow Deposit	\$44,949,887.50
Deposit to Series 2017 Debt Service Reserve Account	1,938,250.00
Costs of Issuance ¹	403,128.09
TOTAL	<u>47,291,265.59</u>

¹ Includes Underwriter’s discount, bond insurance premium, legal, advisory and other costs of issuance

The Refunding Project

A portion of the proceeds of the Series 2017 Bonds, together with other available monies, will be applied on January 1, 2018 to refund and redeem the Refunded Bonds in the aggregate principal amount of \$43,535,000, as listed below, at a redemption price of 100%.

Refunded Bonds

Maturity Date <u>(January 1)</u> 2038	<u>Interest Rate</u> 6.5%	Amount to be <u>Refunded</u> \$43,535,000	<u>CUSIP No.</u> 86909RAV3
---	-------------------------------------	---	--------------------------------------

DESCRIPTION OF THE SERIES 2017 BONDS

The following is a summary of certain provisions of the Series 2017 Bonds. Reference is hereby made to the Indenture in its entirety for the provisions pertaining to the Series 2017 Bonds. See Appendix C - Summary of Certain Provisions of the Indenture and Subordinate Indenture.

The Series 2017 Bonds will be issued in the aggregate principal amounts as set forth on the inside front cover of this Official Statement. The Series 2017 Bonds will be issued as fully registered bonds and in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2017 Bonds will be calculated and paid on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Series 2017 Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Series 2017 Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of the Series 2017 Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the applicable Trustee not less than five days prior to the Record Date. As long as the Series 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See Appendix F - Book-Entry Only System. The Series 2017 Bonds will be dated the date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable commencing on January 1, 2018 and semiannually thereafter on each January 1 and July 1, until maturity or redemption

Book-Entry Only System

The Series 2017 Bonds will initially be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee for DTC as securities depository for the Series 2017 Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their interest in the Series 2017 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2017 Bonds, references herein to the registered owners means Cede & Co. and do not mean the Holders of the Series 2017 Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, principal of and interest on the Series 2017 Bonds are payable pursuant to the Indentures. See Appendix F - Book-Entry Only System for a more detailed description.

NONE OF THE AUTHORITY, THE TRUSTEE, AND THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR 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 2017 BONDS UNDER THE INDENTURE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR

INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2017 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2017 BONDS; OR (F) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Redemption Provisions

Optional Redemption. The Series 2017 Bonds are subject to redemption prior to maturity, at the option of the Authority, in whole or, from time to time, in part, on January 1, 2028 or on any date thereafter, upon payment of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

If less than all Series 2017 Bonds are to be redeemed at any time, the Series 2017 Bonds shall be redeemed in such order of maturity as the Authority shall select. If less than all Series 2017 Bonds of a maturity are to be redeemed, such Series 2017 Bonds shall be drawn by lot by the applicable Trustee. In the event any Series 2017 Bonds are in a denomination greater than \$5,000 a portion of such Series 2017 Bonds may be redeemed, but portions of Series 2017 Bonds shall be redeemed only in the principal amount of \$5,000 or any whole multiple thereof.

Mandatory Sinking Fund Redemption. The Series 2017 Bonds stated to mature on January 1, 2035 and January 1, 2038 are subject to mandatory sinking fund redemption prior to maturity, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable, on January 1 of the following years and in the following principal amounts, as drawn by lot by the applicable Trustee on behalf of the Authority:

\$13,540,000 5.000% Term Bond due January 1, 2035:

<u>Year</u>	<u>Amount</u>
2034	\$5,920,000
2035*	\$7,620,000

* Maturity

\$25,225,000 5.000% Term Bond due January 1, 2038:

<u>Year</u>	<u>Amount</u>
2036	\$8,000,000
2037	\$8,400,000
2038*	\$8,825,000

* Maturity

In the event any Series 2017 Bonds are in a denomination greater than \$5,000 a portion of such Series 2017 Bonds may be redeemed, but portions of Series 2017 Bonds shall be redeemed only in the principal amount of \$5,000 or any whole multiple thereof.

On or before the 45th day prior to any mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption (by lot in such manner as such Trustee may determine), from all applicable Series 2017 Bonds subject to such redemption, an aggregate principal amount of such Series 2017 Bonds equal to the amount for such year as set forth in the appropriate table above and shall call such Series 2017 Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Notice of Redemption

The Trustee will give notice of redemption, in the name of the Authority, to the related Bondholders affected by such redemption at least 20 days before each redemption, send such notice of redemption by first-class mail (or with respect to Series 2017 Bonds held by DTC by an express delivery service for delivery on the next Business Day) to each owner of a Series 2017 Bond to be redeemed. Each such notice shall be sent to the owner's registered address.

Each notice of redemption shall specify: the Series 2017 Bonds to be redeemed; the date of issue and the maturity date thereof; if less than all Series 2017 Bonds of a maturity are called for redemption, the Series 2017 Bonds and the CUSIP number assigned to the Series 2017 Bonds to be redeemed; the principal amount to be redeemed and the interest rate applicable to the Series 2017 Bonds to be redeemed; the date fixed for redemption; the redemption price; the place or places for payment; such Trustee's name; that payment will be made upon presentation and surrender of the Series 2017 Bonds to be redeemed; that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice; and that, on and after said date, interest thereon will cease to accrue.

The Authority may provide that, if at the time of mailing of notice of an optional redemption, there shall not have been deposited with the applicable Trustee moneys sufficient to redeem all the Series 2017 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with such Trustee not later than the scheduled redemption date, and such notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and the previous notice shall be of no effect.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS

The following are summaries of certain provisions of the Indenture and the Subordinate Indenture. These summaries do not purport to be comprehensive or definitive. See Appendix B - Definitions and Appendix C - Summary of Certain Provisions of the Indenture and the Subordinate Indenture for a more complete description of the provisions of the Indentures.

Flow of Funds

Pledges of Net Revenues and Subordinate Net Revenues. The Indenture defines the term "Net Revenues" to mean, for any given period, Revenues less amounts required to pay the Maintenance and Operation Expenses of the Airport System. Bonds, including the Series 2017 Bonds, are secured by a pledge of Net Revenues of the Airport System. See "Bonds – Pledge of Net Revenues" in this section and **Appendix B – Definitions.**

The Subordinate Indenture defines the term "Subordinate Net Revenues" to mean, for any given period, Revenues less amounts required to pay the Maintenance and Operation Expenses of the Airport System, the Senior Aggregate Annual Debt Service when due on the Bonds and the debt service reserve requirements on and relating to the Bonds. Subordinated Obligations are secured by a pledge of Subordinate Net Revenues of the Airport System. See "Subordinated Obligations – Pledge of Net Revenues" in this section and **Appendix B – Definitions.**

Deposit and Application of Revenues. The Authority has covenanted in the Indentures to deposit all Revenues in the Revenue Fund, which is held by the Authority. So long as there are Bonds Outstanding, all Revenues deposited in the Revenue Fund will be applied by the Authority in the manner, at the times and in the order of priority as follows:

(a) *Maintenance and Operation Expenses of the Airport System.* Revenues will be used to pay the current Maintenance and Operation Expenses of the Airport System.

(b) *Senior Debt Service Fund.* Revenues will be paid by the Authority to the Trustee for deposit in the Debt Service Accounts in respect of the Bonds to provide for the payment of principal and interest to become due on the Bonds. The Senior Debt Service Fund is held by the Trustee.

(c) *Debt Service Reserve Fund.* Revenues will be paid by the Authority to the Trustee for deposit in the Debt Service Reserve Fund in respect of the Bonds to be used to pay or replenish the Debt Service Reserve Fund or reimburse a Credit Provider of a Debt Service Reserve Fund Surety Policy. The Debt Service Reserve Fund is held by the Trustee.

(d) *Subordinated Obligations Debt Service Fund.* Revenues will be paid by the Authority to the Subordinate Trustee for deposit in the Subordinate Debt Service Accounts in respect of any Subordinated Obligations to provide for the payment of principal and interest to become due on such Subordinated Obligations. The Subordinate Debt Service Fund is held by the Subordinate Trustee.

(e) *Subordinated Obligations Debt Service Reserve Fund.* Revenues will be paid by the Authority to the Subordinate Trustee for deposit in the Subordinate Debt Service Reserve Fund in respect of any Subordinated Obligations to be used to pay or replenish the Subordinated Obligations Debt Service Reserve Fund or reimburse a Subordinate Credit Provider of a Debt Service Reserve Fund Surety Policy. The Subordinated Obligations Debt Service Reserve Fund is held by the Subordinate Trustee.

(f) *Junior Obligation Debt Service.* Revenues will be applied by the Authority to the payment of principal of and interest on any Junior Obligations. The Authority is permitted to make payments on any Junior Obligations so long as the deposits required to be made pursuant to (a) through (e) above are then current.

(g) *Maintenance and Operation Reserve Fund.* Revenues will be transferred to the Maintenance and Operation Reserve Fund in the amounts required to maintain a balance therein equal to one-sixth of the amount budgeted for Maintenance and Operation Expenses of the Airport System for the current Fiscal Year. The Maintenance and Operation Reserve Fund is held by the Authority. As of the date of this Official Statement, there is \$2,857,036.93 on deposit in the Maintenance and Operation Reserve Fund.

(h) *Renewal and Replacement Fund.* Revenues will be transferred to the Renewal and Replacement Fund in the amounts required to maintain a balance therein equal to the Renewal and Replacement Fund Requirement, which is currently \$500,000. The Renewal and Replacement Fund is held by the Authority. As of the date hereof, the balance of the Renewal and Replacement Fund was \$500,567.19.

(i) *General Fund.* Remaining Revenues will be transferred to the General Fund in the amounts determined by the Authority. This transfer typically occurs annually in respect of each Fiscal Year following the Authority's close of its books and final calculation of available Revenues. The General Fund is held by the Authority and consists of three Accounts as follows:

(i) *Coverage Account.* Revenues, as determined by the Authority but not to exceed an amount equal to 25% of the aggregate annual debt service on all Outstanding Bonds, are transferred to the Coverage Account in such amounts as the Authority may determine from time to time. As of the date hereof, the balance of the Coverage Account is \$2,497,846.

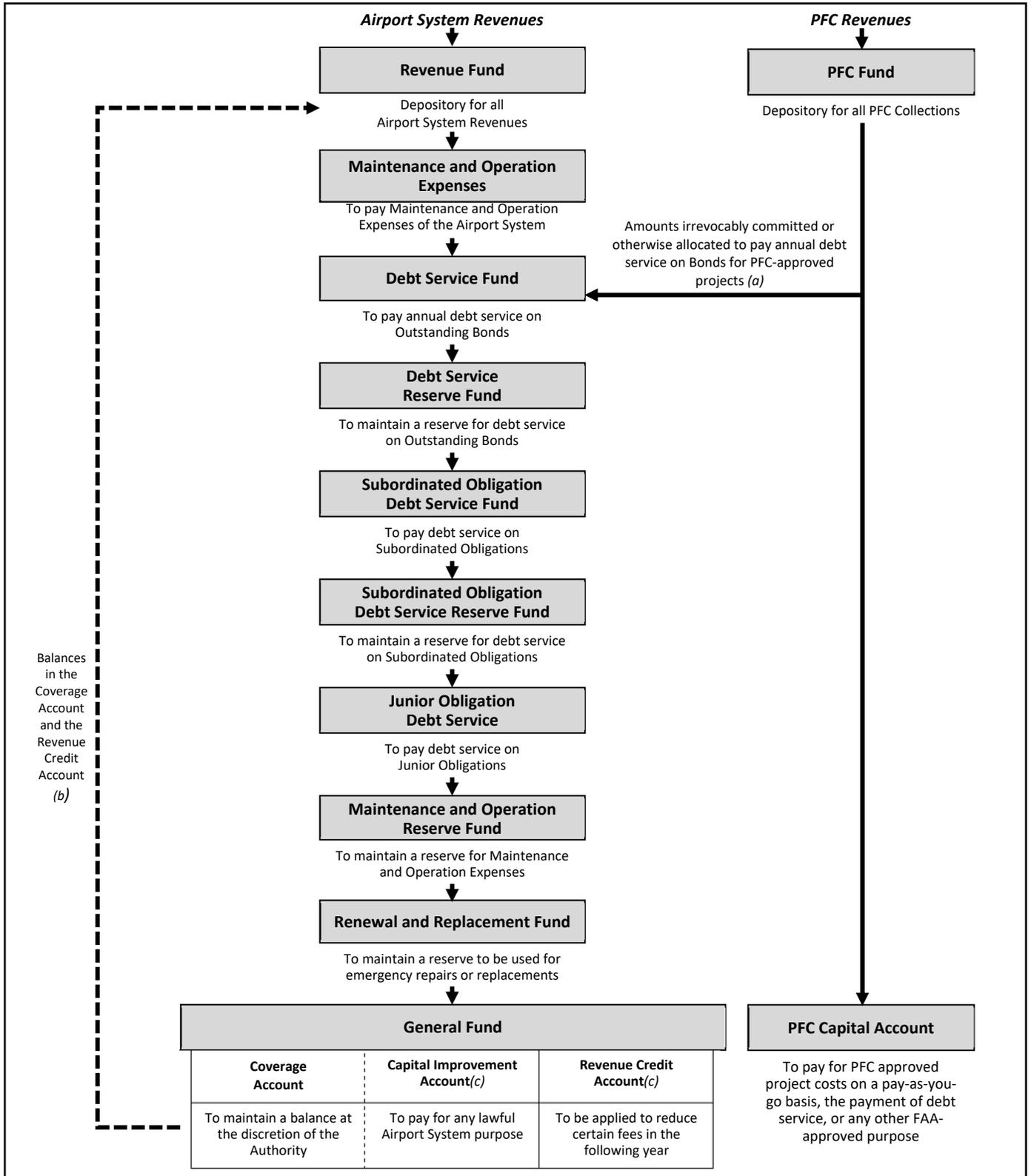
(ii) *Capital Improvement Account.* Revenues, in an amount specified in the Airline Agreements (currently \$500,000), will subsequently be transferred to the Capital Improvement Account to be used for any lawful Airport System purpose. The Capital Improvement Account is held by the Authority. As of the date hereof, the balance of the Capital Improvement Account is \$4,848,555.

(iii) *Revenue Credit Account.* Revenues, in an amount specified in the Airline Agreements (currently \$500,000), will subsequently be transferred to the Revenue Credit Account. The balance in the Revenue Credit Account at the beginning of each Fiscal Year is to be refunded to the Airlines as specified in the Airline Agreements.

Any amounts remaining after deposits to the Revenue Credit Account have reached \$500,000 are to be divided as follows: (a) 50% to the Capital Improvement Account for use by the Authority for any lawful purpose, and (b) 50% to the Revenue Credit Account.

The following diagram provides a graphic presentation of the flow of funds under the Indenture and Subordinate Indenture upon the receipt of Revenues.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



Source: Indenture and Subordinate Indenture.

Notes: PFC revenues are not included in the definition of Authority Revenues.

(a) The Authority has irrevocably committed, pursuant to the Fourth Supplemental Indenture, to use PFC revenues (associated with the first \$4.50 of PFC collected from each eligible passenger) to pay debt service on the Series 2008B Bonds and the Series 2012 Bonds on a pro rata basis from January 1, 2014 to December 31, 2018. See “— Pledge of Net Revenues – Use of PFC Revenues for Payment of Debt Service.”

(b) Balances in the Revenue Credit Account, if any, are transferred to the Revenue Fund at the start of each Fiscal Year. Amounts on deposit in the Coverage Account (not to exceed 25% of Aggregate Annual Debt Service) may be used to demonstrate compliance with the Senior Rate Covenant.

(c) Amounts remaining are allocated between the Capital Improvement Account and the Revenue Credit Account. Revenue Credit Account balances are refunded to the Airlines in accordance with the existing Airline Agreements.

Security and Sources of Payment for Bonds

The following is a summary of certain provisions of the Indenture, including, but not limited to, sections of the Indenture detailing the pledge of Net Revenues, use of PFC Revenues for payment of debt service, the rate covenant for the Bonds, the funding and utilization of the Debt Service Reserve Fund, and the issuance of additional Bonds.

Pledge of Net Revenues. The Series 2017 Bonds are being issued pursuant to the Indenture and are limited obligations of the Authority payable solely from and secured by a pledge of Net Revenues of the Airport System. The term “Net Revenues” is defined in the Indenture to mean, for any given period, Revenues less amounts required to pay the Maintenance and Operation Expenses of the Airport System. The term “Revenues” is defined in the Indenture to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of goods and services provided by the Authority, including rental or business interruption insurance proceeds, which are attributable to the Airport System or activities or undertakings related thereto. Additionally, Revenues include amounts released from the Revenue Credit Account to the Revenue Fund and all income, receipts and earnings (except any earnings to be applied by the terms of a Supplemental Indenture to fund Capitalized Interest and the Construction Fund) from the investment of amounts held in the Revenue Fund, any Construction Fund, any Subordinate Construction Fund, the Debt Service Fund, the Subordinate Debt Service Fund, the Debt Service Reserve Fund, the Subordinate Debt Service Reserve Fund, the Maintenance and Operation Reserve Fund, the Renewal and Replacement Fund, and any such additional moneys payable to the Authority as are designated as Revenues.

The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds or any Subordinated Obligations and (ii) Special Facilities Revenue. In addition, the following, including any investment earnings thereon, are specifically excluded from Revenues, unless designated as Revenues: (A) grants-in-aid and gifts, (B) any Swap Termination Payments for Bonds or Subordinated Obligations, (C) PFCs, (D) Letter of Intent (“LOI”) Receipts, (E) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Bonds or Subordinated Obligations, (F) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code, as amended (the “Code”) and (G) capitalized interest.

The Authority has not designated PFCs, LOI Receipts, or capitalized interest, or any additional amounts, as Revenues. See **Appendix B** - Definitions for a more complete definition of Revenues.

The Series 2017 Bonds are limited obligations of the Authority payable solely from, and secured by the pledge of, Net Revenues of the Airport System and certain funds and accounts held or set aside under the Indenture. Neither the full faith and credit nor the taxing power of the Counties of Dauphin, Cumberland, or York, the Cities of Harrisburg or York, the Townships of Fairview or Lower Swatara, the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on, the Series 2017 Bonds. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2017 Bonds. The Authority has no taxing power.

The Authority has covenanted in the Indenture not to issue any additional Bonds or other obligations with a pledge of or lien on Net Revenues prior or superior to that of the Bonds. Net Revenues shall be available for the equal and proportionate benefit and security of all Bonds.

The Series 2017 Bonds are secured by a pledge of and lien on Net Revenues on a parity with the Outstanding Bonds and any additional Bonds issued in the future pursuant to the terms of the Indenture. See “Additional Bonds” below.

Use of PFC Revenues for the Payment of Debt Service. Currently, the Authority has not pledged PFCs to the payment of debt service on the Series 2017 Bonds. While PFC revenues are not included in the definition of Revenues and, therefore, are not pledged to the payment of debt service, pursuant to the Indenture, the Authority has irrevocably committed to transfer its PFC revenues (associated with the first \$4.50 collected from each eligible enplaned passenger) by the tenth day of each month from the PFC Fund to pay a portion of the debt service on the Series 2008B Bonds and the Series 2012 Bonds through Fiscal Year 2018. Such transfers will be made pro rata to the Series 2008B Debt Service Account, the Series 2012A Debt Service Account and the Series 2012B Debt Service Account. After Fiscal Year 2018, PFC revenues remain available to pay debt service on all Bonds issued and Outstanding under the Indenture.

Rate Covenant. The Authority has covenanted in the Indenture to fulfill the following requirements:

(a) The Authority, so long as any Bonds remain Outstanding, shall establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Aggregate Annual Debt Service on any Outstanding Bonds required to be funded by the Authority in each Fiscal Year as required by the Indenture;

(ii) the required deposits to the Debt Service Reserve Fund which may be established by a Supplemental Indenture;

(iii) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, including Subordinated Obligations;

(iv) payments of any reserve requirement for debt service for any indebtedness other than for Outstanding Bonds, including Subordinated Obligations;

(v) the reimbursement owed to any Credit Provider as required by a Supplemental Indenture or a Supplemental Subordinate Indenture;

(vi) transfers to the Maintenance and Operation Reserve Fund as required by the Indenture; and

(vii) transfers to the Renewal and Replacement Fund as required by the Indenture.

(b) The Authority has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with the amount on deposit in the Coverage Account, will be equal to at least 125% of Aggregate Annual Debt Service on the

Outstanding Bonds. For purposes of this subparagraph (b), the amount on deposit in the Coverage Account taken into account shall not exceed 25% of Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

(c) The Authority has agreed that if Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in any Fiscal Year are less than the amount specified in subparagraph (a) or (b) above, the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Authority shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in the amount specified in subparagraph (a) or (b) above in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in subparagraph (a) or (b) above, but the Authority promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by subparagraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the provisions of the Indenture. Nevertheless, if after taking the measures required by subparagraph (c) above to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amount specified in subparagraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of the Indenture.

Debt Service Reserve Fund. Within the Debt Service Reserve Fund, the Fifth Supplemental Indenture establishes an account with respect to the Series 2017 Bonds (the "**Series 2017 Debt Service Reserve Account**"). The Series 2017 Debt Service Reserve Account will be funded at the Debt Service Reserve Requirement as described below. The Series 2017 Debt Service Reserve Account may be drawn upon if the amounts in the Series 2017 Debt Service Account are insufficient to pay in full any principal or interest then due on such Series 2017 Bonds. In the event amounts are withdrawn from a Series 2017 Debt Service Reserve Account, such amounts shall be deposited in the Series 2017 Debt Service Account.

Upon issuance of the Series 2017 Bonds, the Trustee will deposit a portion of the proceeds of the Series 2017 Bonds into the Series 2017 Debt Service Reserve Account in an amount equal to \$1,938,250 (the "**Series 2017 Initial Deposit**"). Over the term of the Series 2017 Bonds and from and after the Series 2017 Initial Deposit is made, additional deposits (the "**Series 2017 Transferred Deposits**") to the Series 2017 Debt Service Reserve Account are expected to be made, from time to time, from moneys available to be transferred from the Series 2008B Debt Service Reserve Account and the Series 2012 Debt Service Reserve Account. If on January 1, 2033 the sum of the Series 2017 Initial Deposit and any Series 2017 Transferred Deposits on deposit in the Series 2017 Debt Service Reserve Account is less than the Maximum Annual Debt Service on the Series 2017 Bonds, then on that date the Authority must transfer to the Trustee for deposit into the Series 2017 Debt Service Reserve Account moneys at least sufficient to eliminate such deficiency.

As long as any Series 2017 Bonds remain Outstanding, the Authority must maintain an amount equal to the Debt Service Reserve Requirement for the Series 2017 Bonds in the Series 2017 Debt Service Reserve Account. The Debt Service Reserve Requirement for the Series 2017 Bonds from the date of issuance to but not including January 1, 2033 will be the lesser of either (i) the sum of the Series 2017 Initial Deposit and any Series 2017 Transferred Deposits and (ii) the Maximum Annual Debt Service on the Series 2017 Bonds. The Debt Service Reserve Requirement for the Series 2017 Bonds from January 1, 2033 and

thereafter will be the Maximum Annual Debt Service on the Series 2017 Bonds. In no event will the Debt Service Reserve Requirement for the Series 2017 Bonds exceed Maximum Annual Debt Service for the Series 2017 Bonds.

Subject to the provisions described in the preceding paragraph, the amount of any deficiency in the Series 2017 Debt Service Reserve Account shall be restored by the Authority in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if on any Valuation Date the fair market value of the investments, including accrued interest in the Series 2017 Debt Service Reserve Account is less than 100% of the Debt Service Reserve Requirement on the Outstanding Series 2017 Bonds for which the Series 2017 Debt Service Reserve Account was established, the difference between such Debt Service Reserve Requirement and the value of the Series 2017 Debt Service Reserve Account shall be restored by the Authority in no more than 12 equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the Authority may direct the Trustee to recompute the value of the assets in the relevant Series 2017 Debt Service Reserve Account, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

Any amount in a Series 2017 Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on any Valuation Date must be transferred to the Interest Subaccount of the Series 2017 Debt Service Account and credited against the Authority's payments next becoming due in respect of the interest on the Series 2017 Bonds.

Under the Fifth Supplemental Indenture, the Authority may fund all or a portion of the Debt Service Reserve Requirement for the Series 2017 Bonds with a Debt Service Reserve Fund Surety Policy. A Debt Service Reserve Fund Surety Policy may be an insurance policy, letter of credit or surety bond deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for cash or securities. The Authority expects to fully fund the Debt Service Reserve Requirement for the Series 2017 Bonds from bond proceeds and certain moneys available from the Series 2012 Reserve Accounts.

In the event that the Authority issues any additional Bonds pursuant to any Supplemental Indenture, the Authority shall be required to deposit an amount in the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement (if any) established for such future Series of additional Bonds under the applicable Supplemental Indenture.

Additional Bonds. The Series 2017 Bonds are being issued pursuant to the additional Bonds provisions of the Indenture. Under the Indenture, as a condition to the issuance of any Series of additional Bonds (including the first issuance of Senior Program Bonds), there must be delivered to the Trustee either:

(a) a certificate of an Authorized Representative stating that the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds, Unissued Program Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding; or

(b) a certificate of a Consultant to the effect that the Annual Debt Service on the proposed Series of Bonds or the full Authorized Amount of proposed Program Bonds (as applicable) is payable out of Net Revenues and stating that the Authority will be in compliance with the Rate Covenant during either (i) each of the first three Fiscal Years succeeding the date on which the Project is expected to be completed, or (ii) during each of the first five Fiscal Years succeeding the date of issuance of such Bonds, whichever is later.

For purposes of subparagraph (a) above, the Authorized Representative shall be allowed to adjust Net Revenues for any increase in the rates, charges, and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Series of Bonds but which rates, charges, and fees were not in effect for the 12-month period under consideration, in an amount equal to the sum by which the Net Revenues would have been increased if such increase in rates, charges, and fees had been in effect during the whole of the such 12 month period; provided, however, such increase is intended to continue to be effective following the issuance of such proposed Series of Bonds.

In addition, under the Indenture, the Authority may issue refunding Bonds without satisfying the additional Bonds test if there is delivered to the Trustee, instead of the certificates described in subparagraphs (a) or (b) above, a certificate of an Authorized Authority Representative showing that the Maximum Aggregate Annual Debt Service after the issuance of such refunding Bonds will not exceed the Maximum Aggregate Annual Debt Service prior to the issuance of such refunding Bonds.

Subordinated Obligations

As of the date of this Official Statement, no Subordinated Obligations are Outstanding. Any Subordinated Obligation hereafter issued will be a limited obligation of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues (as defined in the Subordinate Indenture) of the Airport System, which is subordinate to the pledge of Net Revenues for the Bonds, including the Series 2017 Bonds and any future Bonds issued pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds,” **Appendix B** - Definitions and **Appendix C** - Summary of Certain Provisions of the Indenture and the Subordinate Indenture, for a more detailed discussion.

Junior Lien Indebtedness

In addition to its authority to issue Bonds under the Indenture and Subordinated Obligations under the Subordinate Indenture, the Authority is authorized to enter into junior lien financing arrangements, subordinate to the pledge of Net Revenues and Subordinate Net Revenues to pay debt service on the Bonds and Subordinated Obligations, in order to finance its capital needs. The Authority has an outstanding Business in Our Sites loan (the “**Loan**”) in the maximum principal amount of \$1,000,000, which may be drawn upon by the Authority from time to time. As of September 7, 2017, the Authority has \$391,070 outstanding under this Loan. The Loan is secured by certain special facilities revenue and assignments of all leases and rents derived from an approximately 29-acre lot located in Lower Swatara Township, Dauphin County, Pennsylvania that is close to but not contiguous to the Airport (separated by a railroad line and a state highway).

A lease/purchase obligation to Jules & Associates (\$71,359 owed) for a shuttle bus acquired in 2016 is also open.

As of September 7, 2017, total Junior Lien Indebtedness is \$462,429.

Permitted Investments

Moneys and funds held by the Authority shall be invested in Permitted Investments, subject to the restrictions set forth in the Indentures. Moneys and funds held by the Trustees under the Indentures including moneys in the Debt Service Funds (and the accounts therein) and in the Debt Service Reserve Funds (and the accounts therein), shall be invested as directed by the Authority in Permitted Investments, subject to the restrictions set forth in the Indentures. See “FINANCIAL INFORMATION - Investment Policy,” and **Appendix B** - Definitions for a more complete definition of Permitted Investments.

Events of Default and Remedies; No Acceleration

Events of Default under the Indentures and related remedies are described in the Summary of Certain Provisions of the Indenture and the Subordinate Indenture attached as **Appendix C** hereto. The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2017 Bonds to either the Trustees or the Holders of the Series 2017 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Authority under the Indenture. If there is an Event of Default, payments, if any, on the Series 2017 Bonds will be made after Maintenance and Operation Expenses of the Airport System. Since Net Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses of the Airport System, and the Authority is not subject to involuntary bankruptcy proceedings, the Authority may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport System even if an Event of Default has occurred and no payments are being made on the Series 2017 Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

AGGREGATE DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service requirements on the Series 2017 Bonds and the Outstanding Bonds and Subordinated Obligations of the Authority.

Susquehanna Area Regional Airport Authority^(a)

Period Ending January 1 ^(b)	Outstanding Bonds ^(c)	Series 2017 Bonds		Total Debt Service ^(c)
		Principal	Interest	
2018	\$9,180,950	-	242,281.25	9,423,231.25
2019	9,185,700	-	1,938,250.00	11,123,950.00
2020	9,179,200	-	1,938,250.00	11,117,450.00
2021	9,181,450	-	1,938,250.00	11,119,700.00
2022	9,181,450	-	1,938,250.00	11,119,700.00
2023	9,178,700	-	1,938,250.00	11,116,950.00
2024	9,182,700	-	1,938,250.00	11,120,950.00
2025	9,182,450	-	1,938,250.00	11,120,700.00
2026	9,182,450	-	1,938,250.00	11,120,700.00
2027	9,181,950	-	1,938,250.00	11,120,200.00
2028	9,185,600	-	1,938,250.00	11,123,850.00
2029	9,184,200	-	1,938,250.00	11,122,450.00
2030	9,181,400	-	1,938,250.00	11,119,650.00
2031	9,186,800	-	1,938,250.00	11,125,050.00
2032	9,179,600	-	1,938,250.00	11,117,850.00
2033	9,184,800	-	1,938,250.00	11,123,050.00
2034	1,406,400	5,920,000	1,938,250.00	9,264,650.00
2035	-	7,620,000	1,642,250.00	9,262,250.00
2036	-	8,000,000	1,261,250.00	9,261,250.00
2037	-	8,400,000	861,250.00	9,261,250.00
2038	-	8,825,000	441,250.00	9,266,250.00
Totals	\$148,325,800	38,765,000	35,460,281.25	222,551,081.25

^(a) Totals may not add due to rounding.

^(b) The period ending January 1 corresponds to the previous calendar year.

^(c) Assumes issuance of the Series 2017 Bonds and refunding of the Refunded Bonds; no debt service has been included for the Refunded Bonds to be refunded with proceeds of the Series 2017 Bonds.

Following the issuance of the Series 2017 Bonds, the Authority may choose to issue additional Bonds or Subordinated Obligations to fund projects included in the Capital Program or may issue refunding bonds from time to time in implementing its plan of financing. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS” and “PLAN OF FINANCING.”

THE AUTHORITY

General

The Authority is a joint municipality authority created under the Act by the Counties of Dauphin, Cumberland, and York, the Cities of Harrisburg and York, and the Townships of Fairview and Lower Swatara. The Authority may, under the Act, borrow money and issue bonds and contract with any person for the use by such person of any properties or facilities under the control of the Authority.

The Authority is governed by a fifteen-member Board of Directors; and board members serve staggered five-year terms. The Counties of Dauphin, Cumberland, and York appoint three board members, respectively, the Cities of Harrisburg and York appoint two board members, respectively, and the Townships of Fairview and Lower Swatara each appoint one board member. There is currently one vacancy on the Board of Directors.

An Executive Director is appointed by the board to act on its behalf in connection with the administration of the operational responsibilities of the Authority.

The Airport System

On January 2, 1998, the Commonwealth, acting through PennDOT, transferred operation and ownership of the Airport and the Capital City Airport to the Authority. Subsequently, the Airport and the Capital City Airport were operated under a management agreement for a short period; however, since July 2001, the Executive Director and his staff have managed and operated the Airport System.

Harrisburg International Airport. The Airport serves as the major scheduled passenger airport for the south central region of Pennsylvania, and is located approximately twelve road miles southeast of downtown Harrisburg, and adjacent to the main Amtrak rail line in Pennsylvania, in Dauphin County. See “AIR SERVICE REGION” and “HARRISBURG INTERNATIONAL AIRPORT” for further discussion of the Airport.

Capital City Airport. The Authority also owns and operates Capital City Airport, which was founded in 1938 as York State Airport. Capital City Airport is located in Fairview Township, York County, Pennsylvania, and is comprised of approximately 273 acres of land. Capital City Airport is designated as a reliever and general aviation airport and accommodated approximately 22,000 corporate, charter, military, and private aircraft operations in 2016. Capital City Airport is self-sufficient as revenues cover the direct and indirect expenses (except depreciation). In Fiscal Year 2015, Capital City Airport had a net operating profit (before depreciation) of \$55,894. In Fiscal Year 2016, Capital City Airport had a net operating profit (before depreciation) of \$35,833.

Franklin County Regional Airport. On July 28, 2004, the Authority acquired Franklin County Regional Airport, a general aviation airport approximately 45 miles from the Airport and located in Franklin County, Pennsylvania for a purchase price of \$790,000. A federal grant for \$750,000 (95% of the acquisition cost), and a Commonwealth grant for \$20,000 (2.5% of the acquisition cost) were the primary funding sources for the acquisition. Franklin County Regional Airport is now a part of the Authority’s Airport System. The acquisition of Franklin County Regional Airport has not had a material impact on Net Revenues of the Authority. In Fiscal Year 2016, Franklin County Regional Airport had a net operating loss (before depreciation) of \$34,475. Most of the loss was caused by allocated administrative overhead expenses. For Fiscal Year 2015 the loss (before depreciation) was \$6,556. Revenues exceeded direct expenses by \$14,854. Generally, Franklin County Regional Airport’s revenues cover the direct costs of operation.

Gettysburg Regional Airport. On August 25, 2006 the Authority acquired Gettysburg Regional Airport, a general aviation airport located just outside of Gettysburg, Adams County, Pennsylvania for a

purchase price of \$1,400,000. A federal grant for 95% of the acquisition cost, and a Commonwealth grant for 2.5% of the acquisition cost were the primary funding sources for the acquisition. The land parcel of the primary airport area is approximately 54 acres. Gettysburg Regional Airport is now a part of the Authority's Airport System. The acquisition of Gettysburg Regional Airport has not had a material impact on Net Revenues of the Authority. In Fiscal Year 2016, Gettysburg Regional Airport had a net operating loss (before depreciation) of \$52,094. For Fiscal Year 2015, the net operating loss (before depreciation) was \$33,773. Most of the loss was caused by allocated administrative overhead expenses.

The Capital City Airport, the Franklin County Regional Airport and the Gettysburg Regional Airport, as a whole, cover their direct expenses and also cover a great portion of the indirect expenses allocated to them. In general, no funds from the operation of the Airport are needed to subsidize these three airports for their annual operations.

Organization of the Authority

Board of Directors. One vacancy on the Board of Directors is to be filled by the County of Cumberland. The present board members and their occupations are as follows:

BOARD OF DIRECTORS				
Name	Position	Occupation	Appointing Authority	Term Expires
Stephen Libhart	Chairman	Director, Dauphin County EMA	Dauphin County	2018
James L. Helsel, Jr.	Vice Chairman	President and Owner, Helsel, Inc. Realtors	Cumberland County	2018
James Anderson, III	Secretary	Vice President, Coupling Corp. of America	County of York	2018
James Gross	Treasurer	Director, City of York Public Works	City of York	2020
Dr. Bennett Chotiner	Member	Founder, Medical Director Memorial Eye Institute	Dauphin County	2021
Don Geistwhite, Jr.	Member	Owner, Carlisle Car & Driver Service	Cumberland County	2021
Keith Rodgers	Member	Solar Secured Solutions	York County	2018
Nick DiFrancesco	Member	President, Pa. Assoc. of Commercial Bankers	Dauphin County	2019
Keith Chase	Member	Senior Consultant, Gannett Fleming, Inc.	Fairview Township	2020
Ryan Grigsby	Member	Community Services Coordinator, City of Harrisburg	City of Harrisburg	2017*
Ryan Maxwell	Member	US Environmental Protection Agency	City of Harrisburg	2020
Timothy Tate	Member	President, Stewart & Tate, Inc.	York County	2019
Dr. Carolyn J. Van Newkirk	Member	Yorktowne Business Institute	City of York	2021
William Leonard	Member	Retired	Lower Swatara Township	2020

*As the term of a Board member expires, he or she continues to serve until the sponsoring county, city or township replaces such Board member or until the Board member resigns.

Senior Management. Management and operation of the Airport System are accomplished by the Executive Director through his staff. The present senior management of the Authority is as follows:

Timothy J. Edwards is the Executive Director for the Authority and has been actively employed in the airport management profession for 29 years. Mr. Edwards was named Executive Director in October 2006. Before his appointment as Executive Director, Mr. Edwards served as the Authority's Deputy Executive Director. Prior to joining the Authority in 2003, Mr. Edwards served as the Airport Director at Lebanon Municipal Airport in West Lebanon, New Hampshire from 1993 through 2003. Mr. Edwards was the Airport Operations Manager in West Lebanon, New Hampshire from 1989 through 1992. Prior to Lebanon, NH, Mr. Edwards was employed as the Airport Operations Supervisor at Tweed-New Haven Airport in New Haven, Connecticut from 1988 to 1989. Mr. Edwards is an Accredited Airport Executive by the American Association of Airport Executives ("AAAE") and Past President of the Northeast Chapter of the AA AE. Mr. Edwards received a Bachelor of Science degree in Aeronautical Science from Embry-Riddle Aeronautical University in 1981 and is a licensed commercial pilot.

Marshall B. Stevens has served as the Authority's Deputy Executive Director since 2008 and has 24 years of experience in the fields of airport management and capital development. From 1999 to early 2008, Mr. Stevens served as the Airport Manager for the Floyd Bennett Memorial Airport near Glens Falls, New York. As the manager, he was responsible for all aspects of the operation, maintenance, and capital improvement of the airport. He prepared the capital and operating budgets and managed all aspects of the airport capital development through the federal and state grant programs. Mr. Stevens oversaw the design and construction of hangars capable of storing and maintaining corporate jets, the first such hangars to be constructed at the airport in more than 50 years. From 1993 to 1999, Mr. Stevens worked as an airport consultant and prepared airport master plans, environmental and noise studies, and capital improvement plans. Mr. Stevens is an Accredited Airport Executive by the AA AE, is a Past President of the Northeast Chapter of AA AE, and currently is the Chair of the AA AE Facilities and Technical Services Committee. Mr. Stevens graduated from the Florida Institute of Technology in 1993 with a Bachelor of Science in Aviation Management.

Thomas C. Peiffer has served as the Deputy Director of Finance and Administration for since 2008 and as the Accounting Manager from 1985 to 2008 for the Authority and two prior operators of the airports. The Finance Director's responsibilities include management of the Authority's accounting, finance, property, insurance, and purchasing. In 1985 he was hired as the initial Accounting Manager of the State Owned Airports Division of the Bureau of Aviation of PennDOT. When the Authority initiated control of the airports, he transferred to BAA Harrisburg, Inc. to continue the accounting management of the airports. BAA was terminated in 2001 as the managing company of the Authority's airports. Mr. Peiffer continued to work in the same position for the Authority at that time. He has successfully lead the Authority through the issuance of the Series 2008 and the 2012 Bonds to refund prior bond issues From 1978 to 1985, he worked as an accountant for John Bisbano & Co., CPA's, and rose to the position of partner. In 1979 he became a CPA and a member of the AICPA. He graduated with a Bachelor of Science degree in Accounting from Elizabethtown College in 1977.

David E. Spaulding joined the Authority as the Deputy Director, Engineering and Planning in 2000 after completing a 30-year career with the U.S. Army serving in the Corps of Engineers. His experience includes construction, repair, and maintenance of numerous airfields located in the United States, Germany, Korea and Vietnam. His most recent military assignments included serving as Engineer for the U.S. Forces Command in the Republic of Korea, and serving as Commander of the Kwajalein Atoll and Missile Range in the Marshal Islands where he was responsible for the operation and maintenance of both an international airport and a domestic airport. He has also served as a Director of Facilities Engineering for an 18,000 acre military installation. Prior to joining, the Authority he taught at the U.S. Army War College where he lectured and facilitated seminars on topics that included strategic planning, national infrastructure protection, resource management and interagency coordination among federal, state, and local government. Mr. Spaulding received his Bachelor of Science degree from Clarkson College of Technology. He holds a Master's of Science in Engineering Administration from Northeastern University

and a Master of Public Administration degree from Shippensburg University. Mr. Spaulding is also a FAA licensed commercial pilot.

Belinda J. Svrbely has served as the Deputy Director, Operations, Security and Public Safety of the Authority since 2006. Ms. Svrbely, who joined the Authority in 1998 as Operations Security Manager, has over 30 years of airport management experience. Prior to arriving at the Airport, Ms. Svrbely was the Airport Assistant Administrator at Bradley International Airport in Connecticut, which processed over five million total passengers annually at that time. Ms. Svrbely also served as an Airport Operations Specialist at Bradley, and as a Staff Assistant at Lehigh Valley International Airport. Ms. Svrbely received a Bachelor of Science degree in Air Commerce Transportation from Florida Institute of Technology. She is an Accredited Airport Executive by the AAAE.

Scott R. Miller is the Deputy Director, Business Development and Strategic Marketing for the Authority. Prior to joining the Authority in 2001, Mr. Miller served as a Marketing Manager and Research Coordinator for a business planning, marketing and advertising agency, and as the Marketing Director for a six-radio station cluster, Clear Channel Broadcasting, in Harrisburg, Pennsylvania. He received a Bachelor of Science degree in Public Relations and Government from Shippensburg University.

Kevin Bryner became the Deputy Director, Information Technology for the Authority in 2014. He has been a SARAA employee since 2004 and has held various positions within the IT department, including intern, IT assistant and IT manager. Prior to joining the SARAA team, Kevin attended Elizabethtown College where he graduated with a Bachelor of Science degree in Computer Science.

Employees. As of August 1, 2017, approximately 100 full-time employees, including maintenance personnel, police officers, firefighters, clerical and professional persons, were employed by the Authority. The Authority staff believes that its relationship with the employees is satisfactory. Eight employees are members of the Fraternal Order of Police, whose collective bargaining agreement with the Authority will expire on December 31, 2019. Eleven employees are members of the International Association Firefighters, whose collective bargaining agreement with the Authority will expire on December 31, 2021.

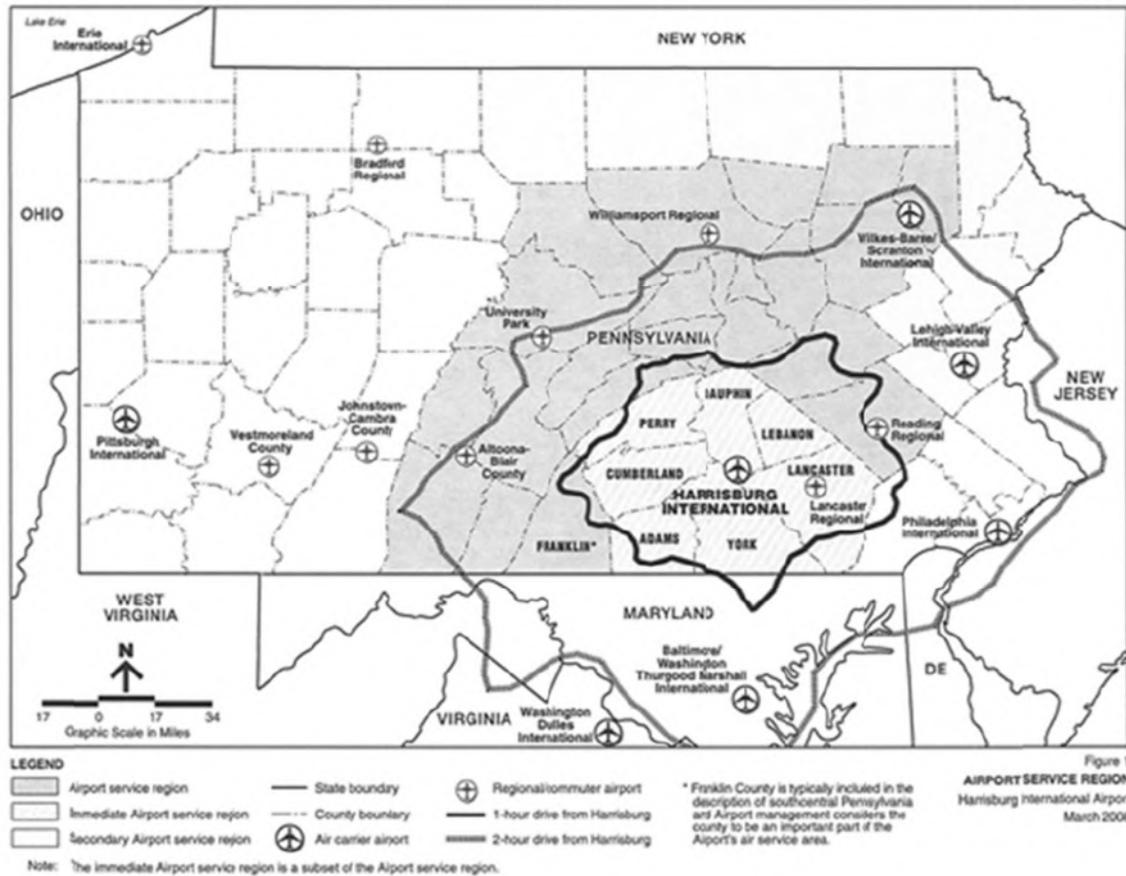
Financial Statements of the Authority

The Authority's audited financial statements for the years ended December 31, 2016 and 2015 are included in this Official Statement as **Appendix A**. A summary of the Authority's operations and management's discussion of results from 2012 to 2016 and the first six months of 2017 are included in "FINANCIAL INFORMATION."

AIR SERVICE REGION

The Airport has served central Pennsylvania for over 100 years. In 1898, the Signal Corps of the U.S. Army was stationed at the Airport. The first airplanes landed at the Airport in 1918 at Olmsted Air Force Base. The base grew to 11,400 civilian employees in 1969, when it was decommissioned. The Airport then began to serve the public under the ownership of the Commonwealth. In 1998, the Commonwealth, acting through PennDOT, transferred ownership of the Airport, along with Capital City Airport, to the Authority.

Harrisburg International Airport serves the capital region of the nation's sixth most populous state. The immediate Air Service Region, located primarily within a one hour drive of the Airport, is comprised of the eight-county region including Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York. In 2016, there were 1,945,171 people living in the Air Service Region.



A secondary air service region extends to Altoona to the west, University Park to the northwest, Wilkes-Barre/Scranton to the northeast and Reading to the east. The secondary Air Service Region, comprising another 15 counties generally within a two hour drive of the airport, includes areas that are considered by the Authority to have market development potential. In 2016, these secondary counties had a population of 1,442,121.

The economy of the Air Service Region is an important determinant of long-term passenger demand at the Airport. According to data generated by the Pennsylvania Department of State, the projected population growth in the Air Service Region during the period from 2015 to 2040 is 13%, or 252,444 people. Projected population growth in the Air Service Region during this period will be 233% greater than projected population growth in the Pittsburgh region and nearly equal to projected population growth during the same period for the Philadelphia region. The projected population growth for the Commonwealth during this period is 9%.

In July 2017, the Pennsylvania Department of Labor and Industry reported that the unemployment rate in the Air Service Region was 4.2%, approximately the second lowest unemployment rate in the Commonwealth. The Air Service Region employed 979,200 people as of July 2017, representing 16.0% of the Commonwealth's total employment rate.

According to the U.S. Census Bureau, per capita income in the immediate Air Service Region, at \$28,335, is nearly even with the Commonwealth's at \$29,291. The immediate Air Service Region's

compound annual per capita growth rate of 2.5% between 2000 and 2010 is comparable to both the Commonwealth 2.6% and the United States at 2.4%.

The economy in the Air Service Region is stable and diverse. According to data generated by the Pennsylvania Department of Labor and Industry, the Air Service Region has a higher percentage of employment in the following sectors, than Philadelphia or Pittsburgh: Transportation/Trade, Government and Manufacturing. Hershey Medical Center’s teaching hospital and medical research facilities, as well as the Penn State Harrisburg campus located in Middletown, offer valuable assets by supporting family sustaining wages, new jobs and new business investment. Tourism in the Air Service Region is also an important industry. According to a 2014 Tourism Economics Study for the Pennsylvania Tourism office, 20% of total visitor spending in the Commonwealth occurs within one hour of the Airport.

Set forth below is a list of the major employers in the immediate Air Service Region as of August 2017. The list below of major employers reflects the diversity of the companies and organizations in the immediate Air Service Region.

LARGEST LOCAL EMPLOYERS

Immediate Airport Service Region

Company	Product/Service	Employees
Commonwealth of PA	Government	20,063
U.S. Government	Government	17,200
Amazon	Logistics	10,000
Penn State Hershey Medical Center	Healthcare	9,415
Giant Food Stores	Retail	8,800
Hershey Entertainment & Resorts	Recreation	7,500
JFC Staffing Associates	Human Resources	6,695
The Hershey Company	Manufacturer of Confections	6,500
Wal-Mart Stores Inc.	Retail	6,500
Pinnacle Health System	Healthcare	5,563
TE Connectivity	Electronic Components	4,700
Naval Support Academy	Military	4,300
Highmark Inc.	Health Insurance	3,700
Holy Spirit Health System	Healthcare	2,877
Penn State University	Higher Education	2,700
Rite Aid	Drug Store Retail (Headquarters)	2,250
Capital Blue Cross	Health Insurance	1,933
Deloitte	Accounting	1,900
Harrisburg Area Community College	Higher Education	1,755
Dauphin County	Government	1,701

Source: Capital Region Economic Development Corporation.

In addition, The Hershey Company, a global leader in the production of chocolate and sugar confectionery, with operations and approximately 14,000 employees throughout the world, and 4,800 employees in Pennsylvania, is headquartered in Hershey, Pennsylvania, approximately 13 miles from the Airport. The Hershey Company has three Pennsylvania manufacturing plants, including plants in Lancaster, Hazelton and Hershey.

HARRISBURG INTERNATIONAL AIRPORT

General

The Airport is comprised of approximately 800 acres of land, located approximately twelve miles southeast of downtown Harrisburg, the capital of the Commonwealth, and adjacent to the main Amtrak rail line in Pennsylvania, in the Township of Lower Swatara, and the Boroughs of Middletown and Highspire, in Dauphin County.

Facilities at the Airport include an airfield, including one air carrier runway, an FAA control tower, one passenger terminal, two separate public automobile parking areas, and other essential physical facilities, as detailed below.

Runway. The Airport maintains one air-transport-type runway of concrete and asphalt construction. The runway provides operational facilities to cover varying wind conditions and is connected by a system of taxiways and aprons. In addition, the runway approach direction is equipped with high-intensity runway lighting, centerline lighting, an instrument landing system, a localizer and glide slope indicator, a visual approach slope indicator, and runway end identifier lights, which permit continuous operation under almost all weather conditions. The runway is 10,001 feet long and 200 feet wide. The runway, in the opinion of the Authority engineers, has sufficient capacity and is of sufficient strength to permit the operation of the largest existing commercial aircraft. The boundaries of the Airport provide sufficient clear area for runway approaches to meet the requirements of the FAA.

Passenger Terminal Building and Airport Access. The Passenger Terminal Building (the “Terminal”) consists of approximately 280,000 sq. ft. The passenger boarding bridges are state-of-the-art, equipped with pre-conditioned air and aircraft power systems. Baggage screening is handled by the Transportation Security Administration (“TSA”) using a new generation in-line baggage inspection system, in which TSA agents use explosive detection machines to detect explosives and screen all checked bags at the Airport. Access to the Airport is primarily through the Airport Connector, a four-lane divided highway that leads to a one-way, three-lane entrance roadway loop in front of the passenger terminal building. Another primary roadway at the Airport is Airport Drive, a two-lane east-west thoroughfare. Olmstead Drive, another two-lane road, splits off from Airport Drive and provides access to the air cargo facility and the Pennsylvania Air National Guard area (“PaANG”). The PaANG ramp was expanded in December 2009 to increase aircraft parking spaces from five to seven.

Aircraft Parking Apron. The Terminal apron includes approximately 212,000 sq. yards of pavement, providing a maximum of nineteen parking positions for a mix of wide body, narrow-body and commuter aircraft on the airside of the Main Terminal. Additional aircraft parking of approximately 60,000 sq. yards is available on the old terminal ramp for a mix of wide body and narrow body aircraft, and is used for charters, military flights, and diversion aircraft.

Parking Facilities. Parking facilities at the Airport currently encompass 4,762 surface public parking spaces: 2,504 spaces in the Multi-Modal Transportation Facility (the “MMTF”) (Parking Garage), and 2,258 spaces in the long-term economy lot. There are approximately 647 rental car ready/return spaces located on the first floor of the MMTF. The MMTF is connected to the terminal by a climate controlled skybridge over the airport loop road. Parking spaces for employees are provided in a surface lot and temporarily in the MMTF. There are several other parking areas adjacent to corporate hangar, fixed base operator, government, commercial, and manufacturing facilities for tenants, their visitors, and employees.

Air Cargo Facility. The Airport has a cargo processing area for both passenger and cargo operations. The combined cargo airline facility is located in the northeastern part of the Airport to the immediate west of the PaANG facilities. This 60,000 square-foot facility has through-door direct access to approximately 83,000 square yards of apron. The current configuration of the apron accommodates a mix

of up to 12 wide body and narrow body cargo aircraft and five “feeder” aircraft. The number of aircraft parking positions on the air cargo apron may vary depending on the type of aircraft and parking configuration used.

General Aviation Facilities. The general aviation area is on the west side of the Airport and consists of three large corporate hangar facilities and the Piedmont Airlines aircraft maintenance base. Another corporate hangar facility is currently under construction. The corporate hangar facilities and the maintenance base have frontage apron and direct access to Taxiway A. The Fixed Based Operations (the “FBO”) facility provides a wide range of general aviation services, including aircraft fueling, airframe and engine repair, ramp parking and tie downs, ground handling, hangar storage, pilots’ lounge, and avionics repair. The FBO is operated by Avflight Harrisburg. Avflight is currently constructing an office building at the site of the old terminal building. They also plan to construct a 30,000 sq. ft. hangar at the same location.

Governmental Facilities. The PaANG installation located on the east end of the Airport has numerous facilities including its headquarters building, operations building, civil engineering facility, aircraft maintenance hangar, and engine shops. Other government facilities include TSA offices and FAA Technical Operations and Air Traffic Control offices.

Airport Support Facilities. The Airport support facilities include an expanded aviation fuel storage facility, aircraft rescue and firefighting station, and airport administration, operations, and maintenance facilities. The Airport’s FBO and corporate aviation tenants also operate several fuel storage facilities.

Current Improvement Efforts. As of August 2017, the following tenant construction projects were underway in the area west of the terminal and parking garage:

- The Shaner Hotel Group of State College, PA has begun construction on a 4 story, 120 room Fairfield Inn and Suites (a Marriott Brand). It is to be connected to the MMTF by a pedestrian skybridge. The hotel is scheduled to be completed by summer 2018;
- A corporate hangar is under construction with an expected to be completed later this year; and
- Avflight is constructing an office building and hangar.

It is also anticipated that a car rental firm will begin construction of a storage, service and sales facility on the North 29 parcel (an authority owned area opposite the Airport on the north side of PA route 230) before the end of 2017.

Airlines Serving the Airport

As of September 2017, six airlines and their regional affiliated partners provide scheduled service to and from the Airport. In addition, two all-cargo carriers and their affiliates provided scheduled cargo service at the Airport.

AIRLINES SERVING THE AIRPORT

Harrisburg International Airport
(As of September 2017)

Major/National Airline	Cargo Airline
Air Canada	Federal Express
Allegiant	UPS
American	
Delta	
United	
Southern Airways Express (a)	

Source: Susquehanna Area Regional Airport Authority records.

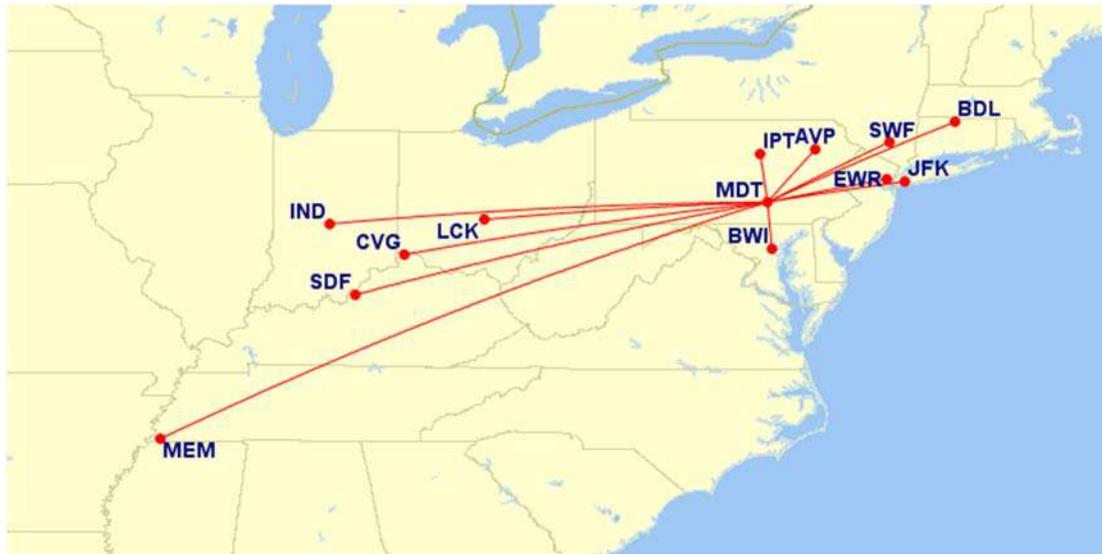
(a) Pittsburgh service on hiatus until 4th quarter 2017 due to pilot shortage.

Aviation Activity

The following diagram sets forth destination information for daily nonstop flights at the Airport, as of September 2017.



The following diagram sets forth destination information for cargo flights at the Airport, as of September 2017.



Passenger Enplanements. The following table sets forth historical enplanement information for the Airport since 2007. Nearly all of the enplaned passengers at the Airport are passengers whose flights originate at the Airport and who are not connecting from another flight.

HISTORICAL ENPLANED PASSENGERS Harrisburg International Airport

Calendar Year	Enplaned Passengers	Percentage Change vs. previous year	Calendar Year	Enplaned Passengers	Percentage Change vs. previous year
2007	654,315	10.4	2012	658,034	1.1
2008	647,073	(1.1)	2013	657,944	(0.0)
2009	625,781	(3.3)	2014	649,543	(1.3)
2010	671,479	7.3	2015	590,262	(9.1)*
2011	650,714	(3.1)	2016	607,324	2.9
			2017 – proj.	593,000	(2.3)

Note: The Authority’s Fiscal Year is the same as the calendar year.

*Due to cessation of service by Frontier Airlines in 2015.

Source: Susquehanna Area Regional Airport Authority records.

For the eight months ending August 2017, the number of enplaned passengers at the Airport equaled 395,228, a .6% decrease from the same period of 2016. For the eight months ending August 2016, the number of enplaned passengers at the Airport equaled 397,460.

Enplanements by Airline. The following table sets forth enplanement information for the airlines operating at the Airport for the years 2013 through 2016.

AIRLINE MARKET SHARES OF ENPLANED PASSENGERS
Harrisburg International Airport

Airline	2013-2016							
	2013		2014		2015		2016	
	Enplaned	% of Total						
American/US Airways	226,759	34.5%	247,090	38.0%	226,019	38.3%	239,983	39.5%
United Airlines	186,087	28.3%	150,660	23.2%	131,241	22.2%	127,259	21.0%
Delta Air Lines	159,805	24.3%	157,588	24.3%	164,320	27.8%	161,233	26.5%
Air Canada	4,634	0.7%	5,885	0.9%	6,140	1.0%	6,809	1.1%
Frontier	41,915	6.4%	45,379	7.0%	11,095	1.9%	-	0.0%
Allegiant	38,074	5.8%	41,887	6.4%	50,719	8.6%	69,552	11.5%
Southern Airways Express	-	-	-	-	-	-	90	0.0%
Charters	670	0.1%	1,054	0.2%	728	0.1%	2,398	0.4%
Total	657,944	100.0%	649,543	100.0%	590,262	100.0%	607,324	100.0%

Source: Susquehanna Area Regional Airport Authority records

Total Cargo. The following table sets forth the historical air cargo activity at the Airport for the years 2007 through 2016.

HISTORICAL AIR CARGO (FREIGHT PLUS MAIL)
Harrisburg International Airport

Calendar Year	Total Tonnage	Percentage Change vs. previous year	Calendar Year	Total Tonnage	Percentage Change vs. previous year
2007	51,806	3.0	2012	51,435	(5.4)
2008	50,036	(3.4)	2013	50,945	(1.0)
2009	44,771	(10.5)	2014	48,922	(4.0)
2010	53,789	20.1	2015	51,401	5.1
2011	54,344	1.0	2016	52,807	2.7

Source: Susquehanna Area Regional Airport Authority records

Enplaned Cargo by Airline. The following table sets forth the total enplaned cargo activity for the airlines operating at the Airport for the years 2013 through 2016.

AIRLINE MARKET SHARES OF ENPLANED FREIGHT

Harrisburg International Airport

Airline	2013		2014		2015		2016	
	Enplaned Cargo Tonnage	Market Share %						
Federal Express	19,260	63.5%	15,499	55.3%	18,401	59.8%	19,018	62.3%
United Parcel Service	10,318	34.0%	11,695	41.7%	11,705	38.0%	10,889	35.7%
Other (a)	720	2.4%	831	3.0%	670	2.2%	590	1.9%
Sub-total	30,298	99.9%	28,025	99.9%	30,776	99.9%	30,497	99.9%
Passenger Airlines	23	0.1%	23	0.1%	20	0.1%	30	0.1%
Total	30,321	100.0%	28,048	100.0%	30,796	100.0%	30,527	100.0%

Source: Susquehanna Area Regional Airport Authority records

(a) Includes charters and Wiggins, Martinaire, Air Cargo Carrier and AmeriFlight

Landed Weight. The following table sets forth historical aircraft landed weight at the Airport for the years 2007 through 2016.

HISTORICAL AIRCRAFT LANDED WEIGHT

Harrisburg International Airport - (1,000-pound units)

Year	Passenger	Cargo	Total	% Change	Year	Passenger	Cargo	Total	% Change
2007	798,546	286,752	1,085,298	(5.5)	2012	793,574	338,702	1,132,276	(2.6)
2008	807,310	267,139	1,074,449	(1.0)	2013	762,561	373,072	1,135,633	0.3
2009	777,410	292,298	1,069,708	(0.4)	2014	762,748	273,801	1,036,549	(8.7)
2010	801,477	344,506	1,145,983	7.1	2015	701,291	323,545	1,024,836	(1.1)
2011	814,930	347,524	1,162,454	1.4	2016	711,419	363,315	1,074,734	4.9

Source: Susquehanna Area Regional Airport Authority records.

Landed Weight by Airlines. The following table sets forth the relative shares of aircraft landed weight for the passenger and all-cargo airlines at the Airport from 2013 through 2016.

AIRCRAFT LANDED WEIGHT BY AIRLINE
Harrisburg International Airport - (1,000-pound units)

Passenger Airlines	2013	2014	2015	2016
American	287,137	289,845	268,927	288,978
Delta Air Lines	188,318	184,306	191,011	184,904
United Air Lines	227,302	179,873	161,054	145,780
Allegiant	6,500	38,038	46,488	64,636
Air Canada	9,213	9,794	10,043	10,342
Southern Airways Express				357
Charters/Diversion	13,583	14,839	12,068	16,423
Frontier	26,762	46,054	11,700	
Passenger Subtotal	758,815	762,749	701,291	711,420
Cargo Subtotal	338,702	273,801	323,545	363,315
Total	1,097,517	1,036,550	1,024,836	1,074,735

Source: Susquehanna Area Regional Airport Authority records.

THE CAPITAL PROGRAM

The Authority has developed a Capital Program for the period 2017 to 2022 to provide needed improvements at the Airport System, to accommodate future passenger and aircraft activity levels. The Authority currently anticipates no need to issue additional Bonds to fund the Capital Program through 2022. The majority of all Capital Projects undertaken at the Authority’s airports are funded through grants issued by the FAA. Normally, these FAA grants provide 90% of the project funding, while the Authority is responsible for the matching funds either from the PennDOT Aviation Development Program (half the match) or from Authority Net Revenues.

The Capital Program at the Airport encompasses projects to (i) rehabilitate the runway, (ii) construct a cargo area, and (iii) replace fire and snow removal equipment. The estimated cost of this portion of the Capital Program is \$65 million.

At the Capital City Airport, Franklin County Regional Airport and the Gettysburg Regional Airport, the Capital Program encompasses projects to (i) remove obstructions, (ii) acquire snow removal equipment, (iii) rehabilitate the runways, and (iv) construct an apron, parallel taxiway and fencing. The estimated cost of this portion of the Capital Program for these three airports is \$13 million.

The following table sets forth the estimated costs of the Capital Program and its individual components.

PLANNED CAPITAL IMPROVEMENTS: 2017 TO 2022

	<u>Estimated Project Cost</u>
HARRISBURG INTERNATIONAL AIRPORT	
Rehabilitate Runway 13-31 (only runway)- Phase 3,4 &5	33,147,494
Construct Cargo Apron- Phase 2, 3 & 4*	21,666,667
ARFF Vehicle- 1500	1,000,000
Snow Removal Equipment Purchases- Snow Blower	888,889
Hotel Skybridge to MMTF	1,200,000
Rehabilitate Airport Drive	4,000,000
Demolish Bldgs. 26 & 96	1,500,000
Water Plant Renovation (PFOS Treatment)	2,000,000
	<hr/>
	\$65,403,050
	<hr/>
CAPITAL CITY AIRPORT	5,725,490
FRANKLIN COUNTY REGIONAL AIRPORT	2,791,760
GETTYSBURG REGIONAL AIRPORT	4,490,097
	<hr/>
	\$13,007,347
	<hr/>
	<hr/>
TOTAL	\$78,410,397
	<hr/> <hr/>

* Phase 5 will finish this project in 2023 for another \$9.8 million.

CERTAIN CAPITAL PROGRAM FUNDING SOURCES

In addition to airline rates and charges, as more particularly described under “AIRLINE AGREEMENTS” below, the Authority receives funding from the sources described below to finance the Capital Program and, to a limited extent, to pay debt service on Bonds.

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the “1990 Act”) allows public agencies controlling certain commercial service airports to charge each qualifying enplaning passenger using the airport a \$1.00, \$2.00 or \$3.00 Passenger Facility Charge, referred to as a PFC. The Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) (“AIR 21” and with the 1990 Act, the “Federal Act”) increased the maximum PFC allowed to be charged by qualifying airports from \$3.00 to \$4.50. The purpose of the PFC is to develop additional capital funding sources to provide for the expansion and improvement of the national airport system. The proceeds from PFCs must 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. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and meet certain requirements indicated in the legislation and regulations issued by the FAA.

The actual amount of PFC revenues received each Fiscal Year will vary depending on the number of qualifying passenger enplanements at the Airport. In addition, the FAA may terminate the Authority's ability to impose PFCs, subject to informal and formal procedural safeguards, if the Authority's PFC revenues are not being used for approved projects, if project implementation does not commence within the time periods specified in the FAA's regulations or if the Authority otherwise violates such regulations. The authority to impose a PFC may also be terminated if the Authority violates certain provisions of the Airport Noise and Capacity Act of 1990. With respect to an airline operating at the Airport which is involved in bankruptcy proceedings, it is unclear whether the Authority would be afforded the status of a secured creditor with regard to PFCs collected or accrued with respect to that airline.

The definition of Revenues in the Indenture excludes PFCs, except to the extent included as Revenues by the terms of a Supplemental Indenture, which has not occurred to date. See **Appendix B - Definitions**. Currently, the Authority has not pledged PFCs to the payment of debt service on the Series 2017 Bonds. While PFC revenues are not included in the definition of Revenues and, therefore, are not pledged to the payment of debt service, pursuant to the Indenture, the Authority has irrevocably committed to transfer its PFC revenues (associated with the first \$4.50 collected from each eligible enplaned passenger) by the tenth day of each month from the PFC Fund to pay a portion of the debt service on the Series 2008B Bonds and the Series 2012 Bonds through Fiscal Year 2018. Such transfers will be made pro rata to the Series 2008B Debt Service Account, the Series 2012A Debt Service Account and the Series 2012B Debt Service Account. After Fiscal Year 2018, PFC revenues remain available to pay debt service on all Bonds issued and Outstanding under the Indenture.

In connection with the irrevocable commitment to transfer the PFC revenues to pay a portion of the debt service on the Bonds as described above, the Indenture provides that the principal and interest to be paid from the PFC revenues so committed shall not be included in calculating Annual Debt Service for purposes of determining compliance with the Rate Covenant and with the requirements for the issuance of additional Bonds (thus reducing the Revenue collection requirement of the Rate Covenant).

This commitment is only for the payment of Annual Debt Service on the 2008B Bonds and the Series 2012 Bonds, to the extent PFC revenues are available, through December 31, 2018. The Authority does not expect to extend such commitment beyond December 31, 2018, and as a result, airline rates and charges may need to be increased to pay debt service on the Bonds, including the Series 2017 Bonds, and to comply with the Rate Covenant.

Airport Improvement Program Grants

The Airport and Airway Improvement Act of 1982 created a grant program, the Airport Improvement Program ("AIP") administered by the FAA and funded by the Airport and Airway Trust Fund, which is supported by aviation user taxes. Grants are available to airport operators in the form of entitlement funds and discretionary funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers at individual airports; discretionary funds are available at the discretion of the FAA based upon a national priority system. The Authority expects to receive AIP entitlement grants totaling about \$4.5 million to \$15.8 million per year for the period 2017 to 2022. The Authority expects to use AIP entitlement grants to fund approximately 43% of the Capital Program and discretionary grants to fund approximately 37% of the Capital Program. The Authority is reasonably confident that they will receive the discretionary grants from the FAA and that they will be able to carry over entitlement grants from prior years. There can be no assurance as to the amount of such funding that the Authority will receive in future years.

Commonwealth of Pennsylvania Grants

The Authority expects to receive additional grants from the Pennsylvania Department of Transportation, Bureau of Aviation to fund costs associated with elements of the Capital Program which cover half of the matching funds needed for the AIP grant. On occasion the Authority will receive a state-only grant which fund non-AIP projects at seventy five percent.

Historically, the Authority has received grants pursuant to the Commonwealth's capital budget. As of the date hereof, the Authority has received \$10,415,442 of capital budget grants at various dates to be applied to certain of its projects. The Authority reasonably expects to receive additional grants from the Commonwealth's capital budget to fund costs associated with capital projects not funded by the FAA.

AIRPORT AGREEMENTS

The Authority has entered into, and receives payments under, agreements with airlines and other parties, including lease and use agreements relating to landing fees and the leasing of space in the terminal building at the Airport, other building and miscellaneous leases relating to the leasing of cargo and hangar facilities at the Airport, concession agreements relating to the sale of goods and services at the Airport, and parking and car rental agreements.

Airline Agreements

The Authority has entered into a substantially similar Airline Agreement (which relates to the terminal lease and airline operations) with each of the following passenger airlines serving the Airport: Air Canada, Allegiant, American, Delta and United; and has entered into a substantially similar Airline Agreement (which relates to only airline operations) with each of the following all-cargo airlines serving the Airport: Federal Express, and UPS (the passenger and all-cargo airlines collectively, the "**Signatory Airlines**"). The term of each Airline Agreement extends through December 31, 2019. There are no renewal terms. The Signatory Airlines account for substantially all of the passenger airline traffic and cargo activity at the Airport.

Terminal Building Rental Rates. The Authority and Airlines have negotiated in advance the annual Terminal Building Rental Rates for each fiscal year through the term of the Airline Agreements, ending December 31, 2019. The Airline Agreement contains a schedule of rates for the Terminal Rental Rate and Per-Turn Fees for each year from 2015 through 2019. The rates increase an average of 2% per year. The rates were set on a commercial compensatory rate-making methodology until 2014. The current schedule is based on that rate for 2014.

Apron Fees. The Airline Agreement provides for an Apron Fee which is levied on Signatory Airlines at the Airport which rent apron space. They are based on negotiated rates for 2015 which are increased 2% a year.

Landing Fees. A cost center residual ratemaking methodology is used to calculate Landing Fee rates. Landing Fees are paid on the basis of aircraft landed weight (in 1,000 pound units), and are calculated to recover the fully allocated operating and capital costs of the airfield, after allowing credits for other airfield revenues received (including ramp or Apron Fees and fuel flowage fees). Such net costs are allocated among the Signatory Airlines on the basis of landed weight.

Annual Budget. Pursuant to the Airline Agreements, the Terminal Building Rental Rate, Apron Fee, and Landing Fee shall be adjusted annually, and the Authority adopts an annual budget for the Airport (the "Annual Budget"), which establishes the Terminal Building Rental Rates, Apron Fees and Landing Fees for the upcoming fiscal year. In establishing the Annual Budget, the Authority gives consideration to

the suggestions, comments and requests of the Signatory Airlines but retains sole discretion with respect to the rates and fees included in the Annual Budget.

Extraordinary Rate Adjustments. Under the Airline Agreements, the Authority has the ability to make additional adjustments to the Terminal rental rates, Apron Fees and landing fees as set forth below:

- **Landing Fees.** If total landing fees for any quarter during a Fiscal Year vary by more than 10% from the projected landing fees for such quarter, the Authority may adjust landing fees for the balance of such Fiscal Year by an amount equal to (a) the difference between the projected and actual landing fees divided by (b) the estimated total landed weight of all Signatory Airlines during the balance of such Fiscal Year.
- **PFC Collections.** If PFC collections decline by more than 10% from the projected PFC collections in any quarter during a Fiscal Year (taking into account any positive deviation in PFC collections the previous Fiscal Year and quarter), the Authority may recalculate the Terminal rental rates to make up for the amount of decline in PFC collections.
- **Signatory Airline Bankruptcy.** If a Signatory Airline files for bankruptcy protection during the term of its Airline Agreement and the Authority is owed arrears from such Signatory Airline such that the total of the Terminal rental rates, Apron Fees and landing fees payments is impacted or reduced by 10% or greater, the full amount of the arrears owed from the Signatory Airline shall be recovered by issuing surcharges on the Terminal rental rates, Apron Fees and landing fees for the following Fiscal Year payable by all airlines, divided evenly over a twelve-month period.
- **Extraordinary Coverage Protection.** The Signatory Airlines shall pay, as a surcharge to the Landing Fee Rate, an amount necessary in any fiscal year to satisfy the Authority's rate covenant as set forth in the Indenture. All Extraordinary Coverage Protection payments shall be due within fifteen (15) days after notice from the Authority. The Authority may provide notice of the requirement for Extraordinary Coverage Protection payments at any time, and from time to time, during a fiscal year that it appears, in the Authority's reasonable discretion, that such payments will be required pursuant to the Airline Agreement. The Authority shall afford the Signatory Airlines a reasonable opportunity to discuss the requirement with the Authority prior to requiring payment.
- **Flow of Funds and Revenue Sharing.** The Airline Agreement respects the Flow of Funds, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Deposit and Application of Revenues." This includes the Revenue Sharing with the Airlines of those funds deposited into the Revenue Credit Account. In the event of conflicts, language in the Indenture will govern.

Cost per Enplanement. The following table sets for the Authority’s costs per enplanement for the most recent five years ended December 31, 2016 and the six-month period ended June 30, 2017.

	Budgeted					
	2017	2016	2015	2014	2013	2012
Passenger Airline Revenue ^(a)	\$9,309,980	\$9,160,703	\$8,950,145	\$8,798,106	\$8,812,354	\$9,407,764
Enplaned Passengers	587,934	607,324	590,262	\$649,543	657,944	658,034
Airline Cost per Enplaned Passenger	\$15.84	\$15.08	\$15.16	\$13.55	\$13.39	\$14.30

Source: Susquehanna Area Regional Airport Authority records

^(a) Airline Revenue is net of the application of certain moneys in the Authority’s Revenue Credit Account. As a result, totals above may not equal the sum of Terminal rental, landing fees, and other airline charges as reported elsewhere.

The 2017 budget adopted by the Authority on December 7, 2016 contemplates that rates and charges to the Airlines will remain consistent with 2016 levels.

Non-Airline Agreements

Major sources of nonairline revenues include terminal building concessions, public automobile parking, automobile rentals, company privilege fees and space rentals, building and ground rentals, water and sewer services to tenants at the Airport, sale of bulk water at the Airport, revenues generated from building and ground rentals along with commissions paid by general aviation concessions in the Airport System. The Authority also collects rental revenues from the TSA for 3,314 square of space that the TSA occupies in the Main Terminal building.

Terminal Building Concession Agreements. The most significant sources of terminal building concession revenues are food and beverage and news and gift revenues. The terminal building encompasses approximately 14,000 square feet of concession space. The Authority contracts with Anton Airfoods, Inc. to operate food and beverage facilities, including three full service restaurants - Starbucks Coffee, Phillips Seafood and Capital Cafe. The Authority also contracts with King Point Ventures for the operation of a Dunkin Donuts restaurant as well as Hudson Group who operate Hudson News and The Euro Cafe and with two local companies for the operation of a Perfectly Pennsylvania store (involving the sale of Pennsylvania-themed gifts and wines), and a Subway and Auntie Anne’s franchise. Clear Channel Airports has exclusive rights to commercial advertising in the terminal building.

Public Parking Agreements. Parking facilities at the Airport currently encompass 4,762 public parking spaces, 2,258 of which are spaces in the long-term economy lot known as “long term parking,” and 2,504 of which are parking spaces at the MMTF. The daily parking rate (including taxes of 10% of the daily rate collected for distribution to the applicable taxing district) at the Airport’s various parking facilities are as follows: (i) \$20.00 at the MMTF, and (ii) \$9.50 at the long term economy lot. Automobile parking revenues represent the largest source of non-airline revenues at the Airport. In August 2017, the Authority entered into a five-year Operating Agreement with Republic Parking System (“CPS”) to manage and operate its parking facilities. The Operating Agreement is subject to renewal for five additional one-year terms upon mutual consent of the parties thereto.

The Authority imposes a privilege fee (equal to 10% of gross revenues) on the operator of an off-Airport parking facility, Aero Corporation dba Cramer Airport Parking (“**Cramer Airport Parking**”),

located adjacent to the Airport, approximately one mile from the terminal building. Any future off-Airport parking operators would pay a 20% privilege fee.

All revenues generated from vehicle parking facilities at the Airport, including the off-Airport privilege fees, are included in the definition of Revenues in accordance with the Indenture.

Rental Car Agreements. The Authority has entered into concession agreements for on-airport automobile rental operations with six car rental companies to conduct and operate an automobile rental concession and rent space on the ground level of the MMTF. Avis, Budget, Enterprise, Hertz, National and Alamo currently operate on-Airport facilities and pay a privilege fee of 10% of gross revenues. Payless Car Rental operates an off-Airport paying the same fee.

The Authority has instituted a Customer Facility Charge (“CFC”) of \$3.75 per rental contract day for rental car customers on July 1, 2009. Customers of rental car companies operating both on-Airport and off-Airport pay the CFC.

Rental car company operations at the Airport (encompassing ready/return spaces, customer service counters, and office space) are accommodated on the ground floor of the MMTF. In all, the six rental car companies operating on-Airport rent approximately 169,000 square feet of ready/return space at an annual rental rate of \$1.44 per square foot, plus approximately 1,477 square feet of office space at an annual rental rate of \$74.00 per square foot.

Hotel. The Authority has entered into a ground lease with The Shaner Hotel Group. They have begun construction on a 4 story, 120 room Fairfield Inn and Suites (a Marriott Brand). They are leasing approximately 2.73 acres. The hotel is scheduled to be completed by summer 2018.

Miscellaneous Agreements. The Authority collects building and ground rentals from various Airport properties, which are rented to third parties (including properties for hangars, cargo facilities, and industrial and commercial purposes). Revenues from Capital City Airport primarily encompass ground rentals and commissions. Revenues from Franklin County Regional Airport and Gettysburg Regional Airport are derived primarily from hangar rentals and tie-down fees.

FINANCIAL INFORMATION

General

The Authority maintains its financial records on a calendar year basis, using the accrual method of accounting. Financial statements are audited annually by a firm of independent certified public accountants. Financial statements for the years ended December 31, 2016 and 2015 are included in this Official Statement as **Appendix A**.

The Authority did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the December 31, 2016 and 2015 financial statements.

Summary of Operations

Set forth below is a summary of operations and changes in net assets of the Authority for the most recent five years ended December 31, 2016 and the six-month period ended June 30, 2017.

	Unaudited Six Months Ended June 30,	Years Ended December 31,				
	2017	2016	2015	2014	2013	2012
Operating Revenues:						
Facilities Rental	\$4,516,832	\$8,819,504	\$8,180,879	\$7,627,954	\$7,793,001	\$8,373,959
Parking	3,942,194	7,560,682	7,647,058	7,618,817	7,566,200	7,478,604
Vehicle Rental Fees and Customer Facility Charges	1,936,284	4,105,690	3,910,428	4,013,911	3,912,690	3,913,506
Landing Fees	2,058,249	3,843,564	3,711,534	3,585,158	3,867,761	3,817,480
Apron and Gate Use Fees	726,316	1,243,532	1,155,277	1,064,397	1,012,715	1,133,215
Concession Fees	229,409	498,262	440,133	438,976	417,352	402,173
Fuel Flowage and Other Commissions	211,351	452,150	442,322	479,632	448,231	416,213
Other Income	318,525	776,934	662,472	798,197	839,829	990,273
Total Operating Revenue	<u>13,939,160</u>	<u>27,300,318</u>	<u>26,150,103</u>	<u>25,627,042</u>	<u>25,857,779</u>	<u>26,525,423</u>
Operating Expenses:						
Salaries, Wages, Payroll Taxes, Benefits	3,587,020	6,954,043	6,700,934	6,321,078	6,051,433	5,749,595
Professional Consulting Fees	239,223	520,254	606,182	451,670	418,031	260,508
Marketing	231,507	548,535	431,113	635,584	632,601	813,194
Insurance	286,165	582,184	561,586	535,644	523,262	497,379
Utilities	786,195	1,503,883	1,519,326	1,518,135	1,561,797	1,763,691
Parking Facility Expenses	1,224,234	2,416,851	2,387,317	2,386,147	2,315,066	2,240,050
Repairs and Maintenance	698,966	1,761,318	1,553,828	1,397,905	1,370,919	1,362,227
Supplies, Parts, and Other	914,346	2,464,308	1,955,487	1,895,578	1,778,706	1,496,315
Total Operating Expenses Before Depreciation	<u>7,967,656</u>	<u>16,751,376</u>	<u>15,715,773</u>	<u>15,141,741</u>	<u>14,651,815</u>	<u>14,182,959</u>
Income from Operations Before Depreciation	5,971,504	10,548,942	10,434,330	10,485,301	11,205,964	12,342,464
Depreciation Expense	7,128,516	15,141,581	14,799,338	15,397,752	15,536,708	23,489,522
Loss from Operations	<u>(1,157,012)</u>	<u>(4,592,639)</u>	<u>(4,365,008)</u>	<u>(4,192,451)</u>	<u>(4,330,744)</u>	<u>(11,147,058)</u>
Non-Operating Revenues (Expenses)						
Passenger Facility Charges	1,225,460	2,442,022	2,352,359	2,613,741	2,657,078	2,623,502
Noise Relocation Project Disbursements	-	(5,861)	(145,261)	(140,880)	(1,686,686)	(395,538)
Noise Relocation Project Grants	-	5,318	135,761	134,546	1,603,509	383,888
Investment Income	106,940	171,863	142,681	145,545	101,721	140,895
Interest Expense	(3,537,193)	(7,186,008)	(7,290,706)	(7,389,442)	(7,490,229)	(9,488,352)
Bond Issuance Costs	-	-	-	-	-	(1,055,417)
Gain (Loss) on Disposal of Fixed Assets	2,042,369	672,996	50,582	11,145	6,646	4,062
Total Non-Operating Revenues (Expenses)	<u>(162,424)</u>	<u>(3,899,670)</u>	<u>(4,754,584)</u>	<u>(4,625,345)</u>	<u>(4,807,961)</u>	<u>(7,786,960)</u>
Capital Contributions and Grants						
Airport Improvement Grants	3,753,918	3,126,294	6,819,503	5,554,277	4,212,559	4,085,760
Lessee Financed Improvements	-	3,759,000	-	-	-	-
	<u>3,753,918</u>	<u>6,885,294</u>	<u>6,819,503</u>	<u>5,554,277</u>	<u>4,212,559</u>	<u>4,085,760</u>
Decrease in Net Assets	2,434,482	(1,607,015)	(2,300,089)	(3,983,519)	(4,296,146)	(14,848,258)
Change in Accounting Principle	-	-	-	-	-	(7,006,466)
Net Assets, Beginning of Year	<u>80,127,421</u>	<u>81,734,436</u>	<u>84,034,525</u>	<u>88,018,044</u>	<u>92,944,190</u>	<u>114,798,914</u>
Net Assets, End of Year	<u>\$82,561,903</u>	<u>\$80,127,421</u>	<u>\$81,734,436</u>	<u>\$84,034,525</u>	<u>\$88,018,044</u>	<u>\$92,944,190</u>

Source: Audited financial statements of the Authority. See also **Appendix A** for a complete set of audited financial statements for the year 2016 and 2015, including the Notes thereto.

As shown in the table above, and reflected in the Authority's audited financial statements for the years ended December 31, 2016 and 2015, which are included as **Appendix A** to this Official Statement, the Authority has recorded a decrease in net assets in each year since 2012, primarily due to the depreciation expense incurred in that year, which is a non-cash expense. The Airport System is a capital-intensive operation, which is typical of airports. Net capital assets comprise 83.4% of total assets of the Authority in 2016 and 2015.

Debt Service Coverage

Historic Coverage. The table below sets forth the Authority's debt service coverage ratios for (1) Outstanding Bonds and (2) Bonds and Subordinated Obligations Outstanding, for the most recent five years ended December 31, 2016 and the six-month period ended June 30, 2017.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Debt Service Coverage

	Years Ended December 31,					
	As Budgeted for 2017	2016	2015	2014	2013	2012
Revenues	\$27,301,568	\$27,300,318	\$26,150,103	\$25,627,042	\$25,857,779	\$26,525,423
Add back: Revenue Sharing to Airlines	-	666,350	375,147	-	-	-
Investment Income	180,000	171,863	142,681	145,545	101,722	140,896
Total Revenues	27,481,568	28,138,531	26,667,931	25,772,587	25,959,501	26,666,319
Less: M&O Expenses	(17,131,900)	(16,751,376)	(15,715,773)	(15,141,741)	(14,651,815)	(14,182,959)
Airport System Net Revenues	10,349,668	11,387,155	10,952,158	10,630,846	11,307,686	12,483,360
Plus: Coverage Account Balances	2,421,949	1,299,206	1,304,481	1,244,081	1,280,324	1,403,127
Net Revenues plus Coverage Account Balances ¹	12,771,617	12,686,361	12,256,639	11,874,927	12,588,010	13,886,487
Annual Senior Bonds Debt Service	12,010,725	7,605,725	7,605,725	7,605,725	7,747,795	8,263,306
Less: PFC Revenues	(2,332,929)	(2,408,900)	(2,387,800)	(2,629,400)	(2,626,500)	(2,650,800)
Net Senior Bonds Debt Service	\$9,677,796	\$5,196,825	\$5,217,925	\$4,976,325	\$5,121,295	\$5,612,506
Senior Bonds Debt Service Coverage ²	1.32 ³	2.44	2.35	2.39	2.46	2.47
Adjusted Senior Bonds Debt Service Coverage ⁴	1.06	1.81	1.75	1.74	1.80	1.83
Airport System Net Revenues	\$10,349,668	\$11,387,155	\$10,952,158	\$10,630,846	\$11,307,686	\$12,483,360
Plus: Coverage Account Balances	2,421,949	1,299,206	1,304,481	1,244,081	1,280,324	1,403,127
Net Revenues plus Coverage Account Balances	12,771,617	12,686,361	12,256,639	11,874,927	12,588,010	13,886,487
Net Senior Bonds Debt Service	9,677,796	5,196,825	5,217,925	4,976,325	5,121,295	5,612,506
Subordinate Bonds Debt Service	-	4,351,750	4,354,900	4,354,450	4,272,449	4,477,250
LOI Grant Offset ⁵	-	-	-	-	-	-
Annual Aggregate Net Debt Service	\$9,677,796	\$9,548,575	\$9,572,825	\$9,330,775	\$9,393,744	\$10,089,756
Aggregate Debt Service Coverage ⁶	1.32 ³	1.33	1.28	1.27	1.34	1.38
Adjusted Aggregate Debt Service Coverage ⁷	1.06	1.15	1.12	1.11	1.16	1.19

¹ Limited to 25% of net Senior Bond debt service.

² Coverage calculated as required by the Indenture, which incorporates the coverage account balance (which can total up to a maximum of 25% of Senior Debt Service) as part of the numerator and accounts for PFC revenue as an offset to debt service in the denominator. Minimum debt service coverage requirement for Bonds per the Indenture is 1.25x.

³ 2017 will be the first year the Authority will not have Subordinate Obligations.

⁴ Calculated as Net Revenues plus PFC Revenues divided by Senior Debt Service.

⁵ Authority received last LOI Grant in January 2009. No further LOI grants are anticipated.

⁶ Coverage calculated as required by the Subordinate Indenture, which incorporates the coverage account balance (which can total up to a maximum of 25% of Senior Debt Service) as part of the numerator and accounts for PFC revenue as an offset to debt service in the denominator. Minimum aggregate debt service coverage requirement under the Subordinate Indenture is 1.10x.

⁷ Calculated as the sum of Net Revenues and PFC Revenues, divided by the sum of Bonds Debt Service and Subordinated Obligations Debt Service, less LOI Grants, if any.

Management Discussion of Airport Finances

Six Months ended June 30, 2017. The Authority passed a balanced \$30 million revenue and expense budget for 2017 to meet all M & O, Capital and Debt service obligations. While airline revenue sharing took place in 2015 and 2016, no airline revenue sharing was planned for 2017. 2017 enplanements were forecast for about 588,000 similar to budgeted 2016 levels.

Through the first half of 2017, revenues were ahead of expectations by 1.8% because of higher airline revenues. Cargos landing fees and unrented gate use fees have exceeded expectations.

For the first six months of 2017, expenses have been 6.3% below expectations. Four new personnel positions were filled later than budgeted. A milder winter caused other expenses to be lower than expected.

The most significant financial event of the first half of the year was the sale of the former Bethlehem Steel property which was close but not contiguous to the Airport (separated by a railroad line). The property was sold for \$3.3 million recognizing a \$2.0 million gain. The funds were deposited in the Capital Improvement Account.

In early January 2017, the Authority paid in full its outstanding Subordinate Airport System Revenue Bonds, Series 2012C (Non-AMT). As of the date of this Official Statement, no Subordinated Obligations are Outstanding.

Fiscal Year 2016. The Authority budgeted for 585,000 expected enplanements, despite higher achieved enplanement levels in immediate prior years. Accordingly, the Authority budgeted with a balanced budget covering expense, capital and debt service needs. Improved performance in airline revenues produced a much better than expected year, as operating revenues were 4.3% ahead of 2015 and ended 3.8% above budgeted expectations. Revenues also rose as a result of new tenant rentals and increases in vehicle rental activity. Cargo airlines increased landed weight from 2015, netting more landing fees.

Expenses increased by 7%, some planned and some unplanned. The Authority budgeted for two new positions to facilitate succession and reduce overtime. The Authority started a parking garage preventative maintenance program. Two new pieces of snow removal equipment were leased to replace obsolete equipment, and a record snow fall in January 2016 caused extra overtime and the purchase of additional winter treatment chemicals. (A portion of this cost was recovered through a FEMA grant.)

The Authority sold fifty year easements and renewed thirty year easements with four agreements with Sunoco Pipeline netting \$653,500. The properties involved were the former Bethlehem Steel property and the west end of the airfield at HIA. This appears as a Gain on Disposal of Fixed Assets and constitutes the majority of that amount

For a more complete management's discussion and analysis for Fiscal Year 2016, see the audited financial statements of the Authority in **Appendix A** hereto.

Fiscal Year 2015. Anticipating that Frontier Airlines would be ceasing service during 2015, the Authority presented a budget compensating for this loss of revenue. The Authority anticipated 605,000 enplanements. Vehicle parking rates were increased for the first time since 2010. Better than expected performance in airline revenues produced a much better than expected year, as operating revenues were 1.9% ahead of budgeted expectations, and 2% ahead of 2014. All debt service payments and required coverage ratios were met.

Driven largely by the decision of Frontier Airlines to end service at the Airport, and at a number of medium and smaller stations to concentrate on expanded service in larger markets, passenger traffic declined in 2015, as compared to 2014. The airlines enplaned 590,262 passengers in 2015, off 9.1% from 2014.

Operating expenses were 3.8% more than 2014 and 1.5% more than the budget. Professional and consulting fees were more than 2014 because of negotiations with new/prospective tenants and the write-off of capital costs capitalized in a prior year. Loading bridge repairs drove up repairs and maintenance expenses. Health care costs increased 20%.

For a more complete management's discussion and analysis for Fiscal Year 2015, see the audited financial statements of the Authority in **Appendix A** hereto.

Fiscal Year 2014. After several good years, the Authority presented a budget for 2014 that was only slightly different from the prior year with 639,000 enplanements planned, as the Authority anticipated more cutbacks in flights from the major airlines. No fees were changed. Anticipation of a leaner year and better than expected performance in parking and vehicle rental revenue produced a much better than expected year as operating revenues were 1% below 2013 but ended 2% above budget.

As anticipated, passenger traffic in 2014 declined by 1.6% as compared to 2013. The airlines enplaned 649,543 passengers at the Airport in 2014, off 1.3 percent from 2013. Federal Express decreased its frequency and size of aircraft regularly using the Airport, thereby reducing the landing fees.

The Authority's managed liquid reserves increased by over \$400,000. All debt service payments and required coverage ratios were met.

Operating expenses were 3.2% more than 2013 and were less than 1% more than the budget. Winter 2014 was more severe than 2013, with frequent ice and snow events. More expense was required for winter service materials, overtime, vehicle fuels and snow removal for the parking facilities. An information technology position was added in 2014, and other departments filled vacancies and were more completely staffed than in 2013.

Fiscal Year 2013. The Authority presented a cautious budget for 2013, forecasting only 632,000 enplanements, as the Authority anticipated cutbacks in flights from the major airlines. No fees were changed. Anticipation of a slightly leaner year and better than expected performance in parking and vehicle rental revenue produced a much better than expected year as operating revenues were 3.9% better than budget, but 2.5% lower than 2012. Operating expenses were 3.3% more than 2012 and was less than 1% more than budget.

Passenger traffic in 2013 was essentially flat, as there were 1,310,929 total passengers – an increase of 0.1 percent as compared to 2012. The airlines enplaned a total of 657,944 passengers at the Airport in 2013, which is just 90 fewer than in 2012. The major airlines were charged less of the terminal's common use area rent (for baggage facilities) as their share of enplanements decreased; and, the major airlines used less gate facilities and exclusive area in the terminal.

After a very mild winter in 2012, 2013 returned to a more normal year. IT systems needed updating and replacement. Electricity costs decreased due to energy saving practices and reduced prices.

All debt service payments and required coverage ratios were met.

Fiscal Year 2012. A very mild winter and the replacement of AirTran Airway's Florida air service (with the addition of both Frontier and Allegiant) produced a much better than expected year as

operating revenues were 1.8% better than 2011 and ended 2.5% better than budget. Revenues also rose as a result of increased rental fees from non-aviation tenants. Passenger parking in the Long Term/Economy lot increased by 5.5%. Other income increased as water and sewer rates to tenants increased to meet the cost of providing the utility service. All debt service payments and required coverage ratios were met.

Operating expenses were slightly less than 2011 and ended 3.5% better than. Budget. The extremely mild winter saved an excess of \$350,000 (combined) in five different expense accounts. This savings was spent later in the year as the Authority accelerated other operating and maintenance expense into 2012. With the departure of AirTran Airways, increased marketing expense was necessary to introduce the two new airlines (Frontier and Allegiant) to the service market.

The issuance and delivery of the Senior Series 2012 Bonds, together with the Authority's Subordinate Airport System Revenue Bonds, Series 2012C (Non-AMT), the proceeds of which refunded the Authority's outstanding Airport System Revenue Bonds, Series 2003A (AMT), Airport System Revenue Bonds, Series 2003B (Non-AMT) and Subordinate Airport System Revenue Bonds, Series 2003D (Non-AMT) resulted in significant savings.

Operating Revenue Diversity

The following table sets forth the airline and non-airline revenues for the Authority for the most recent five years ending December 31, 2016 and the six-month period ended June 30, 2017.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Airline & Non-Airline Revenues

	Unaudited Six Months Ended June 30,		Years Ended December 31,			
	2017	2016	2015	2014	2013	2012
<u>Airline Revenues</u>						
<u>Passenger Airline Revenues</u>						
Facilities Rental	\$3,038,463	\$5,788,881	\$5,588,432	\$5,457,870	\$5,531,525	\$6,399,985
Landing Fees	1,331,196	2,388,011	2,417,482	2,485,938	2,457,070	2,483,989
Apron and Gate Use Fees	547,115	930,968	883,667	779,385	734,556	855,056
Fuel Flowage	36,315	75,311	78,768	98,798	105,633	116,223
Total Passenger Airline Revenues	4,953,089	9,183,171	8,968,349	8,821,991	8,828,784	9,855,253
<u>Cargo Airline Revenues</u>						
Landing Fees	633,456	1,260,715	1,126,149	892,411	1,215,292	1,104,167
Apron Fees	179,201	312,564	271,610	285,012	278,159	278,159
Fuel Flowage	18,293	40,143	40,192	36,565	47,138	58,345
Total Cargo Airline Revenues	830,950	1,613,422	1,437,951	1,213,988	1,540,589	1,440,671
Total Airline Revenues	5,784,039	10,796,593	10,406,300	10,035,979	10,369,373	11,295,924
<u>Non-Airline Revenues</u>						
Facilities Rental	1,478,369	3,030,623	2,592,447	2,170,084	2,261,476	1,973,974
Parking and Ground Transportation	3,942,194	7,560,682	7,647,058	7,618,817	7,566,200	7,478,604
Vehicle Rental Fees and Customer Facility Charges	1,936,284	4,105,690	3,910,428	4,013,911	3,912,690	3,913,506
Landing Fees- General Aviation	93,597	194,838	167,903	206,809	195,399	229,324
Fuel Flowage and Other Commissions	156,743	336,696	323,362	344,269	295,460	241,645
Concession Fees	229,409	498,262	440,133	438,976	417,352	402,173
Other Income	318,525	776,934	662,472	798,197	839,829	990,273
Total Non-airline Revenues	8,155,121	16,503,725	15,743,803	15,591,063	15,488,406	15,229,499
Total Operating Revenues	\$13,939,160	\$27,300,318	\$26,150,103	\$25,627,042	\$25,857,779	\$26,525,423

Operating Leases

The Authority leases space at the Airport, Capital City Airport, Franklin County Airport, and Gettysburg Regional Airport on a fixed fee as well as contingent rental basis. Minimum future rentals on non-cancelable leases to be received in each of the next five years and thereafter, as of December 31, 2016, are as follows:

Year	Airline Agreements	Other Leases	Total
2017	\$1,940,208	\$3,675,669	\$5,615,877
2018	\$1,940,208	\$3,507,232	\$5,447,440
2019	\$1,940,208	\$3,148,240	\$5,088,448
2020	-	\$1,055,408	\$1,055,408
2021	-	\$1,034,193	\$1,034,193
2022-2026	-	\$4,428,272	\$4,428,272
2027-2031	-	\$2,784,987	\$2,784,987
2032-2036	-	\$1,640,702	\$1,640,702
2037-2041	-	\$380,269	\$380,269
2042-2045	-	\$84,085	\$84,085
Total	<u>\$5,820,624</u>	<u>\$21,739,057</u>	<u>\$27,559,681</u>

Pension and Retirement Plans

The Authority established a 401(a) retirement plan (the “**Plan**”) for its employees, which is entirely funded through Authority contributions. All full-time employees are eligible to participate. Effective July 1, 2009, full-time employees have up to 4% of employee salaries and wages contributed as a match of the employees’ contributions to its 457(b) defined contribution plan (the “**Contribution Plan**”). The Authority’s contributions to the Plan equaled \$180,143 in 2016 and \$179,746 in 2015. There are no employee contributions to the Plan.

The Authority also established a Contribution Plan for the benefit of all of its employees. This Contribution Plan allows for employees to elect to make contributions either in a dollar amount or percentage not exceeding fifteen (15%) percent of the employee’s total salary or wages. The Authority does not make any employer contributions to this Contribution Plan. The Authority does not currently provide “other post-employment benefits” to retired and former employees.

Property and Casualty Insurance

The Authority maintains property and casualty insurance, including Airport System liability insurance to protect its operations. The Airport System's real and personal property are insured based on a total loss of \$187,729,933 (including buildings, contents, rents and business interruption) and \$25,000,000 per occurrence in case of earthquakes and floods. The Airport System's motor vehicles are insured based on a total loss limit of \$1,000,000 per occurrence for bodily injury and property damage. The Authority maintains reasonable and customary liability insurance for its directors and officers and police professionals. The Authority maintains liability insurance to cover liabilities arising out of the Airport System's operations. A \$100,000,000 per occurrence liability limit is currently provided with various aviation specific sub-limits. The Authority maintains fiduciary liability insurance related to the management and administration of its pension plans based on a total loss limit of \$1,000,000 per annual aggregate.

Investment Policy

The Indentures permit the Authority to invest Airport System funds in Permitted Investments as defined therein. See **Appendix B** - Definitions. Permissible investments include obligations of the U.S. Treasury and its agencies, domestic certificates of deposit, commercial paper with prescribed ratings, and repurchase agreements. The term of investment and the financial institutions used for investment purposes are determined based upon operating and other needs of the Authority. See also “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS - Permitted Investments.”

AIRPORT SYSTEM ENVIRONMENTAL MATTERS

Portions of the Capital Program require approval by the Federal Aviation Administration (FAA) to use federal grant funds and are subject to environmental review and approval as required by the National Environmental Policy Act. In 2016, an environmental assessment was prepared for the Airport to document potential impacts associated with rehabilitating Runway 13-31 that involved the connected action of removing tree obstructions on a golf course, a protected 4(f) resource. The environmental assessment resulted in a “Finding of No Significant Impact” (FONSI) by the FAA on April 6, 2016.

All of the projects in the Capital Program that are federally funded or result in a change in the Airport Layout Plan are reviewed for environmental effects. Each project is documented with either a categorical exclusion or environmental assessment prior to funding or commencement of construction.

Memorandum of Understanding with PADEP

On April 16, 1997, PennDOT and the Pennsylvania Department of Environmental Protection (PADEP) entered into a Memorandum of Understanding (MOU) that required PennDOT to operate a water treatment facility and comply with other institutional controls. As a result of the Authority’s taking over the ownership and operation of the Airport, the Authority must operate a water plant and pump a minimum volume of ground water from several production wells on the Airport property to control a plume of ground water contamination that exists on the Airport property. This control of the ground water is to control levels of trichloroethylene (TCE). Well production water that is pumped and treated is sold to Airport tenants and off-Airport customers as potable water. As provided in the MOU, in the event that the Authority reduces the production of the amount of well water pumped by 25%, the Authority must notify DEP, and DEP may require the implementation of a groundwater monitoring program, including, but not limited to, sampling and analysis of the Airport’s wells. The Authority believes it has operated the water plant and pumped in accordance with the MOU.

FYR by EPA & PADEP

A Five-Year review (FYR) is conducted by both the U.S. Environmental Protection Agency (EPA) and the PA Department of Environmental Protection (PADEP) to evaluate the implementation and performance of an environmental remedy, as described above, in order to determine if the remedy is and will continue to be protective of human health and the environment. The methods, findings, and conclusions of reviews are documented in the report that is issued to the Airport. The Airport has had five FYRs for the former Middletown Airfield Superfund site, with the most recent review began approximately on August 24, 2016. The Airport Superfund site was delisted in 1996. The FYR was prepared due to the fact that contaminants, in the groundwater and soils, remain at the site above levels that has restricted exposure and limited use by implementing institutional controls for the site. In 2014 Perfluorinated Compound (PFC) “pfluorooctane sulfonic acid” (PFOS) was identified above a health-based screening level in the groundwater at the Airport. The PFOS in the groundwater is being addressed through PADEP’s Drinking Water Program. The FYR has stated that the remedies for the Airport are protective of human health and the environment in both the short and long term and has been achieved by the continued operation

of the groundwater system extraction and treatment system and enhanced by the implementation of institutional controls.

AIRLINE INFORMATION

Certain of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Exchange Act, and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC.

Such reports and statements can be inspected and copies obtained at prescribed rates at the Public Reference Room of the SEC at 450 Fifth Street, NW, Washington, D.C., 20549, and should be available for inspection and copying at the SEC's regional offices located at 233 Broadway, New York, New York 10279, and 500 W. Madison Street, Suite 1400, Chicago, IL 60661. The SEC maintains a website at www.sec.gov containing reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 7th Street, SW, Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

Neither the Authority nor the Underwriter undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation, or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC's website or links to other Internet sites accessed through the SEC's website. Such reports and the information contained therein are not incorporated by reference in, and are not a part of, this Official Statement.

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 file limited information only with the U.S. Department of Transportation.

RISK FACTORS

The purchase and ownership of the Series 2017 Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security for the Series 2017 Bonds.

The Series 2017 Bonds are Limited Obligations

The Series 2017 Bonds are limited obligations of the Authority payable solely from, and secured by the pledge of, Net Revenues of the Airport System and certain funds and accounts held or set aside under the Indenture. The Series 2017 Bonds shall not be deemed to constitute a debt or liability of the Counties of Dauphin, Cumberland, or York, the cities of Harrisburg or York, the townships of Fairview or Lower Swatara, or the Commonwealth, or any political subdivision thereof, except the Authority, or a pledge of the faith and credit of any of the aforementioned counties, cities, townships, or the Commonwealth, or any political subdivision thereof, and neither the counties, cities, townships, Commonwealth, nor any political subdivision thereof is obligated to pay the Series 2017 Bonds or the interest thereon, and neither the full faith and credit nor the taxing power of the counties, cities, townships, Commonwealth, or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Series 2017 Bonds. The

Authority has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS.”

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Series of 2017 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline fares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport; competition from neighboring airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction or elimination of service to unprofitable markets could affect airline operations in the future.

Many of these factors are outside the Authority’s control. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, airline concentration, international conflicts and threats of terrorism and structural changes in the travel market. See also “- Aviation Security and Health Safety Concerns” below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. While the economy has recovered since 2009, any substantial deterioration in the level of regional or national economic activity in the future could have an adverse impact on the air transportation industry.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (an airline trade association, 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 crisis” of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

Between early 2011 and mid-2014, fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003. Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with a continued surplus in the worldwide supply (and the potential for further surpluses from Iran as trade sanctions are lifted) resulted in further reductions in fuel prices in 2015. The average price of aviation fuel mid-2016 was approximately 50% of the price at mid-

2014. The reduction in fuel prices is having a positive effect on airline profitability as well as far-reaching implications for the global economy. While fuel prices have declined significantly in the past few years, significant and prolonged increases in the cost of aviation fuel in the future could have an adverse impact on airline profitability.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated air carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; and (c) effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. The American Airlines and US Airways merger was completed in October 2015. As of the date of this Official Statement, none of these mergers have had any material impact on airline service or enplanements at the Airport. While prior mergers have not had any material impact on airline service and enplanements at the Airport or on Net Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Net Revenues and/or increased costs for the other airlines serving the Airport.

International Conflict and the Threat of Terrorism. The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Authority or the airlines operating at the Airport from such incidents or disruptions.

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

Effect of Airline Bankruptcy

When a Signatory Airline seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the Authority (1) within 60 days or later, if ordered by the court, with respect to its Airline Agreement or other leases of real property, or (2) prior to the confirmation of a plan of reorganization with respect to any other agreement. In the event of assumption, the Signatory Airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the applicable Airline Agreement or other agreements. Rejection of an Airline Agreement or other agreement or executory contract would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (a)

one year of rent or (b) 15 percent of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of the applicable Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under the Bankruptcy Code.

Additionally, during the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness and inconvenience of security precautions influence passenger travel behavior and air travel demand. Intensified security precautions instituted by government agencies, airlines and airport operators have vastly increased costs, some of which have been or will be passed on to travelers and airlines. No assurance can be given that these precautions will be successful or that the increased costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material effect on air travel demand.

Aviation Security and Health Safety Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370 and the crash of Malaysia Airlines Flight 17. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against future terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies. The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Centers for Disease Control and Prevention (“CDC”) and the World Health Organization (“WHO”) did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. More recently, the CDC has issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, are occurring. The lists of such areas includes more than 50 countries and certain locations in Miami, Florida. While the Airport is not in an area

of concern identified by the CDC, further spread of the virus could impact the Airport by reducing travel to affected regions. This disease or future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport. The Authority is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such affects will be material.

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations. Since September 11, 2001 and as a result of the financial distress and bankruptcy filings in the airline industry, the federal government enacted several acts of legislation that have directly affected the airline industry. Such legislation includes the federalization of airport security through the Transportation Security Administration.

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

Ability to Meet Rate Covenant

As discussed under the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS” the Authority agrees that it will establish, fix, prescribe and collect rates, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with the amount on deposit in the Coverage Account permitted to be taken into account for such purpose, will be equal to at least 125% of the Aggregate Annual Debt Service on the Outstanding Bonds. If Net Revenues, together with any amount on deposit in the Coverage Account, were to fall below the level necessary to meet the Rate, the Indenture provides procedures under which the Authority is required to revise the schedule of rates, fees, rentals and charges for the use of the Airport as may be necessary to produce the required Net Revenues in the next Fiscal Year. The Indenture provides that if the Authority complies with this requirement, no Event of Default will be deemed to have occurred under the Indenture even though the Net Revenues, together with any amount on deposit in the Coverage Account, are not actually sufficient during the rates and charges revision period to provide funds in the amount required to meet the Rate Covenant. Increasing the schedule of rates, fees, rentals and charges would be subject to statutory and regulatory restrictions (see “Regulations and Restrictions Affecting the Airport” above) in addition to the limitations imposed by the commercial compensatory rate-making methodology with respect to terminal rental rates in the Airline Agreement. The provisions of the Indenture, however, supersede contradictory provisions of the Airline Agreement that may restrict the Authority’s ability to comply with the Rate Covenant. In addition, implementation of an increase in the schedule of rates, fees, rentals and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines and others in comparison to other airports, or by reducing the operating efficiency of the Airport.

The ability to generate Net Revenues and meet required debt service coverage is based on the assumption that the airlines will pay the rates and charges established by the Authority, and while the Authority believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable, no assurance can be given that challenges will not be made to the rates and charges established by the Authority or its method of allocating particular costs.

Availability of PFCs

Currently, the Authority has not pledged PFCs to the payment of debt service on the Series 2017 Bonds. While PFC revenues are not included in the definition of Revenues and, therefore, are not pledged to the payment of debt service, pursuant to the Indenture, the Authority has irrevocably committed to transfer its PFC revenues (associated with the first \$4.50 collected from each eligible enplaned passenger) by the tenth day of each month from the PFC Fund to pay a portion of the debt service on the Series 2008B Bonds and the Series 2012 Bonds through Fiscal Year 2018. Such transfers will be made pro rata to the Series 2008B Debt Service Account, the Series 2012A Debt Service Account and the Series 2012B Debt Service Account. After Fiscal Year 2018, PFC revenues remain available to pay debt service on all Bonds issued and Outstanding under the Indenture.

This commitment is only for the payment of Annual Debt Service on the 2008B Bonds and the Series 2012 Bonds, to the extent PFC revenues are available, through December 31, 2018. The Authority does not expect to extend such commitment beyond December 31, 2018, and as a result, airline rates and charges may need to be increased to pay debt service on the Bonds, including the Series 2017 Bonds, and to comply with the Rate Covenant.

The amount of PFC revenue received by the Authority 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 “- Factors Affecting the Airline Industry” above. Additionally, the FAA may terminate the Authority’s authority to impose PFCs, 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 Aviation Safety and Capacity Expansion Act of 1990, as amended (the “PFC Act”), as implemented by the FAA pursuant to published regulations (the “PFC Regulations”), or (b) the Authority otherwise violates the PFC Act or the PFC Regulations. The Authority’s authority to impose a PFC may also be terminated if the Authority violates certain provisions of the Airport Noise and Capacity Act of 1990 (“ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Authority’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the Authority’s authority to impose a 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 Authority or that the Authority will not seek to decrease the amount of PFCs to be collected. A shortfall in PFC revenues may cause the Authority to increase rates and charges at the Airport to meet the debt service requirements on the Bonds that the Authority plans to pay from PFCs.

Forward-Looking Statements

This Official Statement, and particularly certain information contained under the captions “INTRODUCTION,” “APPLICATION OF THE SERIES 2017 BOND PROCEEDS,” “THE CAPITAL PROGRAM,” “PLAN OF FINANCING,” “FINANCIAL INFORMATION – Debt Service Coverage” and “- Management Discussion of Airport Finances,” and “RISK FACTORS,” 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,” “budget,” “forecasts,” “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. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Loss of Federal Tax Exemption

Interest on the Series 2017 Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2017 Bonds that violate the requirements and limitations prescribed by the Code. Although the Authority has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2017 Bonds may be deemed to be taxable from the date of issuance. The Series 2017 Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the bondholders or former bondholders to compensate the bondholders for any losses they may incur as a result of the interest on the Series 2017 Bonds becoming subject to federal income taxation. See “TAX MATTERS” below.

Expiration and Possible Termination of Airline Agreement

Pursuant to the Airline Agreements, each Signatory Airline has agreed to pay the rates and charges for its use of the Airport. Each Airline Agreement expires by its terms on December 31, 2019. In the event that the Authority and the Signatory Airlines cannot reach a formal agreement on a new airline rate-making methodology or the timing of its introduction, the Signatory Airlines could, potentially, challenge the Authority’s revised airline rate-making methodology under the U.S. Department of Transportation’s rates and charges review process. This review process includes the Secretary of Transportation reviewing rates and charges complaints brought by airlines. Specifically, the Secretary of Transportation conducts an administrative review to determine the reasonableness of new fees and fee increases imposed on airlines using airport facilities.

Competition

The Airport’s Air Service Region is served by numerous other air carrier airports, including large-hub airports at Baltimore, Philadelphia, and Washington Dulles, as well as airports with scheduled passenger service at Allentown (Lehigh Valley), Altoona, Hagerstown, Lancaster, University Park, Wilkes-Barre/Scranton and Williamsport. Service from the Airport, particularly in the northeast region of the country, is subject to competition from rail and other forms of transportation.

In addition, teleconference, videoconference and web-based meetings continue to improve in quality and price to the extent that they are often satisfactory alternatives to face-to-face meetings, and these modes of communication may potentially reduce the need for business travel throughout the aviation industry, including the Airport. Furthermore, the ability of the Airport to continue to attract passengers and air carriers is dependent on factors such as cost and convenience. Increased costs and compliance with federally mandated security requirements could result in the Airport’s being at a competitive disadvantage relative to other airports in the Airport’s Air Service Region, as well as other modes of transportation.

Baltimore/Washington Thurgood Marshall International Airport, 97 miles from Harrisburg, is a significant alternative to the Airport for residents and visitors to the Airport service region because of its proximity to south central Pennsylvania and its high level of airline service, including low-fare service provided by Southwest, amongst others. Additionally, Philadelphia and Washington Dulles international airports, 110 and 142 miles from Harrisburg, respectively, have become more important alternatives principally as a result of the introduction of significant low-fare airline service, including Southwest at both Philadelphia and Washington Dulles. Other low fare airlines serving these regional airports include Frontier Airlines, JetBlue Airways and Virgin America.

Limitations on Bondholders' Remedies

The occurrence of an Event of Default under the Indenture does not grant a right to accelerate payment of the Series 2017 Bonds to either the Trustee or the Bondholders. As a result, the Authority may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport System even if an Event of Default has occurred and no payments are being made on the Series 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Events of Default and Remedies; No Acceleration."

Dependence Upon Government Grants

The Authority's Capital Program relies on funding from federal and state grant programs, the award and disbursement of which may be discretionary or dependent upon legislative appropriations in future years. No assurance can be given that funding will be provided from such grant programs at the time and in the amounts currently contemplated. In addition, the Authority is unable to predict the level of AIP federal funding and other grant funding due to the uncertainty surrounding federal and state grant funding and any delay in receiving federal and state grant funding could result in the need to issue additional Bonds, subject to meeting the additional Bonds test under the Indentures, and may result in increased costs to the airlines.

Bond Ratings

Rating agencies generally base their ratings on information and materials provided to the rating agencies by the issuer of the bonds being rated and their own investigation, studies and assumptions. Changes in the Authority's operating and financial results, including a decline in debt service coverage ratios, may influence a rating agency to lower or withdraw its rating. In addition, changes in rating agencies' methodologies, general assumptions and views on the economy and the airport sector may influence a rating agency to lower or withdraw its rating. For a full explanation of the rating agencies' views, prospective investors should read the reports issued by such rating agencies. There is no assurance that the ratings assigned to the Series 2017 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Series 2017 Bonds. See "RATINGS."

Litigation

The Authority is a party to certain legal proceedings, and it is possible that if such proceedings are resolved unfavorably to the Authority, the payment of judgments for monetary damages related thereto, if any, may be treated as operating expenses that are paid before debt service on the Series 2017 Bonds. See "LITIGATION."

TAX MATTERS

Federal Law

In the opinion of Ballard Spahr LLP, Bond Counsel, under existing law, as presently enacted and construed, interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, assuming the accuracy of certifications of the Authority and assuming continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), except that interest on any Series 2017 Bond shall not be excluded while held by a substantial user of the Facilities or a related person as provided in the Internal Revenue Code. Interest on the Series 2017 Bonds will be a specific tax preference item for purposes of determining individual and corporate federal alternative

minimum tax. Bond Counsel will express no opinion regarding other federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

The Code establishes requirements that must be complied with subsequent to the issuance of the Series 2017 Bonds for interest thereon to be and remain excludable from gross income pursuant to Section 103 of the Code. Failure to comply with these requirements could cause the interest on the Series 2017 Bonds to be included in gross income, retroactive to the date of issue of the Series 2017 Bonds or at some later date. The requirements include, but are not limited to, (1) the provisions of Section 148 of the Code which prescribes yield and other limits within which the proceeds of the Series 2017 Bonds are to be invested and may require that certain investment earnings on the foregoing be rebated on a periodic basis to the United States, (2) use of the proceeds of the Series 2017 Bonds, and (3) use of the facilities financed with the Series 2017 Bonds. The Authority has covenanted to comply with the provisions of the Code.

Original Issue Premium. The Series 2017 Bonds being offered at a premium (“original issue premium”) equal generally to the excess of their public offering price over their principal amount are referred to herein as the “Premium Bonds.” For federal income tax purposes, original issue premium is amortizable periodically over the terms of the Premium Bond through reductions in the holder’s tax basis for such Premium Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisors for an explanation of the amortization rules.

Commonwealth of Pennsylvania Law

Under the laws of the Commonwealth of Pennsylvania, as enacted and constructed on the date hereof, the Series 2017 Bonds are exempt from Pennsylvania personal property taxes, and the interest on the Series 2017 Bonds is exempt from Pennsylvania income tax and Pennsylvania corporate net income tax.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2017 Bonds or otherwise prevent holders of the Series 2017 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2017 Bonds. Further, such proposals may impact the marketability or market value of the Series 2017 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2017 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2017 Bonds would be impacted thereby.

Purchasers of the Series 2017 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The proposed form of Bond Counsel’s approving opinion is attached hereto as **Appendix D**.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2017 Bonds are subject to the approval of Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel. The substantially final text of the Bond Counsel opinion is attached hereto as **Appendix D**. Certain legal matters will be passed upon for the Authority by Rhoads & Sinon LLP, Harrisburg, Pennsylvania, the Authority's Solicitor. Certain legal matters will be passed upon for the Underwriter by McNeese Wallace & Nurick LLP, Lancaster, Pennsylvania.

LITIGATION

There is no litigation now pending or, to the best of the Authority's knowledge, threatened which (i) seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2017 Bonds, (ii) in any way contests the validity of the Series 2017 Bonds or any proceedings of the Authority taken with respect to the authorization, sale or issuance of the Series 2017 Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2017 Bonds or (iii) materially affects the Authority's obligations under the Indentures or the Series 2017 Bonds.

There are no legal proceedings of which the Authority has received written notice now pending or, to the best of the Authority's knowledge, threatened which contest or affect any federal or state grants or PFCs awarded to or held by the Authority or the Authority's use of such funds.

The Authority is involved in several claims and lawsuits arising in the ordinary course of business. The Authority believes that any liability assessed against the Authority as a result of claims or lawsuits which are not covered by insurance would not materially adversely affect the financial condition of the Airport System.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Kroll Bond Rating Agency ("Kroll") have assigned the Series 2017 Bonds the ratings of "Baa3" with stable outlook and "BBB+" with stable outlook, respectively.

The Authority previously requested and obtained ratings from Fitch Ratings ("Fitch") for the Authority's Outstanding Bonds. The Authority has elected not to request a rating from Fitch for the Series 2017 Bonds.

Ratings reflect only the views of the respective rating agencies at the time they are assigned, and the Authority makes no representation as to the appropriateness of any rating. An explanation of the significance of a rating may be obtained only from the rating agency furnishing the same. The Authority has furnished to each rating agency certain information and materials relating to the Series 2017 Bonds and the Authority, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2017 Bonds, and there can be no assurance that a rating when assigned will continue 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. The Authority undertakes no responsibility to oppose any such revision or withdrawal. Any downward change in or withdrawal of a rating is likely to have an adverse effect on the marketability and/or market price of the Series 2017 Bonds.

INDEPENDENT AUDITORS

The financial statements of the Authority included in **Appendix A** to this Official Statement have been audited by BKD, LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon. Such financial statements have been included in reliance upon the report of BKD, LLP.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (the “**Municipal Advisor**”) is serving as municipal advisor to the Authority with respect to the sale of the Series 2017 Bonds. As the Authority’s municipal advisor, the Municipal Advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Series 2017 Bonds. In their role of municipal advisor to the Authority, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement, including the Appendices hereto.

UNDERWRITING

RBC Capital Markets, LLC (the “**Underwriter**”) has agreed to purchase the Series 2017 Bonds at an underwriting discount of \$224,631.55 from the public offering prices set forth on the inside front cover page of this Official Statement pursuant to a bond purchase agreement entered into by and between the Authority and the Underwriter. The Underwriter will be obligated to purchase all of the Series 2017 Bonds if any Series 2017 Bonds are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The obligations of the Underwriter to accept delivery of the Series 2017 Bonds are subject to various conditions of the bond purchase agreement. Pursuant to the bond purchase agreement, the Authority has agreed to indemnify the Underwriter against certain liabilities based on claims under the federal securities laws.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, a variety of these services to the Authority and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for its own account and for the accounts of its customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE UNDERTAKING

The Authority has covenanted to provide such annual financial statements and other information in the manner required by the Rule of the SEC. The Authority has entered into an undertaking (the “**Undertaking**”) for the benefit of the holders of the Series 2017 Bonds to provide certain financial

information and operating data concerning the Authority and certain other obligated persons to the MSRB pursuant to the requirements of the Rule. See **Appendix E** - Form of Continuing Disclosure Undertaking herein for a description of the Undertaking. A failure by the Authority to provide any information required thereunder shall not constitute an Event of Default under the Indentures. The Authority previously has undertaken continuing disclosure obligations in connection with the prior issuances of Bonds.

Under the Authority's existing annual disclosure requirements under the Rule, the Authority agreed to provide updates to its audited financial statements and other financial and operational information relating to the Authority. The Authority failed to file in a timely fashion certain of its financial and operational information for fiscal years ending December 31, 2012 through and including December 31, 2016. This information has since been filed. The Authority has filed a separate notice with EMMA setting forth the Authority's failure to timely file such operational and financial information. This notice was not timely filed.

CERTAIN RELATIONSHIPS

Ballard Spahr LLP, Bond Counsel to the Authority, represents the Underwriter from time to time in matters unrelated to the Authority.

MISCELLANEOUS

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The descriptions of the Indentures do not purport to be comprehensive or definitive, and prospective purchasers of the Series 2017 Bonds are referred to the Indentures for the complete terms thereof. During the offering period of the Series 2017 Bonds, copies of the Indentures may be obtained from the Authority. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

AUTHORIZATION

The Authority has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered on behalf of the Authority.

SUSQUEHANNA AREA REGIONAL
AIRPORT AUTHORITY

By: /s/ Stephen Libhart
Chairman

By: /s/ Timothy J. Edwards
Executive Director

APPENDIX A

**SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY
ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Susquehanna Area Regional Airport Authority

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

Susquehanna Area Regional Airport Authority

December 31, 2016 and 2015

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Notes to Financial Statements	19
Supplementary Information	
Schedules of Capital and Noncapital Revenues and Expenses	38

Independent Auditor's Report

Board of Directors
Susquehanna Area Regional Airport Authority
Middletown, Pennsylvania

We have audited the accompanying financial statements of the Susquehanna Area Regional Airport Authority (SARAA) as of and for the years ended December 31, 2016 and 2015, and the related notes to financial statements, which collectively comprise SARAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Susquehanna Area Regional Airport Authority as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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, who 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SARAA's basic financial statements. The schedule of capital and noncapital revenues and expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of capital and noncapital revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of capital and noncapital revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 21, 2017

Susquehanna Area Regional Airport Authority

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

Management's Discussion & Analysis (MD&A) of the financial performance and activity of the Susquehanna Area Regional Airport Authority (SARAA) is to provide the reader with an introduction to SARAA's basic financial statements as of and for the years ended December 31, 2016 and 2015. The information contained in the basic financial statements, including the notes, is essential to a full understanding of the financial statement data.

SARAA is a joint municipal authority created in 1997 under the Pennsylvania Municipality Authorities Act. SARAA is governed by representatives from the counties of Dauphin, Cumberland and York, the cities of Harrisburg and York and the townships of Lower Swatara (Dauphin County) and Fairview (York County). SARAA is an independent entity governed by a board of directors who are not compensated. Each of the municipalities appoints representatives to serve for 5-year terms on the board that consists of 15 directors. Each county appoints three board members; each city appoints two board members; each of the two townships appoints one board member. The board members cannot be recalled during their term. After their term expires, they continue to serve until their sponsoring county, city or township replaces them or until they resign.

SARAA owns and operates four airports: 1) Harrisburg International Airport (HIA), primarily located in Lower Swatara Township, Dauphin County, Pennsylvania (Harrisburg International Airport is known as the MDT airport code. The airport is adjacent to the Borough of Middletown, PA) 2) Capital City Airport (CXY), located in Fairview Township, York County, Pennsylvania 3) the Franklin County Regional Airport (FCRA), located near Chambersburg, Pennsylvania, and 4) the Gettysburg Regional Airport (GRA), located near Gettysburg, Pennsylvania.

SARAA and the Harrisburg International Airport have no financial ties with the City of Harrisburg or any of the other appointing counties, cities or townships.

This MD&A is a section of the annual report required by Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34).

Industry Headlines and SARAA's Activities and Highlights

The U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported that December 2015 to November 2016 U.S. total domestic revenue passenger miles flown increased by 3.4 percent when compared to December 2014 to November 2015. Domestic scheduled capacity, measured by available seat-miles, increased 3.8 percent. The load factor was 83.4 percent, down slightly from the 2015's record of 83.8 percent.

In January 2017, BTS reported the 3rd quarter 2016 domestic average roundtrip fare (the most recent quarter for which data is available) was \$344, down from a \$377 average fare during the third quarter of 2015.

At HIA, 2016 passenger traffic increased 2.4 percent when compared to 2015, as 1,205,442 total passengers used the facility. The airlines enplaned a total of 607,324 passengers in 2016, up 2.9 percent from 2015. Allegiant generated the largest increase in passengers at 36.8 percent as new nonstop service to Punta Gorda/Ft. Myers and summer seasonal service to Myrtle Beach was offered for the first time from HIA. American (+6.6 percent) and Air Canada (+12.5 percent) both served more passengers during 2016, while United (-4.1 percent) and Delta (-2.3 percent) served a few less. Due to delays associated with pilot training, Southern Airway Express new nonstop service to Pittsburgh did not have any impact on 2016 passenger traffic. SARAA is hopeful these issues will be resolved so Pittsburgh service can become viable in 2017.

Total 2016 departing seat capacity at HIA increased 1.6 percent compared to 2015. Allegiant (+38.9 percent), American (+7.2 percent) and Air Canada (+3.0 percent) added capacity in the market while United (-9.0 percent) and Delta (-2.0 percent) offered less. The airports average 2016 annual departing load factor increased almost one point to 82.4 percent.

There were 52,807 tons of cargo flown into and out of Harrisburg International Airport in 2016 representing a 2.7 percent increase compared to 2015. FedEx (+9.9 percent) and commercial airline belly cargo (+22.4 percent) were up while UPS tonnage was down (-4.4 percent). The Federal Aviation Administration (FAA) reported there were 50,430 total 2016 airport operations at HIA, an increase of 6.6 percent compared to 2015.

The following table shows the 2016 percentage fluctuation from 2015 for change in seats, change in enplanement passengers and passenger market share: (List ranked by 2016 passenger market share):

	Change in Seats	Change in Enplaned Passengers	Market Share
American Airlines	7.2%	6.6%	39.9%
Delta Air Lines	-2.0%	-2.3%	26.6%
United Airlines	-9.0%	-4.1%	20.8%
Allegiant	38.9%	36.8%	11.5%
Air Canada	3.0%	12.5%	1.2%
Frontier	-100.0%	-100.0%	0.0%
Total Passenger Airlines	1.6%	2.5%	100.0%

The following table shows a summary of various activities at HIA:

	2016	2015	% Change
Enplanements	607,324	590,262	2.9%
Air carrier operations	29,741	29,305	1.5%
Landed weight (passenger airlines only)	694,996,652	689,203,491	0.8%
Cargo tons	52,807	51,401	2.7%
Parking revenue	\$ 7,560,682	\$ 7,647,058	-1.1%

Financial Highlights

SARAA planned for a modest 585,000 enplanements despite higher achieved enplanement levels in immediate prior years. As such, we budgeted with a balanced budget covering our expense, capital and debt service needs. 2016 is the second year of the amended Airline Operating and Rental Car Agreements. This allowed for some revenue enhancement as the agreement has an escalating schedule of terminal rents and fees for each year. New tenants of our landside areas at HIA also provided increased expectations of revenue.

Improved performance in airline revenues produced a much better than expected year, as Net Operating Revenue (excluding depreciation) was 3.7 percent ahead of the budgeted expectations.

- Operating revenues were 4.3 percent ahead of 2015 and ended 3.7 percent above the budget. Operating expenses (excluding depreciation) were 7.0 percent more than 2015 and was 3.8 percent more than the budget.
- For a second consecutive year SARAA owed the airlines for revenue sharing under the Airline Operating Agreement. For 2016, the liability was for \$666,350. These payments are deducted 50% each from Facilities Revenue and Landing Fee revenue.
- The required bond coverage ratios were met and maintained for 2016. More information is available in the Long-Term Debt section of the Management's Discussion and Analysis.
- All monthly debt service payments required by the bond trustee were made.

Overview of Financial Statements

SARAA only engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. SARAA reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business.

SARAA's financial report includes Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. Comparative financial statements with fiscal year 2015 are presented.

The net position of SARAA is comprised of these categories:

- *Net investment in capital assets* - reflects SARAA's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. SARAA uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted* - represents resources that are subject to external restrictions on how they may be used.
- *Unrestricted* - represents resources that may be used to meet SARAA's ongoing obligations to the public and creditors.

2016 to 2015 Comparative Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflect the operating activity of SARAA for the years using the accrual basis of accounting, similar to private sector companies. The change in net position is an indicator of whether the overall fiscal condition of SARAA has improved or worsened during the year.

The change in net position for the years ended December 31, 2016 and 2015 was \$(1.6) million and \$(2.3) million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2016 and 2015.

	2016	2015	Dollar Change	Percent Change
Operating Revenues				
Facilities revenue	\$ 8,819,504	\$ 8,180,879	\$ 638,625	7.8%
Parking fees	7,560,682	7,647,058	(86,376)	-1.1%
Vehicle rental fees and customer facility charges	4,105,690	3,910,428	195,262	5.0%
Landing fees	3,843,564	3,711,534	132,030	3.6%
Apron and gate use fees	1,243,532	1,155,277	88,255	7.6%
Concession fees	498,262	440,133	58,129	13.2%
Fuel flowage and other commissions	452,150	442,322	9,828	2.2%
Other income	776,934	662,472	114,462	17.3%
Total operating revenues	<u>27,300,318</u>	<u>26,150,103</u>	<u>1,150,215</u>	<u>4.4%</u>
Operating Expenses				
Salaries, wages, payroll taxes and benefits	6,954,043	6,700,934	253,109	3.8%
Professional and consulting fees	520,254	606,182	(85,928)	-14.2%
Marketing	548,535	431,113	117,422	27.2%
Insurance	582,184	561,586	20,598	3.7%
Utilities	1,503,883	1,519,326	(15,443)	-1.0%
Parking facility	2,416,851	2,387,317	29,534	1.2%
Repairs and maintenance	1,761,318	1,553,828	207,490	13.4%
Supplies, parts and other	2,464,308	1,955,487	508,821	26.0%
Depreciation	15,141,581	14,799,338	342,243	2.3%
Total operating expenses	<u>31,892,957</u>	<u>30,515,111</u>	<u>1,377,846</u>	<u>4.5%</u>
Loss From Operations	(4,592,639)	(4,365,008)	(227,631)	5.2%
Nonoperating Expenses				
Net of Revenues	(3,899,670)	(4,754,584)	854,914	-18.0%
Capital Contributions, Grants and Contributions From Lessees				
	<u>6,885,294</u>	<u>6,819,503</u>	<u>65,791</u>	<u>1.0%</u>
Decrease in Net Position	(1,607,015)	(2,300,089)	693,074	-30.1%
Net Position, Beginning of Year	<u>81,734,436</u>	<u>84,034,525</u>	<u>(2,300,089)</u>	<u>-2.7%</u>
Net Position, End of Year	<u>\$ 80,127,421</u>	<u>\$ 81,734,436</u>	<u>\$ (1,607,015)</u>	<u>-2.0%</u>

Loss From Operations: Depreciation is a noncash expense, so the loss does not reflect the cash position. The Statements of Cash Flows present an accurate portrayal of cash activity. Also, the Schedule of Capital and Noncapital Revenues and Expenses, which is presented as supplementary information, is more reflective of SARAA's annual fiscal operations.

Significant Variances for 2016 to 2015

- **Operating Revenues:** In 2016, Facilities revenue increased as (1) new tenants rented previously vacant areas; (2) buildings reverted to Authority ownership for which we could charge additional rent; and (3) the airline rentals increased in accordance with the airline operating agreement. Vehicle rental activity increased from the previous year by 7%, reaping more revenue from the seven car rental firms. Cargo airlines increased landed weight from the previous year netting us more landing fees.
- **Operating Expenses (other than depreciation):** Operating expenses increased 7%, some planned and some unplanned.
 - We had budgeted for two new positions to facilitate succession and reduce overtime. We started a parking garage preventative maintenance program of sealing joints. Two new pieces of snow removal equipment were leased greatly aiding airfield snow removal at HIA & CXY. They replaced obsolete equipment. We started an environmental treatment program of our ground water to filter out PFOS contaminants.
 - A record snow fall in January caused extra overtime and the purchase of additional winter treatment chemicals. SARAA recovered \$140,000 in a FEMA grant which is in Other Revenue above.
 - As the extra revenues of the year were realized, we accelerated spending on safety supplies, small equipment and furniture. Deferred maintenance was addressed increasing various expenses. An extra round of joint sealing in the garage was undertaken.
- **Nonoperating Expenses Net of Revenue:** SARAA sold 50 year easements and renewed 30 year easements with four agreements with Sunoco Pipeline netting \$653,500. The properties involved were the old Bethlehem Steel property and the west end of the airfield at HIA. Interest expense decreases about \$100,000 each year as we continue to pay off our bonds. Approximately \$4 million dollars of principal is paid each year.
- **Capital Contributions & Grants:**
 - The amounts recorded vary year-to-year with the level of construction activity at SARAA's four airports. When there is more construction or other capital activity, there are more grant dollars reimbursing those costs. In 2016, construction activity was less than 2015 (\$3.1 million vs. \$6.8 million) but not in amount of activity. The northern half of the runway at GRA was rebuilt. A fence was installed at CXY adjacent to a cemetery. At FCRA, a parallel taxiway with run-up pad and turn-around was constructed.
 - Buildings constructed by tenants on long-term land leases reverted to SARAA. In 2016, ten buildings at CXY and one at HIA were recorded in SARAA's fixed assets for almost \$3.8 million. The buildings are customarily leased again to the same tenant with the tenant bearing most of the maintenance responsibility.

2015 to 2014 Comparative Statements of Revenues, Expenses and Changes in Net Position

The change in net position for the years ended December 31, 2015 and 2014 was \$(2.3) million and \$(4.0) million, respectively. The comparative analysis below is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2015 and 2014.

	2015	2014	Dollar Change	Percent Change
Operating Revenues				
Facilities revenue	\$ 8,180,879	\$ 7,627,954	\$ 552,925	7.2%
Parking fees	7,647,058	7,618,817	28,241	0.4%
Vehicle rental fees and customer facility charges	3,910,428	4,013,911	(103,483)	-2.6%
Landing fees	3,711,534	3,585,158	126,376	3.5%
Apron and gate use fees	1,155,277	1,064,397	90,880	8.5%
Concession fees	440,133	438,976	1,157	0.3%
Fuel flowage and other commissions	442,322	479,632	(37,310)	-7.8%
Other income	662,472	798,197	(135,725)	-17.0%
Total operating revenues	<u>26,150,103</u>	<u>25,627,042</u>	<u>523,061</u>	<u>2.0%</u>
Operating Expenses				
Salaries, wages, payroll taxes and benefits	6,700,934	6,321,078	379,856	6.0%
Professional and consulting fees	606,182	451,670	154,512	34.2%
Marketing	431,113	635,584	(204,471)	-32.2%
Insurance	561,586	535,644	25,942	4.8%
Utilities	1,519,326	1,518,135	1,191	0.1%
Parking facility	2,387,317	2,386,147	1,170	0.0%
Repairs and maintenance	1,553,828	1,397,905	155,923	11.2%
Supplies, parts and other	1,955,487	1,895,578	59,909	3.2%
Depreciation	14,799,338	15,397,752	(598,414)	-3.9%
Total operating expenses	<u>30,515,111</u>	<u>30,539,493</u>	<u>(24,382)</u>	<u>-0.1%</u>
Loss From Operations	(4,365,008)	(4,912,451)	547,443	11.1%
Nonoperating Expenses				
Net of Revenues	(4,754,584)	(4,625,345)	(129,239)	2.8%
Capital Contributions and Grants	<u>6,819,503</u>	<u>5,554,277</u>	<u>1,265,226</u>	<u>22.8%</u>
Decrease in Net Position	(2,300,089)	(3,983,519)	1,683,430	42.3%
Net Position, Beginning of Year	<u>84,034,525</u>	<u>88,018,044</u>	<u>(3,983,519)</u>	<u>-4.5%</u>
Net Position, End of Year	<u>\$ 81,734,436</u>	<u>\$ 84,034,525</u>	<u>\$ (2,300,089)</u>	<u>-2.7%</u>

Significant Variances for 2015 to 2014

- Operating Revenues:** In 2015, Facilities revenue increased as new amended agreements went into effect for the airlines and the rental car companies. Increased rentals were realized from non-aviation properties adjacent to HIA. With the decrease in enplanements activity, related revenues decreased. These decreases were offset by increased parking rates and new concession agreements.
- Operating Expenses (other than depreciation):** Professional and consulting fees were more than 2014 because of the negotiations with new/prospective tenants and the write-off of project costs capitalized in a prior year. Loading bridge repairs drove up repairs and maintenance expenses. The Marketing Department spent less as there were no new flight routes added in 2015. Health care costs increased 20 percent.
- Capital Contributions & Grants:** The amounts recorded vary year-to-year with the level of construction activity at SARAA's four airports. When there is more construction or other capital activity, there are more grant dollars reimbursing those costs. In 2015, a snow removal equipment storage building was constructed and baggage screening equipment was replaced at HIA. Renovations on a hangar and an office building (which was the former terminal building) at CXY were completed.

Statements of Net Position Summary

A condensed summary of SARAA's statements of net position at year-end is shown below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Assets			
Current assets	\$ 17,532,241	\$ 17,088,387	\$ 16,052,786
Noncurrent restricted cash and investments	15,289,755	15,120,668	15,115,337
Capital assets, net	<u>210,797,540</u>	<u>217,825,388</u>	<u>224,939,808</u>
Total assets	<u>\$ 243,619,536</u>	<u>\$ 250,034,443</u>	<u>\$ 256,107,931</u>
Liabilities			
Current liabilities	\$ 11,929,107	\$ 11,937,780	\$ 10,884,715
Long-term liabilities	<u>151,563,008</u>	<u>156,362,227</u>	<u>161,188,691</u>
Total liabilities	<u>163,492,115</u>	<u>168,300,007</u>	<u>172,073,406</u>
Net Position			
Net investment in capital assets	66,827,468	68,175,702	70,738,889
Restricted	7,735,617	7,422,279	7,304,997
Unrestricted	<u>5,564,336</u>	<u>6,136,455</u>	<u>5,990,639</u>
Total net position	<u>80,127,421</u>	<u>81,734,436</u>	<u>84,034,525</u>
Total liabilities and net position	<u>\$ 243,619,536</u>	<u>\$ 250,034,443</u>	<u>\$ 256,107,931</u>

Statements of Net Position Discussion - 2016 vs. 2015

Current assets: Overall, current assets increased, as in evaluating the individual elements, the increases outweighed the declines. The cash balance increased from 2015 year end. Grants receivable decreased from 2015 as we collected a reimbursement from the Transportation Security Administration for an upgrade to the screening equipment of the baggage handling system as well as monies from the FAA and the Commonwealth of Pennsylvania for the snow removal equipment storage building at HIA and a CXY renovations project. Both the HIA building and CXY renovations were completed in 2015. The grant funds were received in the first quarter of 2016. With the collection of the grant funds, investment funds were replenished. Also, funds in surplus of operating needs were added to investments. Funds from the sale of easements were placed in the Coverage Account investments.

Noncurrent cash and investments: Little changed in the Debt Service Reserve, Renewal and Replacement Reserve and Maintenance and Operation Reserve funds, as these funds are required to be maintained at certain prescribed levels to be in compliance with the bond indenture.

Capital assets, net of accumulated depreciation, decreased as annual depreciation expense exceeded new capital projects and contributions from lessees added during the year.

Current liabilities stayed the same at \$11.9 million. Capital construction debt was lower at the end of 2016 but the monies owed for revenue sharing with the airlines increased.

Long-term liabilities decreased as the regular annual debt service principal was paid. Two notes were paid off early but another was opened to finance a shuttle bus for HIA.

Net position serves as a useful indicator of SARAA's financial position. SARAA's total assets exceeded total liabilities by \$80 million at December 31, 2016. This is a decrease from the prior year as depreciation decreases capital assets at a greater rate than we can invest in new capital assets.

The largest component of SARAA's net position (83 percent as of December 31, 2016) is invested in capital assets (e.g., land, infrastructure, buildings, improvements and equipment), net of the related debt outstanding used to acquire those capital assets. Although SARAA's investment in its capital assets is reported net of related debt, it should be 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.

The components of restricted net position are limited to their use by external sources as described below:

- Bond resolution requires funds be put aside to ensure the continued operation of the airports.
- The FAA requires the use of passenger facility charges (PFC's) collected from passengers by the airlines only for approved capital projects including debt service thereon.

Unrestricted net position may be used for any lawful airport system purpose.

Statements of Net Position Discussion - 2015 vs. 2014

Current assets: Overall, current assets increased, as in evaluating the individual elements, the increases outweighed the declines. The cash balance decreased from 2014 year end. Grants receivable increased from 2014 as we are expecting a reimbursement from the Transportation Security Administration for an upgrade to the screening equipment of the baggage handling system as well as monies from the Commonwealth of PA for the CXY renovations project. As we had to temporarily fund capital projects, waiting for grant reimbursement resulted in a decrease in investments. The grant funds were received in the first quarter of 2016.

Noncurrent cash and investments: Little changed in the Debt Service Reserve, Renewal and Replacement Reserve and Maintenance and Operation Reserve funds, as these funds are required to be maintained at certain prescribed levels to be in compliance with the bond indenture.

Capital assets, net of accumulated depreciation, decreased as annual depreciation expense exceeded new capital projects added during the year.

Current liabilities increased because of bills outstanding for the capital construction and monies owed for revenue sharing with the airlines.

Long-term liabilities decreased as the regular annual debt service principal was paid. Two notes were paid off early and another had a significant unscheduled principal payment.

Net position serves as a useful indicator of SARAA’s financial position. SARAA’s total assets exceeded total liabilities by \$82 million at December 31, 2015. This is a decrease from the prior year as depreciation decreases capital assets at a greater rate than we can invest in new capital assets.

The largest component of SARAA’s net position (83 percent as of December 31, 2015) is invested in capital assets (e.g., land, infrastructure, buildings, improvements and equipment), net of the related debt outstanding used to acquire those capital assets. Although SARAA’s investment in its capital assets is reported net of related debt, it should be 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.

The components of restricted net position are limited to their use by external sources as described below:

- Bond resolution requires funds be put aside to ensure the continued operation of the airports.
- The FAA requires the use of passenger facility charges (PFC’s) collected from passengers by the airlines only for approved capital projects including debt service thereon.

Unrestricted net position may be used for any lawful airport system purpose.

Cash and Investment Management

	2016	2015	2014
Cash and cash equivalents	\$ 1,087,229	\$ 171,713	\$ 239,862
Maintenance and operations reserve	2,667,645	2,568,884	2,520,561
Renewal and replacement reserve	501,232	441,017	456,865
Coverage account	2,419,624	1,838,373	1,828,653
Capital improvement account	2,087,277	1,647,929	2,002,549
Passenger facility charge	178,839	65,150	127,119
Accrued interest	101,608	95,977	90,576
	<u>\$ 9,043,454</u>	<u>\$ 6,829,043</u>	<u>\$ 7,266,185</u>

The above funds are invested according to the Commonwealth of Pennsylvania Municipal Authorities Act Section 5611 as described in Note 4, Deposits and Investments, of the financial statements. All funds are secure as they are insured by the FDIC or collateralized by the respective financial institution as permitted by Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

The Maintenance and Operations Reserve is set by the Master Trust Indenture for the 2008 and 2012 Bonds at one sixth of the current year’s operating budget.

The Renewal and Replacement Reserve is set by the Master Trust Indenture at a minimum of \$500,000. A two-year payback is allowed for any use of the Renewal and Replacement Reserve. In 2015, two scissor lifts, a police vehicle, public address system, chiller and a crew cab pickup were purchased for which the reserve was used.

The Coverage Account has a beneficial effect in calculating the bond covenant. Capital Improvement Account represents remaining revenues to be used by SARAA for any lawful aviation purpose.

Further details may be found in Note 5, Restricted and Unrestricted Cash and Investments, of the financial statements.

SARAA's restricted debt service funds at December 31 were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt service funds	\$ 8,092,840	\$ 8,033,176	\$ 8,064,855
Debt service reserve funds	<u>12,019,270</u>	<u>12,014,790</u>	<u>12,047,242</u>
	<u>\$ 20,112,110</u>	<u>\$ 20,047,966</u>	<u>\$ 20,112,097</u>

The trustee, Manufacturers Traders and Trust Co., holds the above funds. They are invested under direction of SARAA according to Section 4.07(h) in the applicable Supplemental Trust Indenture with respect to SARAA's Senior Bonds and Section 4.04(g) in the Third Supplemental Subordinate Trust Indenture with respect to SARAA's Subordinate Bonds. Permitted investments are defined in the Senior Master Indenture and in the Fourth Supplemental Trust Indenture.

Capital Asset Activity

The following are projects underway or were completed in 2016:

- The northern half of the runway at GRA was rebuilt
- A fence was installed at CXY adjacent to the Mt. Olivet Cemetery
- A cooling tower for the terminal HVAC system at HIA was replaced
- Master Plan development completed at HIA
- Master Plan development underway at CXY
- Replacement of Baggage Handling Explosive Detection System machines completed at HIA
- Construction of parallel taxiway completed at FCRA
- Three new vehicles, five new pieces of equipment were acquired and two systems were replaced or upgraded at HIA
- A new vehicle and a new piece of equipment were acquired for CXY
- Our main IT server system is in process of being replaced at HIA
- Design of Runway 13-31 rehabilitation underway at HIA

Cash paid for capital projects was \$5.3 million. SARAA received \$4.8 million in capital grants toward the capital additions. See Note 6, Capital Assets, to the financial statements for a summary of capital asset activity.

As part of the Noise Relocation Project at HIA, properties were purchased in the borough of Middletown and the houses were demolished. The tenants of rental properties were relocated. The Noise Relocation Project includes expenditures for survey, evaluation, appraisal, property acquisition, demolition and relocation expenditures under a program approved by the Federal Aviation Administration (FAA). Should this land be sold, proceeds will revert to the FAA. Therefore, expenditures are recorded on the Statements of Revenues, Expenses and Changes in Net Position as nonoperating expenses. Related FAA grants are recorded as nonoperating revenues.

Long-Term Debt

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges (PFC), public debt issues, the renewal and replacement account, capital improvement account and airport operating revenue.

The use of PFC’s is fully explained in Note 2, Passenger Facility Charges, of the financial statements. Currently, all PFC’s are irrevocably committed as an offset to the debt service requirements of the 2008A, 2008B, 2012A and 2012B bonds through 2018. SARAA management fully intends to continue to use the PFC’s to offset bond debt service requirements into the foreseeable future.

SARAA’s annual debt service for their five bond issues is scheduled at approximately \$12 million annually through 2037. Principal payments beginning in January 2018 will be focused on the 2012A bonds. The 2012C bonds, the final outstanding subordinate bonds, were paid off in January 2017. No new bond issues except possible refundings are anticipated in the immediate future.

SARAA, through its Master Trust Indentures, has covenants to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt and 1.10 for senior and subordinate debt. Debt service coverage is calculated based on a formula included in the bond indentures and the airline agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement.

	2016	2015
Senior Bond debt service coverage	2.44	2.27
Senior + Subordinate Bond debt service coverage	1.33	1.24

The covenants are more fully described in Note 8, Bonds Payable, in the financial statements.

Requests for Information

This financial report is designed to provide a general overview of SARAA’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Deputy Director, Finance & Administration, Harrisburg International Airport, One Terminal Drive, Suite 300, Middletown, PA 17057 or via SARAA’s website www.flyhia.com.

Susquehanna Area Regional Airport Authority

Statements of Net Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 1,087,229	\$ 171,713
Accounts receivable, net of allowance of \$70,000	1,384,706	1,524,396
Grants receivable	730,100	2,397,397
Prepays and other assets	519,309	471,439
Inventory	871,018	696,949
Investments	4,506,901	3,486,302
Total unrestricted current assets	<u>9,099,263</u>	<u>8,748,196</u>
Restricted Assets		
Cash and investments	8,271,679	8,098,326
Passenger facility charge receivables	161,299	241,865
Total restricted current assets	<u>8,432,978</u>	<u>8,340,191</u>
Total current assets	<u>17,532,241</u>	<u>17,088,387</u>
Noncurrent Assets		
Cash and investments, restricted	15,289,755	15,120,668
Capital assets		
Nondepreciable capital assets	28,348,026	31,244,464
Depreciable capital assets	182,449,514	186,580,924
Net capital assets	<u>210,797,540</u>	<u>217,825,388</u>
Total noncurrent assets	<u>226,087,295</u>	<u>232,946,056</u>
Total assets	<u>\$ 243,619,536</u>	<u>\$ 250,034,443</u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 2,090,217	\$ 1,488,649
Accounts payable - construction	407,955	1,375,618
Accrued interest payable	3,866,238	3,927,813
Accrued expenses	851,328	660,543
Unearned revenue	457,343	357,504
Current portion of notes payable	31,026	22,653
Current portion of bonds payable	4,225,000	4,105,000
Total current liabilities	<u>11,929,107</u>	<u>11,937,780</u>
Noncurrent Liabilities		
Estimated costs of remediation	850,000	850,000
Unearned revenue	15,682	23,523
Bond and other deposits	120,357	81,522
Notes payable, less current portion	91,172	142,807
Bonds payable, less current portion	150,485,797	155,264,375
Total noncurrent liabilities	<u>151,563,008</u>	<u>156,362,227</u>
Total liabilities	<u>163,492,115</u>	<u>168,300,007</u>
Net Position		
Net investment in capital assets	66,827,468	68,175,702
Restricted	7,735,617	7,422,279
Unrestricted	5,564,336	6,136,455
Total net position	<u>80,127,421</u>	<u>81,734,436</u>
Total liabilities and net position	<u>\$ 243,619,536</u>	<u>\$ 250,034,443</u>

Susquehanna Area Regional Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Facilities revenue	\$ 8,819,504	\$ 8,180,879
Parking fees	7,560,682	7,647,058
Vehicle rental fees and customer facility charges	4,105,690	3,910,428
Landing fees	3,843,564	3,711,534
Apron and gate use fees	1,243,532	1,155,277
Concession fees	498,262	440,133
Fuel flowage and other commissions	452,150	442,322
Other income	776,934	662,472
Total operating revenues	<u>27,300,318</u>	<u>26,150,103</u>
Operating Expenses		
Salaries, wages, payroll taxes and benefits	6,954,043	6,700,934
Professional and consulting fees	520,254	606,182
Marketing	548,535	431,113
Insurance	582,184	561,586
Utilities	1,503,883	1,519,326
Parking facility	2,416,851	2,387,317
Repairs and maintenance	1,761,318	1,553,828
Supplies, parts and other	2,464,308	1,955,487
Total operating expenses before depreciation	<u>16,751,376</u>	<u>15,715,773</u>
Income From Operations Before Depreciation	10,548,942	10,434,330
Depreciation expense	<u>15,141,581</u>	<u>14,799,338</u>
Loss From Operations	<u>(4,592,639)</u>	<u>(4,365,008)</u>
Nonoperating Revenues (Expenses)		
Passenger facility charges	2,442,022	2,352,359
Noise relocation project disbursements	(5,861)	(145,261)
Noise relocation project grants	5,318	135,761
Investment income	171,863	142,681
Interest expense	(7,186,008)	(7,290,706)
Gain on disposal of capital assets and sale of easements	672,996	50,582
Total nonoperating expenses	<u>(3,899,670)</u>	<u>(4,754,584)</u>
Decrease in Net Position Before Capital Contributions and Grants	(8,492,309)	(9,119,592)
Capital Contributions and Grants		
Federal, state and local grants	3,126,294	6,819,503
Contributions from lessees	<u>3,759,000</u>	<u>-</u>
Decrease in Net Position	(1,607,015)	(2,300,089)
Net Position, Beginning of Year	<u>81,734,436</u>	<u>84,034,525</u>
Net Position, End of Year	<u>\$ 80,127,421</u>	<u>\$ 81,734,436</u>

Susquehanna Area Regional Airport Authority
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Cash received from customers	\$ 27,532,006	\$ 25,814,316
Cash paid to employees for services	(6,724,423)	(6,546,600)
Cash paid to suppliers for goods and services	(9,417,704)	(8,768,733)
Net cash provided by operating activities	11,389,879	10,498,983
Cash Flows From Noncapital Financing Activities		
Noise relocation grants received	5,318	135,761
Noise relocation project costs	(5,861)	(145,261)
Net cash used in noncapital financing activities	(543)	(9,500)
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(4,105,000)	(3,985,000)
Interest paid	(7,801,161)	(7,922,176)
Principal payment on loans	(146,137)	(262,455)
Proceeds from notes payable	102,875	-
Passenger facility charges received	2,522,588	2,325,854
Acquisition and construction of capital assets	(5,302,900)	(7,393,563)
Proceeds from sale of easements	653,500	-
Capital grants received	4,793,591	6,195,985
Net cash used in capital and related financing activities	(9,282,644)	(11,041,355)
Cash Flows From Investing Activities		
Investment income	171,863	142,681
Purchase of investment securities	(18,601,336)	(15,374,533)
Proceeds from sales of investment securities	17,238,297	15,715,575
Net cash provided by (used in) investing activities	(1,191,176)	483,723
Net Increase (Decrease) in Cash and Cash Equivalents	915,516	(68,149)
Cash and Cash Equivalents, Beginning of Year	171,713	239,862
Cash and Cash Equivalents, End of Year	\$ 1,087,229	\$ 171,713

Susquehanna Area Regional Airport Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of Loss From Operations to Net Cash		
Provided by Operating Activities		
Loss from operations	\$ (4,592,639)	\$ (4,365,008)
Item not requiring cash		
Depreciation of capital assets	15,141,581	14,799,338
Change in assets and liabilities		
Accounts receivable	139,690	(533,675)
Inventory	(174,069)	36,021
Prepays and other assets	(47,870)	(302,446)
Unearned revenue	91,998	197,888
Bond and other deposits	38,835	51,252
Accounts payable and accrued expenses	792,353	615,613
Net cash provided by operating activities	\$ 11,389,879	\$ 10,498,983
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	\$ 407,955	\$ 1,375,618
Contributions from lessees	3,759,000	-

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 1: Reporting Entity

On January 2, 1998, the Commonwealth of Pennsylvania (Commonwealth), acting through the Pennsylvania Department of Transportation (PennDOT), transferred operation and ownership of the Harrisburg International Airport (HIA), primarily located in Lower Swatara Township, Dauphin County, Pennsylvania and Capital City Airport (CXY), located in Fairview Township, York County, Pennsylvania (Airports), to the Susquehanna Area Regional Airport Authority (SARAA), a joint municipal authority duly created under the Pennsylvania Municipality Authorities Act. The assets and obligations of the Airports, as well as the assignment of all leases, agreements, permits and approvals, were transferred to SARAA in consideration of a one-dollar payment to the Commonwealth.

SARAA is organized under the Municipal Authorities Act (Act) as a joint authority by the Counties of Dauphin, Cumberland and York; the Cities of Harrisburg and York; and the Townships of Fairview and Lower Swatara. Under the Act, SARAA is an independent entity governed by a board of directors. Each of the municipalities appoints representatives to serve for 5-year terms on the board that consists of 15 directors. Each county appoints three board members, each city appoints two board members, while each of the two townships appoints one board member. An Executive Director of Aviation and a Deputy Executive Director of Aviation are employed to act on behalf of the board in connection with administration of the operational responsibilities retained by SARAA.

SARAA also owns and operates the Franklin County Regional Airport (FCRA), located near Chambersburg, Pennsylvania and the Gettysburg Regional Airport (GRA), located near Gettysburg, Pennsylvania.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Measurement Focus

The financial statements of SARAA have been prepared using the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

SARAA follows the reporting requirements for special-purpose governments involved in business-type activities, which provide an entity-wide perspective in the financial statement presentation. These standards require presentation of management's discussion and analysis, as required supplementary information and financial statements consisting of the statements of net position, statements of revenues, expenses and changes in net position using a specified format, which distinguishes between operating and nonoperating revenues and expenses and statements of cash flows using the direct method.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Management of SARAA has made a number of estimates and assumptions relating to the reporting of assets and liabilities, recognition of revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from the estimates.

SARAA adopted and implemented GASB Statement No. 72, *Fair Value Measurement and Application* effective for SARAA's year ended December 31, 2016. The implementation of GASB Statement No. 72 did not impact net position or the change in net position of SARAA as of or for the year ended December 31, 2016.

Revenue Recognition

Revenue is recognized on an accrual basis with the establishment of corresponding accounts receivable. The allowance method for accounts receivable is used to measure bad debts. The allowance for doubtful accounts is determined based upon management's historical analysis and estimation of collectability of such accounts.

Cash and Cash Equivalents

SARAA considers all highly liquid investments (including restricted investments) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist primarily of money market accounts.

Investments

Investments are stated at fair value based on estimates from external investment managers and quoted market prices.

Inventories

Inventories of supplies and aviation fuel are stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method.

Restricted Assets

Proceeds from debt and funds set aside for payment of debt are classified as restricted assets since their use is limited by applicable debt agreements. It is SARAA's policy to first apply restricted resources when a cost is incurred for which both restricted and unrestricted net position are available.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Capital Assets

Capital assets, such as land, buildings, equipment and infrastructure assets are stated at cost (or estimated historical cost). Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date. SARAA capitalizes assets with an expected useful life of more than one year and a cost greater than \$10,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings, including parking facility	3 to 35
Land improvements	5 to 25
Runways, taxiways and aprons	3 to 30
Utilities and sewers	10 to 50
Roads and parking areas	4 to 20
Heavy equipment, furniture and fixtures	3 to 25
Vehicles	3 to 15
Facility planning, design and other studies	5 to 20

Expenditures for capital assets and for major renewals and betterments that extend the estimated useful life of the assets are capitalized, while routine maintenance and repairs are charged to expense as incurred. At the time capital assets are sold, retired, or disposed of, the costs of such assets and related accumulated depreciation are removed and any gain or loss on disposal is reflected as nonoperating activity. All costs relating to the construction of property and equipment are capitalized, including interest during the period of construction.

Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of SARAA. Prior to the adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, SARAA recorded lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements were capitalized at acquisition value and recorded as a capital contribution. With the adoption of GASB Statement No. 33, SARAA now recognizes lessee-financed improvements upon completion of construction, or upon the asset being placed in service, whichever occurs first. However, lessee-financed improvements placed in service prior to the adoption of GASB Statement No. 33 continue to be recognized only upon leasehold reversion or lease termination.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Net Position

Net position is categorized into three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the Commonwealth. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. Capital funding is recorded as capital contributions and earned as allowable capital expenditures are incurred, whereas funding for the Noise Relocation Project is recorded as nonoperating revenues as related expenses are incurred.

Rental Income

All leases wherein SARAA is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms.

Operating Versus Nonoperating and Net Position Recognition

The policy of SARAA is to report as operating revenues and expenses items that result from providing services in connection with the principal ongoing activities of the airport. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Passenger Facility Charges

Passenger facility charges (PFCs) are fees imposed on enplaned passengers by airports (and collected by airlines) for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. PFCs are restricted for use in the acquisition of real estate, construction of certain airport improvements (including payment of debt service) and other costs, as approved by the FAA.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

SARAA has received approval from the Federal Aviation Administration (FAA) to impose and use a passenger facility charge of \$4.50 per eligible enplaned passenger up to approximately \$129 million. Among the projects to be financed by SARAA's PFCs are portions of the construction of the new terminal building, terminal loop road, terminal aprons, nav aids and runway lighting and parallel taxiway and related work. PFCs are deposited on a pro-rata basis monthly to pay debt service on the 2008A, 2008B, 2012A and 2012B.

SARAA's PFCs are recognized as earned as nonoperating revenues and amounted to \$2,442,022 and \$2,352,359 for 2016 and 2015, respectively.

Customer Facility Charges

SARAA collects a customer facility charge (CFC) from all rental car concessionaires that operate facilities on the airport. The CFC is \$3.75 per rental car transaction per day. CFC's may be used in the following priority: (1) payment of annual debt service on the Airport System Revenue Bonds used to fund the design and construction of the multi-modal transportation center/ground transportation center; and (2) payment of operating and maintenance costs for the rental car portions of the multi-modal transportation center/ground transportation center. CFC revenue totaled \$1,847,377 and \$1,721,741 for 2016 and 2015, respectively, and is included in operating revenues on the statements of revenues, expenses and change in net position.

Note 3: Major Customers

Major customers of SARAA represent the following percentages in SARAA operating revenues and passengers:

	2016		2015	
	Revenues	Number of Passengers	Revenues	Number of Passengers
American Airlines	16%	32%	15%	30%
Delta Airlines	14%	27%	13%	28%
United Airlines	12%	21%	14%	22%

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Note 4: Deposits and Investments

The fair values of deposits and investment securities by type of investment are:

	2016			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
Cash and cash equivalents	\$ 1,087,229	\$ 2,692,365	\$ 4,056,901	\$ 7,836,495
Money market funds	-	9,349,024	-	9,349,024
Certificates of deposit	-	6,650,546	450,000	7,100,546
Municipal obligations	-	1,834,304	-	1,834,304
U.S. Government - sponsored enterprises	-	2,933,587	-	2,933,587
Accrued investment income	-	101,608	-	101,608
	<u>\$ 1,087,229</u>	<u>\$ 23,561,434</u>	<u>\$ 4,506,901</u>	<u>\$ 29,155,564</u>

	2015			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
Cash and cash equivalents	\$ 171,713	\$ 1,802,110	\$ 3,261,302	\$ 5,235,125
Money market funds	-	8,310,907	-	8,310,907
Certificates of deposit	-	6,375,884	225,000	6,600,884
Municipal obligations	-	4,228,052	-	4,228,052
U.S Government - sponsored enterprises	-	2,406,064	-	2,406,064
Accrued investment income	-	95,977	-	95,977
	<u>\$ 171,713</u>	<u>\$ 23,218,994</u>	<u>\$ 3,486,302</u>	<u>\$ 26,877,009</u>

Deposits

Commonwealth of Pennsylvania law requires that SARAA's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Insurance Fund. To the extent that such accounts are so insured, and for any amounts above the insured maximum, the approved collateral as provided by law shall be pledged by the depository.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

At December 31, 2016 and 2015, the carrying value and the bank balances of SARAA's deposits were as follows:

	2016		2015	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	\$ 7,836,495	\$ 7,888,855	\$ 5,235,125	\$ 5,428,046
Certificates of deposit	7,100,546	7,100,546	6,600,884	6,600,884

Of the bank balances in 2016 and 2015, \$500,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining balances were collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

Investments

SARAA's practice is to follow Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act. In accordance with their investment policy, SARAA is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; and (4) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in the authorized investments for authority funds listed (1) through (3) above.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

SARAA had the following investments and maturities as of December 31, 2016 and 2015:

	Moody's Rating	Carrying Value	2016 Investment Maturity (in years)		
			Less than 1	1 to 5	
Money market funds	Aaa-mf	\$ 9,349,024	\$ 9,349,024	\$ -	
Certificates of deposit	Not Rated	7,100,546	4,071,007	3,029,539	
Municipal obligations	Aa1	71,651	71,651	-	
	Aa2	195,026	195,026	-	
	Aa3	140,978	140,978	-	
	A1	70,242	70,242	-	
	A2	392,572	392,572	-	
	A3	501,420	501,420	-	
	Baa2	50,006	50,006	-	
	Not Rated	412,409	80,005	332,404	
	Subtotal - Municipal obligations		<u>1,834,304</u>	<u>1,501,900</u>	<u>332,404</u>
	U.S. Government-sponsored enterprises	Aaa	2,933,587	2,026,400	907,187
Accrued investment income	n/a	<u>101,608</u>	<u>101,608</u>	<u>-</u>	
		<u>\$ 21,319,069</u>	<u>\$ 17,049,939</u>	<u>\$ 4,269,130</u>	

	Moody's Rating	Carrying Value	2015 Investment Maturity (in years)		
			Less than 1	1 to 5	
Money market funds	Aaa-mf	\$ 8,310,907	\$ 8,310,907	\$ -	
Certificates of deposit	Not Rated	6,600,884	3,765,539	2,835,345	
Municipal obligations	Aa1	124,529	50,798	73,731	
	Aa2	200,885	50,659	150,226	
	Aa3	969,542	826,320	143,222	
	A1	341,608	268,426	73,182	
	A2	312,688	-	312,688	
	A3	531,820	-	531,820	
	Baa1	139,567	-	139,567	
	Baa2	372,386	372,386	-	
	Ba1	81,366	-	81,366	
	Ba2	504,970	504,970	-	
	Not Rated	648,691	79,730	568,961	
	Subtotal - Municipal obligations		<u>4,228,052</u>	<u>2,153,289</u>	<u>2,074,763</u>
	U.S. Government-sponsored enterprises	Aaa	2,406,064	709,547	1,696,517
Accrued investment income	n/a	<u>95,977</u>	<u>95,977</u>	<u>-</u>	
		<u>\$ 21,641,884</u>	<u>\$ 15,035,259</u>	<u>\$ 6,606,625</u>	

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Interest Rate Risk: The risk that changes in interest rates of debt securities will adversely affect the value of an investment. SARAA does not have an investment policy that manages exposure to fair value losses arising from increasing interest rates.

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of SARAA's various investment securities is presented in the previous table.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, SARAA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2016, SARAA's investments were not exposed to custodial credit risk. The U.S. Government-sponsored enterprise securities are not collateralized. The municipal obligations and U.S. Government-sponsored enterprise securities are held in SARAA's name by M&T Investment Group, the trustee. Certificates of deposit were insured by FDIC or collateralized.

Concentration of Credit Risk: SARAA's investment policy does not address the concentration of credit risk. As of December 31, 2016 and 2015, SARAA had the following concentration in its investment portfolio:

	Percentage of Investment Portfolio	
	2016	2015
Money market funds	44%	38%
Certificates of deposit	33%	31%
Municipal obligations	9%	20%
U.S. Government-sponsored enterprises	14%	11%

Foreign Currency Risk: This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. SARAA's investment policy prohibits investments in foreign investments.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 5: Restricted and Unrestricted Cash and Investments

Restricted Cash and Investments

SARAA is required to restrict assets for various purposes in accordance with the terms of airline use agreements, bond ordinances and other contractual agreements. A summary of the restricted assets consists of the following:

	2016	2015
Maintenance and operating reserve account	\$ 2,667,645	\$ 2,568,884
Renewal and replacement account	501,232	441,017
Passenger facility charges	178,839	65,150
Debt service fund	8,092,840	8,033,176
Debt service reserve	12,019,270	12,014,790
Total	23,459,826	23,123,017
Accrued income	101,608	95,977
Total restricted investments	23,561,434	23,218,994
Less current portion	(8,271,679)	(8,098,326)
Noncurrent portion	\$ 15,289,755	\$ 15,120,668

The maintenance and operation reserve fund must be maintained at a balance at least equal to one-sixth of SARAA's current operating and maintenance budget as a contingency reserve for payment of operation and maintenance expenses. Assets of the renewal and replacement fund must be maintained to pay for repairs or replacement of property not provided for by monies available in other funds including repairs and replacements done on an emergency basis. Passenger facility charges represent monies collected by SARAA not yet expended in accordance with the Federal Aviation Administration approval. The debt service fund is to pay principal and interest on the outstanding bonds. Amounts in the debt service reserve fund are available to pay debt service on the bonds if the amounts held in the debt service fund are insufficient to pay in full any principal and interest then due.

Unrestricted Investments

The following are unrestricted investments that are held by SARAA at December 31, 2016 and 2015. The capital improvement account represents all remaining revenues to be used by SARAA for any lawful aviation purposes. The coverage account can be used by SARAA to accumulate reserves of up to 25% of aggregate annual senior debt service.

	2016	2015
Capital improvement account	\$ 2,087,277	\$ 1,647,929
Coverage account	2,419,624	1,838,373
	\$ 4,506,901	\$ 3,486,302

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Note 6: Capital Assets

Capital assets consist of the following:

	Balance December 31, 2015	Additions	Transfers	Disposals	Balance December 31, 2016
Capital assets not being depreciated:					
Land and improvements	\$ 23,415,984	\$ 12,461	\$ -	\$ -	\$ 23,428,445
Construction in progress	7,828,480	4,503,039	(7,274,159)	(137,779)	4,919,581
Total capital assets not being depreciated	<u>31,244,464</u>	<u>4,515,500</u>	<u>(7,274,159)</u>	<u>(137,779)</u>	<u>28,348,026</u>
Capital assets being depreciated:					
Buildings, including parking facility	183,768,585	3,736,012	-	-	187,504,597
Land improvements	10,341,209	-	347,756	-	10,688,965
Runways, taxiways and aprons	111,459,438	-	1,954,601	-	113,414,039
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	22,751,249	-	-	-	22,751,249
Heavy equipment, furniture and fixtures	27,045,547	-	3,259,946	(41,100)	30,264,393
Vehicles	9,658,001	-	439,194	(21,631)	10,075,564
Facility planning, design and other studies	3,331,991	-	1,272,662	-	4,604,653
Total capital assets being depreciated	<u>388,503,195</u>	<u>3,736,012</u>	<u>7,274,159</u>	<u>(62,731)</u>	<u>399,450,635</u>
Less accumulated depreciation for:					
Buildings, including parking facility	81,912,612	5,845,929	-	-	87,758,541
Land improvements	6,454,024	436,964	-	-	6,890,988
Runways, taxiways and aprons	54,092,154	5,663,974	-	-	59,756,128
Utilities and sewers	8,795,054	393,198	-	-	9,188,252
Roads and parking areas	18,141,826	865,158	-	-	19,006,984
Heavy equipment, furniture and fixtures	22,180,909	1,301,885	-	(41,100)	23,441,694
Vehicles	7,525,995	471,765	-	(21,631)	7,976,129
Facility planning, design and other studies	2,819,697	162,708	-	-	2,982,405
Total accumulated depreciation	<u>201,922,271</u>	<u>15,141,581</u>	<u>-</u>	<u>(62,731)</u>	<u>217,001,121</u>
Total capital assets being depreciated, net	<u>186,580,924</u>	<u>(11,405,569)</u>	<u>7,274,159</u>	<u>-</u>	<u>182,449,514</u>
Capital assets, net	<u>\$ 217,825,388</u>	<u>\$ (6,890,069)</u>	<u>\$ -</u>	<u>\$ (137,779)</u>	<u>\$ 210,797,540</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

	Balance December 31, 2014	Additions	Transfers	Disposals	Balance December 31, 2015
Capital assets not being depreciated:					
Land and improvements	\$ 21,342,404	\$ -	\$ 2,073,580	\$ -	\$ 23,415,984
Construction in progress	8,206,949	7,704,696	(8,083,165)	-	7,828,480
Total capital assets not being depreciated	<u>29,549,353</u>	<u>7,704,696</u>	<u>(6,009,585)</u>	<u>-</u>	<u>31,244,464</u>
Capital assets being depreciated:					
Buildings, including parking facility	179,187,400	-	4,581,185	-	183,768,585
Land improvements	10,341,209	-	-	-	10,341,209
Runways, taxiways and aprons	110,556,937	-	902,501	-	111,459,438
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	22,751,249	-	-	-	22,751,249
Heavy equipment, furniture and fixtures	26,875,297	-	171,245	(995)	27,045,547
Vehicles	9,733,886	-	354,654	(430,539)	9,658,001
Facility planning, design and other studies	3,331,991	-	-	-	3,331,991
Total capital assets being depreciated	<u>382,925,144</u>	<u>-</u>	<u>6,009,585</u>	<u>(431,534)</u>	<u>388,503,195</u>
Less accumulated depreciation for:					
Buildings, including parking facility	76,196,445	5,716,167	-	-	81,912,612
Land improvements	6,017,632	436,392	-	-	6,454,024
Runways, taxiways and aprons	48,507,880	5,584,274	-	-	54,092,154
Utilities and sewers	8,332,606	462,448	-	-	8,795,054
Roads and parking areas	17,272,368	869,458	-	-	18,141,826
Heavy equipment, furniture and fixtures	21,062,302	1,119,602	-	(995)	22,180,909
Vehicles	7,432,724	504,032	-	(410,761)	7,525,995
Facility planning, design and other studies	2,712,732	106,965	-	-	2,819,697
Total accumulated depreciation	<u>187,534,689</u>	<u>14,799,338</u>	<u>-</u>	<u>(411,756)</u>	<u>201,922,271</u>
Total capital assets being depreciated, net	<u>195,390,455</u>	<u>(14,799,338)</u>	<u>6,009,585</u>	<u>(19,778)</u>	<u>186,580,924</u>
Capital assets, net	<u>\$ 224,939,808</u>	<u>\$ (7,094,642)</u>	<u>\$ -</u>	<u>\$ (19,778)</u>	<u>\$ 217,825,388</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Note 7: Line of Credit

SARAA has a \$1 million bank line of credit. At December 31, 2016, there were no borrowings against this line. The line of credit is secured by a pledge of net revenues and is junior and subordinate to SARAA's senior debt obligations. Interest varies with the bank's prime rate, which was 4.00%, and is payable monthly.

Note 8: Bonds Payable

SARAA has issued the following debt instruments to provide funds for the construction of major capital facilities.

Senior and Subordinate Airport System Revenue Bonds

Bonds outstanding at December 31, 2016 and 2015 comprised the following:

	<u>2016</u>	<u>2015</u>
Senior airport system revenue bonds:		
Series A of 2008. Consists of term bonds with an interest rate of 6.500% with final maturity in 2038	\$ 43,535,000	\$ 43,535,000
Series B of 2008. Consists of term bonds with an interest rate of 9.875% with final maturity in 2034	1,280,000	1,280,000
Series A of 2012. Consists of serial bonds with an interest rate of 5.000% and term bonds with a 5.000% interest rate with final maturity in 2027	53,375,000	53,375,000
Unamortized bond premium	3,293,739	3,867,136
Total Series A of 2012	<u>56,668,739</u>	<u>57,242,136</u>
Series B of 2012. Consists of term bonds with an interest rate of 4.000% with final maturity in 2033	49,520,000	49,520,000
Unamortized bond discount	(517,942)	(556,407)
Total Series B of 2012	<u>49,002,058</u>	<u>48,963,593</u>
Subordinate airport system revenue bonds:		
Series C of 2012. Consists of term bonds with an interest rate of 3.000% with final maturity in 2017	4,225,000	8,330,000
Unamortized bond premium	-	18,646
Total Series C of 2012	<u>4,225,000</u>	<u>8,348,646</u>
	154,710,797	159,369,375
Current portion of long-term debt	<u>(4,225,000)</u>	<u>(4,105,000)</u>
	<u>\$ 150,485,797</u>	<u>\$ 155,264,375</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

In December 2012, SARAA issued the 2012A, 2012B and 2012C Revenue Bonds (Series 2012 Bonds) in the amounts of \$53,375,000, \$49,520,000 and \$16,090,000, respectively. The Series 2012 Bonds were issued as a current refunding of all of SARAA's then outstanding 2003A, 2003B, and 2003D Revenue Bonds. As a result of the bond issue, all debt service reserve funds are cash funded.

The purpose of the Series 2008 Bonds was to provide funds to refinance certain variable rate bonds of SARAA, refinance an unsecured line of credit and to pay the costs of issuance of the bonds.

Annual Debt Service Requirements to Maturity

The annual requirements to pay principal and interest to maturity on the senior and subordinate airport revenue bonds outstanding at December 31, 2016 are summarized as follows:

Years Ending December 31	Senior Airport System Revenue Bonds		Subordinate Airport System Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2017	\$ -	\$ 7,605,725	\$ 4,225,000	\$ 126,750	\$ 11,957,475
2018	4,405,000	7,605,725	-	-	12,010,725
2019	4,630,000	7,385,475	-	-	12,015,475
2020	4,855,000	7,153,975	-	-	12,008,975
2021	5,100,000	6,911,225	-	-	12,011,225
2022 - 2026	29,590,000	30,466,625	-	-	60,056,625
2027 - 2031	37,235,000	22,833,825	-	-	60,068,825
2032 - 2036	42,245,000	14,161,525	-	-	56,406,525
2037 - 2038	19,650,000	1,936,025	-	-	21,586,025
	<u>\$ 147,710,000</u>	<u>\$ 106,060,125</u>	<u>\$ 4,225,000</u>	<u>\$ 126,750</u>	<u>\$ 258,121,875</u>

Covenants

Senior Bonds

Net revenues for each fiscal year shall be at least equal to the senior bonds debt service required to be funded by SARAA, plus required deposits to the debt service reserve funds and transfers to the maintenance and operations reserve fund and renewal and replacement fund. Net revenues together with the amount in the coverage account shall also equal 125% of senior bond's debt service. In addition, SARAA has irrevocably committed to use a portion of the PFC receipts through 2018 for senior bond debt service.

Subordinate Bonds

Net revenues for each fiscal year shall be at least equal to the senior and subordinate bonds debt service required to be funded by SARAA, plus required deposits to the debt service reserve funds, maintenance and operations reserve fund and renewal and replacement fund. Net revenues together with the amount in the coverage account shall also equal 110% of senior and subordinate bonds debt service.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Changes in Long-Term Liabilities

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Current Portion
Long-term debt					
Senior revenue bonds	\$ 147,710,000	\$ -	\$ -	\$ 147,710,000	\$ -
Subordinate revenue bonds	8,330,000	-	4,105,000	4,225,000	4,225,000
Bond premium/(discount), net	<u>3,329,375</u>	<u>-</u>	<u>553,578</u>	<u>2,775,797</u>	<u>-</u>
Total long-term debt	159,369,375	-	4,658,578	154,710,797	4,225,000
Other long-term liabilities					
Notes payable	165,460	102,875	146,137	122,198	31,026
Estimated costs of remediation	850,000	-	-	850,000	-
Unearned revenue	381,027	473,025	381,027	473,025	457,343
Security deposits	<u>81,522</u>	<u>38,835</u>	<u>-</u>	<u>120,357</u>	<u>-</u>
Total long-term liabilities	<u>\$ 160,847,384</u>	<u>\$ 614,735</u>	<u>\$ 5,185,742</u>	<u>\$ 156,276,377</u>	<u>\$ 4,713,369</u>
	Balance December 31, 2014	Additions	Deductions	Balance December 31, 2015	Current Portion
Long-term debt					
Senior revenue bonds	\$ 147,710,000	\$ -	\$ -	\$ 147,710,000	\$ -
Subordinate revenue bonds	12,315,000	-	3,985,000	8,330,000	4,105,000
Bond premium/(discount), net	<u>3,901,070</u>	<u>-</u>	<u>571,695</u>	<u>3,329,375</u>	<u>-</u>
Total long-term debt	163,926,070	-	4,556,695	159,369,375	4,105,000
Other long-term liabilities					
Note payable	427,915	128,183	390,638	165,460	22,653
Estimated costs of remediation	850,000	-	-	850,000	-
Unearned revenue	183,139	381,027	183,139	381,027	357,504
Security deposits	<u>30,270</u>	<u>51,252</u>	<u>-</u>	<u>81,522</u>	<u>-</u>
Total long-term liabilities	<u>\$ 165,417,394</u>	<u>\$ 560,462</u>	<u>\$ 5,130,472</u>	<u>\$ 160,847,384</u>	<u>\$ 4,485,157</u>

Note 9: Operating Leases

Rental Income From Operating Leases

SARAA leases space at HIA, CXY, FCRA and GRA on a fixed fee as well as contingent rental basis. Six on-airport rental car companies at HIA guarantee minimum commissions for the term of their agreements through December 31, 2019. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of SARAA's capital assets are held for the purpose of rental or related use.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Minimum future rentals on noncancelable leases to be received in the future are as follows:

	<u>Airline</u> <u>Agreements</u>	<u>Other</u> <u>Leases</u>	<u>Total</u>
2017	\$ 1,940,208	\$ 3,675,669	\$ 5,615,877
2018	1,940,208	3,507,232	5,447,440
2019	1,940,208	3,148,240	5,088,448
2020	-	1,055,408	1,055,408
2021	-	1,034,193	1,034,193
2022 - 2026	-	4,428,272	4,428,272
2027 - 2031	-	2,784,987	2,784,987
2032 - 2036	-	1,640,702	1,640,702
2037 - 2041	-	380,269	380,269
2042 - 2045	-	84,085	84,085
	<u>\$ 5,820,624</u>	<u>\$ 21,739,057</u>	<u>\$ 27,559,681</u>

Note 10: Retirement Benefits

SARAA has established a 457(b) defined-contribution plan for the benefit of all of its employees. This plan allows for employees to elect contributions either in a dollar amount or percentage not exceeding 15% of the employee's total salary or wages. SARAA does not make any employer contributions to this plan.

SARAA has also established a 401(a) retirement plan (Plan) for its employees, which is entirely funded through SARAA contributions. All full-time employees are eligible to participate. Effective July 1, 2009, full-time employees have up to 4% of employee salaries and wages contributed as a match of the employees' contributions to the 457(b) plan. SARAA's contributions to the Plan amounted to \$180,143 in 2016 and \$179,746 in 2015. There are no employee contributions to the Plan.

Note 11: Risk Management

Risk management is the responsibility of SARAA. Operationally, SARAA is exposed to various risks of loss related to the theft of, damage to and destruction of assets, natural disasters as well as certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from \$500 to \$100,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of limited coverage for acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other comparable airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

There was no significant reduction of coverage in 2016, and there have been no settlements in excess of the described insurance coverage from 2013 - 2016.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Note 12: Pollution Remediation Obligation

SARAA has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. SARAA has identified pollution clean-up obligations relating to asbestos and PCB at its facilities and has recorded estimated costs of remediation of \$850,000. Clean-up costs are capitalized when they are incurred to prepare property for sale, prepare property for use when acquired with pollution obligations, or restore pollution-caused decline in service capacity; in all other cases, they are expensed. The accruals are not reduced by possible recoveries from federal and state grants. The measurement of environmental liabilities by SARAA is based on currently available facts, present laws and regulations and current technology. Such estimates take into consideration SARAA's prior experience in site investigation and remediation, the data concerning cleanup costs available from other companies and regulatory authorities and the professional judgment of SARAA's environmental experts in consultation with outside environmental specialists, when necessary.

On April 16, 1997, PennDOT, the Pennsylvania Department of Environmental Protection (DEP) and the U.S. Department of Environmental Protection entered into a Memo of Understanding (MOU) that required PennDOT to operate a water treatment facility and comply with other institutional controls. SARAA must operate the water plant and pump a minimum volume of ground water from several wells on airport property to control a plume of ground water contamination that exists on the property. Well water that is pumped is treated and subsequently sold to airport tenants as potable water.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2016 and 2015

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Investments				
Money market funds	\$ 9,349,024	\$ 9,349,024	\$ -	\$ -
Municipal obligations	1,834,304	-	1,834,304	-
U.S. Government-sponsored enterprises	2,933,587	-	2,933,587	-
December 31, 2015				
Investments				
Money market funds	\$ 8,310,907	\$ 8,310,907	\$ -	\$ -
Municipal obligations	4,228,052	-	4,228,052	-
U.S. Government-sponsored enterprises	2,406,064	-	2,406,064	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2016.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 14: Commitments and Contingencies

SARAA is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of SARAA. Events could occur that would change this estimate materially in the near term.

Supplementary Information

Susquehanna Area Regional Airport Authority
Schedules of Capital and Noncapital Revenues and Expenses
Years Ended December 31, 2016 and 2015

	2016	2015
Noncapital Related Revenues		
Facilities revenue	\$ 8,819,504	\$ 8,180,879
Parking fees	7,560,682	7,647,058
Vehicle rental fees and customer facility charges	4,105,690	3,910,428
Landing fees	3,843,564	3,711,534
Apron and gate use fees	1,243,532	1,155,277
Concession fees	498,262	440,133
Fuel flowage and other commissions	452,150	442,322
Other income	616,304	586,297
Investment income	26,143	7,183
Total noncapital related revenues	27,165,831	26,081,111
Noncapital Related Expenses Net of Operating Grant Revenue		
Salaries, wages, payroll taxes and benefits	6,954,043	6,700,934
Professional and consulting fees	520,254	606,182
Marketing	548,535	431,113
Insurance	582,184	561,586
Utilities	1,503,883	1,519,326
Parking facility	2,416,851	2,387,317
Repairs and maintenance	1,761,318	1,553,828
Supplies, parts and other	2,464,308	1,955,487
Operating grant revenue	(160,630)	(76,175)
Total noncapital related expenses, net of operating grant revenue	16,590,746	15,639,598
Excess of Noncapital Related Revenues Over Noncapital Related Expenses	10,575,085	10,441,513
Capital Related Revenues (Expenses)		
Restricted investment income	145,720	135,498
Passenger facility charges	2,442,022	2,352,359
Noise relocation project disbursements	(5,861)	(145,261)
Noise relocation project grants	5,318	135,761
Federal, state and local grants	3,126,294	6,819,503
Contributions from lessees	3,759,000	-
Depreciation	(15,141,581)	(14,799,338)
Interest expense	(7,186,008)	(7,290,706)
Gain on disposal of capital assets and sale of easements	672,996	50,582
Deficit capital related revenues under capital related expenses	(12,182,100)	(12,741,602)
Decrease in Net Position	(1,607,015)	(2,300,089)
Net Position, Beginning of Year	81,734,436	84,034,525
Net Position, End of Year	\$ 80,127,421	\$ 81,734,436

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B
DEFINITIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B DEFINITIONS

Set forth below are definitions of certain terms used in this Official Statement, the Master Trust Indenture (the “Master Indenture”), as supplemented by the First Supplemental Trust Indenture, the Second Supplemental Trust Indenture, the Third Supplemental Trust Indenture, the Fourth Supplemental Trust Indenture and the Fifth Supplemental Trust Indenture (collectively, the “Indenture”) and the Master Subordinate Trust Indenture (the “Master Subordinate Indenture”) as supplemented by the First Supplemental Subordinate Trust Indenture, the Second Supplemental Subordinate Trust Indenture and the Third Supplemental Subordinate Trust Indenture (collectively, the “Subordinate Indenture”).

Many of the definitions under the Indenture and the Subordinate Indenture are the same but are applied in the context of Bonds and Subordinate Bonds, respectively. The term “Indenture” when used herein is intended to refer to each of the Indenture and the Subordinate Indenture.

Reference hereby is made to the provisions of the Indenture and the Subordinate Indenture for a complete recital of the terms defined therein, some of which are set forth below. Copies of the Indenture and the Subordinate Indenture are on file at the Trustee’s corporate trust office in Harrisburg, Pennsylvania.

“*Account*” or “*Accounts*” means an account or accounts, as applicable, created within a Fund pursuant to the Indenture or any Supplemental Indenture.

“*Accreted Value*” means, as of any date of calculation, the sum of the initial principal amount of any Capital Appreciation Bond plus the interest accumulated and unpaid thereon as of a date certain specified for such calculation, determined in accordance with the provisions of the Indenture authorizing the issuance of such Capital Appreciation Bond.

“*Act*” means the Municipality Authorities Act, 53 Pa. C.S. § 5601 *et seq.*, as amended and supplemented.

“*Administrative Expenses*” means compensation and expenses of officers and members of the Authority; legal, printing, advertising, engineering, architectural and auditing fees and expenses; fees and expenses of the Trustee, Subordinate Trustee and any other authorized depository and other items of general administrative expense incurred by the Authority, all of the foregoing being subject to proper allocation to various projects of the Authority, if applicable.

“*Aggregate Annual Debt Service*” means for any Fiscal Year with respect to any Bonds or Subordinate Bonds the aggregate amount of Annual Debt Service on all Outstanding Bonds and Unissued Program Bonds. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service shall be computed as follows:

- (a) in determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds and

Unissued Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate shall (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Bonds shall be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Bonds or Unissued Program Bonds constitute Balloon Indebtedness (excluding Program Bonds or Unissued Program Bonds to which subsection (f) applies), then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture 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; with respect to any Series of Bonds, Unissued Program Bonds or Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable and, with respect to any Series of Bonds, Unissued Program Bonds or Program Bonds or that portion of a Series of Bonds thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in (a) above or such other provision of this definition as shall be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date and provision (b) above shall not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance

with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (b) above and shall be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Bonds (including Program Bonds) or any Bonds which are then proposed to be issued constitute Tender Indebtedness (but excluding Program Bonds or Bonds as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than 30 years from the date such Tender Indebtedness was 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture 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; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Bonds 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Bonds of a corresponding term issued under the Indenture 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;

(f) with respect to any Program Bonds or Unissued Program Bonds (i) debt service on Program Bonds then Outstanding shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (ii) with respect to Unissued Program Bonds, it shall be assumed that the full principal amount of such

Unissued Program Bonds will be amortized over a term certified by an Authorized Authority Representative at the time the initial Program Bonds of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date the initial Program Bonds of such Program are issued and it shall be assumed that debt service shall be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture 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;

(g) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, shall be calculated as provided therein; and

(h) for purposes of computing the Aggregate Annual Debt Service:

(i) with respect to Synthetic Fixed Rate Debt, the interest payable thereon shall, if the Authority elects, be that rate as provided for by the terms of the Qualified Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Authority fails to elect such rate, then it shall be deemed to be the fixed interest 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 Authority; and

(ii) with respect to which a Qualified Swap has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds shall, if the Authority elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider.

“Airport Facilities” or *“Airport Facility”* means a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

“Airport System” means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including Harrisburg International Airport, Capital City Airport, Franklin County Regional Airport, Gettysburg Regional Airport and any area of land or water,

which is designated for the landing and taking off of aircraft, whether or not facilities are provided for the shelter, servicing or repairing of aircraft, or for receiving or discharging passengers or cargo, and all appurtenant areas used or suitable for airport buildings or other airport facilities and all appurtenant rights-of-way, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control.

“*Annual Debt Service*” means, with respect to any Bond or Subordinate Bond, the aggregate amount of Revenues required during the Fiscal Year under consideration to satisfy the funding requirements for payments of principal and interest, and if a Qualified Swap is in effect for any such Bond, plus the amount payable by the Authority (or the Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service; provided, however, that:

(a) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay such principal and/or interest, then such principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Annual Debt Service; and

(b) if Passenger Facility Charges or LOI Receipts have not been included in the definition of Revenues and have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay such principal and/or interest, then such principal and/or interest to be paid from such Passenger Facility Charges or LOI Receipts or from earnings thereon shall be disregarded and not included in calculating Annual Debt Service.

“*Authorized Amount*” means, when used with respect to any Bonds or Subordinate Bonds, including Bonds issued pursuant to a Program, the maximum Principal Amount of Bonds which is then authorized by an Indenture to be Outstanding at any one time under the terms of such Program or Indenture.

“*Authorized Authority Representative*” means the Chairman or Vice Chairman of the Authority, or such other officer or employee of the Authority or other person, which other officer, employee or person has been designated by the Board of the Authority as an Authorized Authority Representative by written notice delivered to the Trustee.

“*Average Annual Debt Service*” means, with respect to any Bonds or Subordinate Bonds, the sum of the Annual Debt Service for years contained in the period under consideration divided by the number of years contained in such period.

“*Balloon Indebtedness*” means, with respect to any Bonds or Subordinate Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program shall not be Balloon Indebtedness.

“*Bond Counsel*” means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Indenture and which are acceptable to the Authority.

“*Bond*” or “*Bonds*” means any debt obligation of the Authority issued as a taxable or tax-exempt obligation under and in accordance with the provisions of either Indenture, as the context may require, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term “*Bond*” and “*Bonds*” includes Program Bonds.

“*Bondholder*,” “*holder*,” “*Owner*,” “*owner*” or “*registered owner*” means the person in whose name any Bond or Bonds, are registered on the books maintained by the Registrar and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of the Indenture.

“*Business Day*” means any day other than a Saturday, Sunday or holiday or a day on which banks in the city or cities in which are located the principal corporate trust office of the Trustee, the principal office of the Paying Agent, the Registrar, the Liquidity Provider or any remarketing agent are required or authorized to close for general banking business or on which the New York Stock Exchange is closed; provided, however, that such term may have a different meaning for any specified Series of Bonds if so provided by a Supplemental Indenture.

“*Capital Appreciation Bonds*” means any Bonds or Subordinate Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capital Improvement Account*” means the Capital Improvement Account created within the General Fund under the Master Indenture.

“*Capitalized Interest*” means the amount of any interest on any Bonds or Subordinate Bonds, as applicable, to be funded from the proceeds of the Bonds or Subordinate Bonds, as applicable, or other monies deposited with the Trustee in the Debt Service Fund as shall be described in a Supplemental Indenture upon issuance of Bonds.

“*Chairman*” means the chairman of the Authority or such other title as the Authority may from time to time assign for such position.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Combined Maximum Annual Debt Service*” means, with respect to issuing additional Subordinate Bonds pursuant to the Subordinate Master Indenture, the sum occurring in any Fiscal Year of the Aggregate Annual Debt Service, the Subordinate Aggregate Annual Debt Service and the Annual Debt Service on such proposed Subordinate Bonds, calculated as if such proposed Subordinate Bonds and the full Authorized Amount of proposed Subordinate Program Bonds, if applicable, were then Outstanding, which sum is greater than such sum occurring in any other Fiscal Year.

“*Commercial Paper*” means notes of the Authority with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Authority.

“*Commercial Paper Program*” means a Program authorized by the Authority pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Construction Fund*” means any of the Construction Funds authorized to be created as provided by the Indenture.

“*Consultant*” means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Authority to perform acts and carry out the duties provided for such consultant in the Indenture.

“*Costs*” or “*Costs of a Project*” means all costs of planning, developing, designing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) costs of insurance requirements and performance and payment sureties; (d) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Authority or Independent Consultant; (e) costs of the Authority properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of

medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (f) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Investment Agreements and Liquidity Facilities, Capitalized Interest, Trustee's fees and expenses, and funding the Reserve Requirement, if any; (g) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds; and (h) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Authority.

"Costs of Issuance" means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2017 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the official statement, the feasibility studies and the Series 2017 Bonds, bond insurance premium, any reserve fund surety policy premium, underwriters' compensation, and the fees, costs and expenses of rating agencies, the Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

"Coverage Account" means the *"Coverage Account"* created by the Authority within the General Fund pursuant the Master Indenture.

"Credit Facility" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby bond purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Authority fails to do so.

"Debt Service Reserve Fund Surety Policy" means an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or in partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy shall be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"Debt Service Reserve Requirement" means, with respect to any Bonds or Subordinate Bonds, as of the date in question, such amount as shall be specified in any Supplemental Indenture as required to be maintained on deposit in an identified Account within the Debt Service Reserve Fund with respect to all Outstanding Bonds participating in such identified Account. For purposes of determining the Debt Service Reserve Requirement, if any, with respect to a Series of Bonds that constitute Variable Rate Indebtedness, the Annual Debt Service shall, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Aggregate Annual Debt Service, and the amount so determined shall not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Debt Service Reserve Requirement, the Annual Debt Service requirements assumed at the time of issuance of any Series of Bonds containing Balloon Indebtedness or Tender Indebtedness shall not, with respect to such Series, require subsequent increases.

“*Defeasance Obligations*” means and includes obligations described in items (i) and (ii) of Permitted Investments, which are not subject to prepayment or redemption at the option of the issuer thereof prior to the date of anticipated use of the proceeds thereof and, with respect to the Series 2017 Bonds only, to the extent permitted by applicable law with respect to the moneys proposed to be invested therein:

(i) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (ii) below); or

(ii) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

“*Designated Debt*” means a specific indebtedness designated by the Authority which shall be offset with a Swap; such specific indebtedness may include all or any part of a Series of Bonds.

“*Event of Default*” means any occurrence or event specified in the Indenture.

“*Fiscal Year*” means the period of time beginning on January 1 of each given year and ending on December 31 of such given year, or such other similar period as the Authority designates as its fiscal year.

“*Fitch*” means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Fitch*” shall be deemed to refer to any nationally recognized rating agency designated by the Authority.

“*Fund*” means a fund or funds, as applicable created pursuant to an Indenture.

“*General Fund*” means the “*General Fund*” required to be created by the Authority pursuant to the Master Indenture.

“*Government Obligations*” means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds; and (c) any other type

of security or obligation which the Rating Agencies then maintaining ratings on the Bonds to be defeased have determined to be permitted defeasance securities.

“Independent” means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Authority, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Authority as an official, officer or employee.

“Investment Agreement” means (a) an investment agreement or guaranteed investment contract with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) an investment agreement or guaranteed investment contract which is fully secured by obligations described in items (b)(i) or (ii) of the definition of Permitted Investments that are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

“Junior Obligation” means any bond, note or other debt instrument issued or otherwise entered into by the Authority which ranks junior and subordinate to the Subordinate Bonds and which may be paid from moneys constituting Subordinate Net Revenues only if all amounts of principal and interest which have become due and payable on the Subordinate Bonds whether by maturity, redemption or acceleration have been paid in full and the Authority is current on all payments, if any, required to be made to replenish the Subordinate Debt Service Reserve Fund. *“Junior Obligations”* are not Subordinate Bonds for purposes of the Indenture. In connection with any Junior Obligation with respect to which a Swap is in effect or proposes to be in effect, the term *“Junior Obligation”* includes, collectively, both such Junior Obligation and either such Swap or the obligations of the Authority under each such Swap, as the context requires. The term *“Junior Obligations”* also includes a Swap or the obligations of the Authority under such Swap which has been entered into in connection with a Junior Obligation, as the context requires, although none of the Junior Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Subordinate Bonds with respect to which a Qualified Swap is in effect or proposed to be in effect, the term *“Junior Obligation”* includes any Swap Termination Payment if designated as a Junior Obligation in a Supplemental Indenture.

“Liquidity Facility” means, with respect to any Bonds or Subordinate Bonds, a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase such Bonds.

“Liquidity Provider” means the entity, including the Credit Provider, which is obligated to provide funds under the terms of a Liquidity Facility.

“*LOI Fund*” means the LOI Fund required to be created as provided by the Master Indenture.

“*LOI Receipts*” means moneys payable to the Authority or its assigns derived from the grant program created by the Airport and Airways Improvement Act of 1982, as amended and supplemented, pursuant to a multi-year letter of intent issued by the Federal Aviation Administration.

“*Mail*” means by first-class United States mail, postage prepaid.

“*Maintenance and Operation Expenses of the Airport System*” means, for any given period, the total operation and maintenance expenses of the Airport System, including Administrative Expenses, as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense, interest on Bonds, Subordinate Bonds and Junior Obligations, amortization of issuance expenses with respect to Bonds, Subordinate Bonds and Junior Obligations, and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues.

“*Maintenance and Operation Reserve Fund*” means the “Maintenance and Operation Reserve Fund” created by the Authority pursuant to the Master Indenture.

“*Master Indenture*” means the Master Trust Indenture, dated as of April 15, 2003, entered into by the Authority with the Trustee, as the same may be amended from time to time.

“*Master Subordinate Indenture*” means the Master Subordinate Trust Indenture, dated as of April 15, 2003, entered into by the Authority with the Subordinate Trustee, as trustee, as the same may be amended from time to time.

“*Maximum Aggregate Annual Debt Service*” means, with respect to any Bonds or Subordinate Bonds, as of the date in question, the highest Aggregate Annual Debt Service required to be paid with respect to such Bonds in the then current or any succeeding Fiscal Year.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized rating agency designated by the Authority.

“*Municipalities*” means the Counties of Dauphin, Cumberland and York, the City of Harrisburg (Dauphin County), the City of York (York County), and the Townships of Fairview and Lower Swatara (both of Dauphin County).

“*Net Proceeds*” means insurance proceeds received as a result of damage to or destruction of Airport Facilities or any condemnation award or amounts received by the Authority from the sale of Airport Facilities under the threat of condemnation less expenses (including attorneys’ fees and expenses and any fees and expenses of the Trustee) incurred in the collection of such proceeds or award.

“*Net Revenues*” means, for any given period, Revenues less amounts which are required to pay the Maintenance and Operation Expenses of the Airport System.

“*Nonqualified Swap*” means any Swap which is not a Qualified Swap.

“*Notes*” means Bonds issued under the provisions of the Indenture which have a maturity of 397 days or less from their date of original issuance and which are not part of a Commercial Paper Program.

“*Operating Budget*” means the annual budget for the Maintenance and Operation Expenses of the Airport System prepared by the Authority and distributed in accordance with the Indenture.

“*Outstanding*” when used with respect to any Bonds or Subordinate Bonds means all such Bonds which have been authenticated and delivered under the Indenture, except:

(a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Bonds deemed to be paid in accordance with the Indenture;

(c) Bonds in lieu of which other Bonds have been authenticated under the Indenture;

(d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Repayment Obligations deemed to be Bonds under the terms of the Indenture to the extent such Repayment Obligations arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Indenture, Bonds held by or for the account of the Authority or by any person controlling, controlled by or under common control with the Authority, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Passenger Facility Charges*” or “*PFCs*” means charges payable to the Authority or its assigns and imposed pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” or “*Paying Agents*” means, with respect to the Bonds or Subordinate Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Indenture or a resolution of the Authority as the place where such Bonds shall be payable.

“*Payment Date*” means, with respect to any Bonds or Subordinate Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

“*Permitted Investments*” means and includes any of the following and such other investments, from time to time, set forth in a Supplemental Indenture entered into in connection with the issuance of a Series of Bonds, to the extent permitted by applicable laws of the Commonwealth:

- (i) Defeasance Obligations;
- (ii) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:
 - (A) Export-Import Bank
 - (B) Rural Economic Community Development Administration
 - (C) U.S. Maritime Administration
 - (D) Small Business Administration
 - (E) U.S. Department of Housing & Urban Development (PHA’s)
 - (F) Federal Housing Administration
 - (G) Federal Financing Bank;
- (iii) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (A) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - (B) Obligations of the Resolution Funding Corporation (REFCORP)
 - (C) Senior debt obligations of the Federal Home Loan Bank System
 - (D) Senior debt obligations of other United States government-sponsored agencies approved by the bond insurer, if any;
- (iv) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term

certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing no more than 360 calendar days after the date of purchase (ratings on holding companies shall not be considered as the rating of the bank.);

(v) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(vi) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

(vii) Any obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or

(B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (ii) of the definition of “Defeasance Obligations” above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of at least “A2/A” or higher by both Moody’s and S&P;

(ix) Investment agreements approved in writing by the bond insurer, if any; and

(x) Other forms of investments (including repurchase agreements) approved in writing by the bond insurer, if any.

“Permitted Investments” means and includes, with respect to the Series 2017 Bonds only, any of the following to the extent permitted by applicable laws of the Commonwealth:

(i) Defeasance Obligations;

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are

backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (A) Farmers Home Administration (FmHA), Certificates of beneficial ownership;
- (B) Federal Housing Administration Debentures (FHA);
- (C) General Services Administration, Participation certificates;
- (D) Government National Mortgage Association (GNMA or “Ginnie Mae”), GNMA - guaranteed mortgage-backed bonds, and GNMA - guaranteed pass-through obligations (participation certificates) (not acceptable for certain cash-flow sensitive issues);
- (E) U.S. Maritime Administration, Guaranteed Title XI financing;
- (F) U.S. Department of Housing and Urban Development (HUD), Project Notes, Local District Bonds, and New Communities Debentures - U.S. Government guaranteed debentures;
- (G) U.S. Public Housing Notes and Bonds - U.S. Government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (A) Federal Home Loan Bank System, Senior debt obligations;
- (B) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”), Participation certificates and Senior debt obligations;
- (C) Federal National Mortgage Association (FNMA or “Fannie Mae”), Mortgage-backed securities and senior debt obligations, Resolution Funding Corp. (REFCORP) obligations, Farm Credit System, and Consolidated system-wide bonds and notes;
- (D) Federal Agriculture Mortgage Association, Tennessee Valley District;

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm,” or “AAm” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(v) Certificates of deposit secured at all times by collateral described in (i) and/or (ii) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the owners must have a perfected first security interest in the collateral;

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(vii) Investment agreements, including GIC's, forward purchase agreements and reserve fund put agreements;

(viii) Commercial paper rated, at the time of purchase, "Prime -1" by Moody's and "A- 1" or better by S&P;

(ix) Bonds or notes issued by any state or municipality, or any agency, authority, district or entity authorized by a state or municipality, which are rated by a nationally recognized rating service at the time of purchase in one of the two highest rating categories assigned by such service;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime -1" or "A2" or better by Moody's and "A-1" or "A" or better by S&P;

(xi) Repurchase agreements for 30 days or less that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

"*PFC Fund*" means the PFC Fund required to be created as provided by the Master Indenture.

"*Principal Amount*" or "*principal amount*" means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest) and (b) with respect to any other Bonds, the principal amount of such Bond payable at maturity.

"*Program*" means a financing program identified in a Supplemental Indenture, including but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Authority and other items required to have been filed with the Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Authorized Amount, and (c) the Authorized Amount of which has met the additional bonds test set forth in the Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

“*Program Bonds*” means with respect to Bonds and Subordinate Bonds, Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Bonds.

“*Project*” means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Bonds.

“*Qualified Swap*” means with respect to Bonds or Subordinate Bonds any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which any calculation based upon Annual Debt Service or Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Bonds.

“*Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A 1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereof in the case of any successor thereto, or (b) fully secured by obligations described in items (b)(i) or (ii) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

“*Rating Agency*” and “*Rating Agencies*” means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

“*Rating Category*” and “*Rating Categories*” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Rebate Fund*” means any fund created by the Authority pursuant to a Supplemental Indenture in connection with the issuance of any Bonds or Subordinate Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, with respect to any Bonds or Subordinate Bonds, the record date as specified in the Supplemental Indenture which provides for the issuance of such Bonds.

“*Refunding Bonds*” means any Bonds issued pursuant to the Indenture to refund or defease all or a portion of any series of Outstanding Bonds.

“*Registrar*” means, with respect to the Bonds or Subordinate Bonds, the bank, trust company or other entity designated in a Supplemental Indenture or a resolution of the Authority to perform the function of Registrar under the Indenture.

“*Regularly Scheduled Swap Payments*” means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

“*Renewal and Replacement Fund*” means the Renewal and Replacement Fund created as provided by the Master Indenture.

“*Repayment Obligation*” means an obligation arising under a written agreement of the Authority and a Credit Provider pursuant to which the Authority agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds or an obligation arising under a written agreement of the Authority and a Liquidity Provider pursuant to which the Authority agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds.

“*Responsible Officer*” means any corporate trust officer of the Trustee assigned by the Trustee to administer the Indenture.

“*Revenue Credit Account*” means the “Revenue Credit Account” created by the Authority within the General Fund pursuant to the Master Indenture.

“*Revenue Fund*” means the “Revenue Fund” established by the Authority pursuant to the provisions of the Master Indenture.

“*Revenues*” means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, “Revenues” shall include amounts released from the Revenue Credit Account to the Revenue Fund and all income, receipts and earnings (except any earnings to be applied by the terms of a Supplemental Indenture to fund Capitalized Interest and the Construction Fund) from the investment of amounts held in the Revenue Fund, any Construction Fund, the Debt Service Funds (except Capitalized Interest on deposit therein), the Debt Service Reserve Funds, the Maintenance and Operation Reserve Fund, the Renewal and Replacement

Fund, and any such additional moneys payable to the Authority as are designated as “Revenues” under the terms of any Supplemental Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, (ii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds (except to the extent Net Proceeds are utilized to pay Maintenance and Operation Expenses of the Airport System) and (iii) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from “Revenues,” unless designated as “Revenues” under the terms of a Supplemental Indenture or pursuant to a certificate of an Authorized Authority Representative delivered to the Trustee: (A) grants-in-aid and gifts, (B) any Swap Termination Payments paid to the Authority pursuant to a Qualified Swap, (C) Passenger Facility Charges, (D) LOI Receipts, (E) investment income derived from any moneys or securities which may be placed in escrow or trust and committed to defease Bonds, Subordinate Bonds or Junior Obligations and (F) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Indenture are specifically excluded from “Revenues,” unless otherwise provided for in such Supplemental Indenture.

“*Series*” means any Bonds or Subordinate Bonds designated as a separate Series by a Supplemental Indenture and, as to Program Bonds or a Commercial Paper Program, means the full Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Indenture, designated as a separate Series.

“*Series 2008A Bonds*” means the Authority’s Airport System Revenue Bonds, Series 2008A (AMT), issued under the Master Indenture, as supplemented by the Third Supplemental Trust Indenture.

“*Series 2008B Bonds*” means the Authority’s Airport System Revenue Bonds, Series 2008B (Taxable), issued under the Master Indenture, as supplemented by the Third Supplemental Trust Indenture.

“*Series 2012 Bonds*” means collectively, the Series 2012A Bonds, the Series 2012B Bonds and the Subordinate Series 2012C Bonds.

“*Series 2012A Bonds*” means the Authority’s Airport System Revenue Bonds, Series 2012A (AMT), issued under the Master Indenture, as supplemented by the Fourth Supplemental Trust Indenture.

“*Series 2012B Bonds*” means the Authority’s Airport System Revenue Bonds, Series 2012B (Non-AMT), issued under the Master Indenture, as supplemented by the Fourth Supplemental Trust Indenture.

“*Series 2017 Bonds*” means the Authority’s Airport System Revenue Bonds, Series 2017 (AMT), issued under the Master Indenture, as supplemented by the Fifth Supplemental Trust Indenture.

“*Significant Portion*” means any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Authority would have resulted in a reduction of more than 5% of Net Revenues generated for the immediately preceding twelve-month period. The Authority shall notify each of the Rating Agencies prior to the selling or disposing of a Significant Portion of any Airport Facilities.

“*S&P*” means Standard & Poor’s Ratings Group, a division of the McGraw-Hill Companies, Inc., its successors and their assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“*Special Facilities*” or “*Special Facility*” means a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the provisions of the Indenture.

“*Special Facilities Revenue*” means the contractual payments and all other revenues derived by or available to the Authority from a Special Facility which are pledged to secure Special Facility Obligations.

“*Subordinate Bonds*” means any “Bond or Bonds” authorized, issued and delivered pursuant to the Master Subordinate Indenture, including the Subordinate Series 2012C Bonds.

“*Subordinate Capital Appreciation Bonds*” means Subordinate Bonds which constitutes “Capital Appreciation Bonds.”

“*Subordinate Credit Facility*” means a “Credit Facility” with respect to the Subordinate Bonds.

“*Subordinate Credit Provider*” means the party obligated to make payment under the terms of a Subordinate Credit Facility.

“*Subordinate Debt Service Fund*” means the fund created under the Master Subordinate Indenture.

“*Subordinate Debt Service Reserve Fund*” means the fund created under the Master Subordinate Indenture.

“*Subordinate Debt Service Reserve Requirement*” means the “Debt Service Reserve Requirement” with respect to the Subordinate Bonds.

“*Subordinate Indenture*” means the Master Subordinate Indenture and all supplements thereto made and delivered in accordance with provisions thereof and at such time constituting part thereof, including the First Supplemental Subordinate Trust Indenture, the Second Supplemental Subordinate Trust Indenture and the Third Supplemental Subordinate Trust Indenture.

“*Subordinate Liquidity Facility*” means a “Liquidity Facility” with respect to Subordinate Bonds.

“*Subordinate Liquidity Provider*” means the entity, including the Subordinate Credit Provider, which is obligated to provide funds under the terms of a Subordinate Liquidity Facility.

“*Subordinate Maximum Annual Debt Service*” means “Maximum Annual Debt Service” with respect to the Subordinate Bonds.

“*Subordinate Net Revenues*” means, for any given period, Net Revenues less amounts which are required to pay the Aggregate Annual Debt Service and the Debt Service Reserve Requirement.

“*Subordinate Notes*” means Subordinate Bonds issued under the provisions of the Subordinate Indenture which have a maturity of 397 days or less from their date of original issuance and which are not part of a Commercial Paper Program.

“*Subordinate Program Bonds*” means Subordinate Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Bonds.

“*Subordinate Refunding Bonds*” means any Subordinate Bonds issued pursuant to the Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Bonds.

“*Subordinate Repayment Obligation*” means a “Repayment Obligation with respect to the Subordinate Bonds.

“*Subordinate Series 2012C Bonds*” means the Authority’s Subordinate Airport System Revenue Bonds, Series 2012C (Non-AMT), issued under the Master Subordinate Indenture, as supplemented by the Third Supplemental Subordinate Trust Indenture.

“*Subordinate Trustee*” means Manufacturers and Traders Trust Company, a New York state chartered bank with trust powers and having a corporate trust office in Harrisburg, Pennsylvania, a party to the Master Subordinate Indenture, and any successors thereto.

“*Subordinated Obligations*” means any bond, note or other debt instrument, including the Subordinate Series 2012C Bonds, issued or otherwise entered into by the Authority which ranks junior and subordinate to the Bonds and which may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Bonds whether by maturity, redemption or acceleration have been paid in full and the Authority is current on all payments, if any, required to be made to replenish the Debt Service Reserve Fund.

“*Subordinated Obligations Debt Service Fund*” means any debt service fund created or established pursuant to the Master Subordinate Indenture and any Supplemental Indenture thereto.

“*Subordinated Obligations Debt Service Reserve Fund*” means any debt service reserve fund created or established pursuant to the Master Subordinate Indenture and any Supplemental Indenture thereto.

“*Supplemental Indenture*” means any document supplementing or amending the Master Indenture or the Master Subordinate Indenture, as applicable, or providing for the issuance of Bonds and entered into as provided by the terms of the Master Indenture or the Master Subordinate Indenture, as applicable.

“*Swap*” means any financial arrangement between the Authority and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

“*Swap Provider*” means a party to a Swap with the Authority.

“*Swap Termination Payment*” means an amount payable by the Authority or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding the maturity or maturities of such Designated Debt, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tax Certificate*” means that Tax Compliance Certificate dated the date of issuance of the Series 2017 Bonds entered into by the Authority and executed with respect to the Series 2017 Bonds.

“*Tender Indebtedness*” means any Bonds or Subordinate Bonds or portions thereof a feature of which is an obligation or option on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the Authority, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Bonds or portions thereof be purchased if properly presented.

“*Trustee*” means Manufacturers and Traders Trust Company, a New York state chartered bank with trust powers and having a corporate trust office in Harrisburg, Pennsylvania, a party to the Master Indenture, and any successors thereto.

“*Unissued Program Bonds*” means the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and payable from Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the Authority pursuant to a resolution adopted by the Authority and have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

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

“*United States Obligations*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “United States Obligations” shall include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“*Variable Rate Indebtedness*” means any Bond or Subordinate Bond the interest rate on which is not, at the time in question, fixed to maturity, excluding any Commercial Paper Program.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
AND THE SUBORDINATE INDENTURE**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C-1
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are summaries of certain provisions of the Master Trust Indenture and the Fifth Supplemental Trust Indenture. The summaries set forth below should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entirety for the complete statements of the provisions thereof. Copies of the Master Trust Indenture and the Fifth Supplemental Trust Indenture are on file at the corporate trust office of the Trustee in Harrisburg, Pennsylvania.

**PART I: SUMMARY OF
THE MASTER TRUST INDENTURE**

Grant to Secure Bonds; Pledge of Net Revenues

To secure the payment of the interest, principal and premium, if any, on the Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Master Indenture or contained in the Bonds, the Authority has pledged and assigned to the Trustee and granted to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the Authority in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Master Indenture, and to the extent provided in any Supplemental Indenture moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) above (except to the extent excluded from the definition of "Revenues" by the Master Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Master Indenture, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by the Master Indenture, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. Moneys in the Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Debt Service Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Bonds, a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, Series of Bonds or one or more Series of Bonds and, therefore, shall not be included as security for all Bonds under the Master Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities held in trust as provided in the Master Indenture exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under the Master Indenture shall be held solely for the payment of such specific Bonds.

Additional Bonds

Subject to the provisions under subparagraphs (c), (d) or (e) of the last paragraph of this section, as a condition to the issuance of any Series of Bonds, there first shall be delivered to the Trustee either:

(a) a certificate of an Authorized Authority Representative stating that the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds or preceding the first issuance of the proposed Program Bonds were at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds, Unissued Program Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding; or

(b) a certificate of a Consultant to the effect that the Annual Debt Service of the proposed Series of Bonds or the full Authorized Amount of proposed Program Bonds (as applicable) is payable out of Net Revenues and stating that the Authority will be in compliance with subparagraphs (a) and (b) of the Rate Covenant during either (i) each of the first three Fiscal Years succeeding the date on which the Project is expected to be completed, or (ii) during each of the first five Fiscal Years succeeding the date of issuance of such Bonds, whichever is later.

For purposes of subparagraph (a) above, the Authorized Authority Representative shall be allowed to adjust Net Revenues to include any increase in the rates, charges and fees for the use of the Airport System which have become effective prior to the issuance of such proposed Series of Bonds but which rates, charges and fees were not in effect for the 12-month period under consideration, in an amount equal to the sum by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole of the such 12-month period provided, however, such increase is intended to continue to be effective following the issuance of such proposed Series of Bonds.

Neither of the certificates described in subparagraphs (a) and (b) above shall be required:

(c) if Bonds being issued are for the purpose of refunding then Outstanding Bonds and there is delivered to the Trustee, instead, a certificate of an Authorized Authority Representative showing that Maximum Aggregate Annual Debt Service after the issuance of such Refunding Bonds will not exceed Maximum Aggregate Annual Debt Service prior to the issuance of such Refunding Bonds;

(d) if the Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized Authority Representative setting forth calculations showing that for each of

the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the Authority will be in compliance with the Rate Covenant; or

(e) if the Bonds being issued are to pay costs of completing a Project for which Bonds previously have been issued and the principal amount of such Bonds being issued does not exceed an amount equal to 15% of the principal amount of Bonds originally issued and reasonably allocated for such Project as shown in a written certificate of an Authorized Authority Representative and there is delivered to the Trustee (i) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (ii) a certificate of an Authorized Authority Representative to the effect that (A) all of the proceeds of the Bonds previously issued to finance such Project, together with investment earnings on amounts in the Funds allocable to such Project, have been or shall be applied to pay Costs of the Project and (B) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys on deposit in Funds and available for such purpose.

Repayment Obligations Afforded Status of Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of or interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under the Master Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Indenture relating to the issuance of additional Bonds. The payment terms of such Bond shall be the stated terms of the Repayment Obligation (unless otherwise provided in the Supplemental Indenture pursuant to which such Bonds are issued). Any amount which comes due on the Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be a Subordinated Obligation of the Authority. This provision shall not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under the Master Indenture.

Obligations Under Qualified Swap; Nonqualified Swap.

The obligation of the Authority to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Bonds may be on a parity with the obligation of the Authority to make payments with respect to such Series of Bonds and other Bonds under the Master Indenture, except as otherwise provided by a Supplemental Indenture and in the Master Indenture with respect to any Swap Termination Payments. The Authority may provide in any Supplemental Indenture that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Net Revenues on a parity with the Bonds of such Series

and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The Trustee shall take all action consistent with the other provisions the Master Indenture as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Authority with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in the Master Indenture or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Swap Termination Payment or any other amounts other than as described in preceding paragraph are due and payable by the Authority under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Subordinated Obligation under the Master Indenture.

Obligations of the Authority to make payments, including termination payments, under a Nonqualified Swap shall constitute Subordinated Obligations under the Master Indenture.

Revenues and Funds

Revenue Fund. The Authority has covenanted and agreed to deposit in the Revenue Fund, all Revenues when and as received. The Authority has further covenanted to deposit into the Revenue Fund all other moneys required by the Master Indenture to be so deposited. So long as no Event of Default exists and is continuing, the Revenue Fund shall remain in the possession of the Authority; otherwise the Revenue Fund will be held by the Trustee.

As long as there are any Outstanding Bonds, all Revenues shall be deposited in the Revenue Fund and shall be applied by the Authority in the manner, at the times and in the order of priority as follows:

(a) *Maintenance and Operation Expense of the Airport System.* Payment Maintenance and Operation Expenses of the Airport System then due and payable.

(b) *Debt Service Fund.* Revenues shall be paid over by the Authority to the Trustee for deposit in the Debt Service Fund, in the amounts, at the times and in the manner provided in the Master Indenture or in such other amounts and times provided in a Supplemental Indenture to provide for the payment of principal and interest to become due on Outstanding Bonds.

(c) *Debt Service Reserve Fund.* Revenues shall be paid over by the Authority to the Trustee for deposit in the Debt Service Reserve Fund in the amounts and at the times as shall be specified in a Supplemental Indenture to be used in the manner provided in the Master Indenture.

(d) *Subordinated Obligation Debt Service Fund.* Revenues shall be applied in such amounts and at such times as shall be sufficient to pay the debt service with respect to Subordinated Obligations, including any indebtedness issued and outstanding pursuant

to the terms of the Master Subordinate Indenture, but only to the extent of a specific pledge of Net Revenues, in writing, for the purpose.

(e) *Subordinated Obligation Debt Service Reserve Fund.* Revenues shall be applied in such amounts and at such times as shall be sufficient to fund any reserve requirement for debt service for any indebtedness, including Subordinated Obligations, including any indebtedness issued and outstanding pursuant to the terms of the Master Subordinate Indenture, but only to the extent of a specific pledge of Net Revenues, in writing, for the purpose.

(f) *Maintenance and Operation Reserve Fund.* Revenues shall be transferred to the Maintenance and Operation Reserve Fund in the amounts required in accordance with the Master Indenture.

(g) *Renewal and Replacement Fund.* Revenues shall be transferred to the Renewal and Replacement Fund in the amounts required in accordance with the Master Indenture.

(h) *General Fund.* Revenues shall be transferred to the General Fund at the time and in such amounts, if any, as the Authority, from time to time, may determine as provided in the Master Indenture.

Funding of Debt Service Funds. The Trustee, after taking into account Capitalized Interest and other money, if any, on deposit in the Debt Service Fund, shall, at least 15 Business Days prior to each Payment Date on any Bond, give the Authority notice by telephone, promptly confirmed in writing, of the amount required, if any, to be deposited with the Trustee to make each required payment of principal and interest due on such Payment Date. Upon receipt of such notice, the Authority, at least five Business Days prior to such Payment Date, shall withdraw from the Revenue Fund and pay to the Trustee said amount, if any, required to make the interest and/or principal payments due on such Payment Date.

The Supplemental Indenture under which any Series of Bonds are issued may provide for different times and methods of notifying the Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Indenture shall control.

On any day on which the Trustee receives moneys from the Authority to be used to pay principal of or interest on Bonds, the Trustee shall deposit such amounts into the respective Accounts of the Debt Service Fund for the Series of Bonds for which such payments were made and any excess shall be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Fund (without regard to any amounts which may be available from the Debt Service Reserve Fund) to pay in full all amounts of principal and/or interest due on such date, the Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in the Debt Service Reserve Fund) as follows: first to the payment of interest then due on the Bonds and, if the amount available shall not be sufficient to pay in full all interest on the Bonds then due, then *pro rata* among the Series according to the

amount of interest then due and second to the payment of principal then due on the Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Bonds then due, then *pro rata* among the Series according to the Principal Amount then due on the Bonds.

If an Account or Accounts in the Debt Service Reserve Fund (or a Credit Facility provided in lieu thereof) have been used to make payments on Bonds secured thereby, then the Authority may be required by Supplemental Indenture to replenish such Account or Accounts or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full, (b) the required payments to replenish the Debt Service Reserve Fund or reimburse the Credit Provider shall be due in no more than 12 substantially equal monthly installments commencing in January of the year immediately succeeding any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish such Accounts in the Debt Service Reserve Fund and reimburse the Credit Provider exceeds the amount available for such purpose, the payments to be made for such purpose to the Trustee and to the Credit Provider shall be allocated among such Accounts in the Debt Service Reserve Fund *pro rata* on the basis of the Outstanding Principal Amount of Bonds secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Indenture authorizing such Series of Bonds, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on such Bonds depending upon the terms of such Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Account in the Debt Service Fund created for the Series of Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Bonds, the Authority may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into a specified Account or Accounts or subaccount or subaccounts in the Debt Service Fund.

Maintenance and Operation Reserve Fund. The Authority has created the Maintenance and Operation Reserve Fund. The Authority shall transfer to the Maintenance and Operation Reserve Fund in each Fiscal Year such amounts as shall be established by the Authority from time to time. Moneys in the Maintenance and Operation Reserve Fund shall be used by the Authority to pay Maintenance and Operation Expenses of the Airport System in the event there are insufficient moneys in the Revenue Fund to make such payments.

Pursuant to the Fifth Supplemental Trust Indenture, the sum of \$2,857,036.93 is on deposit in the Maintenance and Operation Reserve Fund. Such sum represents the equivalent of one-sixth of the amount budgeted for Maintenance and Operation Expenses of the Airport System in the Operating Budget for the 2017 Fiscal Year. The Authority has covenanted to maintain an amount of moneys in the Maintenance and Operation Reserve Fund equivalent to one-sixth of the amount budgeted for Maintenance and Operation Expenses of the Airport System for the current Fiscal Year in the Operating Budget filed with the Trustee pursuant to the Master Indenture. Such amount to be maintained on deposit within the Maintenance and Operation Reserve Fund shall be designated the "Maintenance and Operation Reserve

Requirement.” At the beginning of each Fiscal Year, such Maintenance and Operation Reserve Requirement shall be adjusted as necessary to reflect the then current Operating Budget, and the Authority shall deposit from its available moneys on the first Business Day of each month commencing with February of each Fiscal Year 1/11th of the amounts as may be necessary to satisfy the Maintenance and Operation Reserve Requirement for that Fiscal Year.

The Authority shall transfer or cause to be transferred moneys in the Maintenance and Operation Reserve Fund to the Revenue Fund to be applied to the payment of Maintenance and Operation Expenses of the Airport System when moneys on deposit in the Revenue Fund are insufficient therefor.

In the event the Authority makes a withdrawal from the Maintenance and Operation Reserve Fund, the Authority shall withdraw or cause to be withdrawn amounts from the Revenue Fund pursuant to the Master Indenture and deposit or cause to be deposited to the Maintenance and Operation Reserve Fund such amounts as will be sufficient to restore the amount on deposit in the Maintenance and Operation Reserve Fund to the Maintenance and Operation Reserve Requirement in not more than 12 substantially equal monthly payments.

If at any time the amount on deposit in the Maintenance and Operation Reserve Fund is in excess of the Maintenance and Operation Reserve Requirement for the current Fiscal Year, such excess may be transferred to the Revenue Fund or applied as otherwise directed by the Authority.

Renewal and Replacement Fund. The Authority has created a Renewal and Replacement Fund. The Authority shall maintain in the Renewal and Replacement Fund such amounts as shall be required to maintain a balance in such Fund, in the amount as, from time to time, shall be established by the Authority. Moneys in the Renewal and Replacement Fund are to be applied to the costs of improvements, repairs or extraordinary maintenance which are not provided for by moneys available in other Funds or Accounts established under the Indenture, including without limitation the costs of unanticipated or emergency repairs or replacements of any part of the Airport System which are properly chargeable to plant or property accounts under generally accepted accounting principles.

Pursuant to the Fifth Supplemental Trust Indenture, the amount required to be maintained in the Renewal and Replacement Fund (the “Renewal and Replacement Fund Requirement”) is established to be equal to \$500,000. In conjunction with adoption and filing of the Operating Budget for each Fiscal Year, commencing with the Operating Budget for [2018], the Authority shall certify the Renewal and Replacement Fund Requirement for the Fiscal Year to which such Operating Budget relates; provided that for each such Fiscal Year the Authority’s certificate shall be consistent with the Authority’s certificate made pursuant to the Fifth Supplemental Trust Indenture. If the Authority shall not certify the Renewal and Replacement Fund Requirement as aforesaid, the requirement for the Fiscal Year shall be such requirement in effect for the previous Fiscal Year until the new requirement is certified as aforesaid. The amount of the Renewal and Replacement Fund Requirement shall be adjusted to be in accordance with the Authority’s certificate issued pursuant to the Fifth Supplemental Trust Indenture.

In the event the Authority makes a withdrawal from the Renewal and Replacement Fund, the Authority shall withdraw or cause to be withdrawn amounts from the Revenue Fund pursuant to the Master Indenture and deposit or cause to be deposited to the Renewal and Replacement Fund such amounts as will be sufficient to restore the amount on deposit in the Renewal and Replacement Fund to the then current Renewal and Replacement Fund Requirement in not more than 24 substantially equal monthly payments.

If at any time, the amount on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Fund Requirement for the current Fiscal Year, such excess may be transferred to the Revenue Fund or applied as otherwise directed by the Authority.

General Fund. The Authority initially has created within the General Fund, the “Coverage Account,” the “Revenue Credit Account,” and the “Capital Improvement Account.”

At the end of each Fiscal Year or as soon thereafter as is practicable, after all transfers, payments and deposits required to be made from the Revenue Fund, the Authority shall transfer to the General Fund moneys remaining in the Revenue Fund after provision for a reasonable reserve.

Moneys so transferred to the General Fund shall be applied, first, to the Coverage Account in an amount determined by the Authority but not to exceed an amount equal to 25% of Aggregate Annual Debt Service, and second, to the Capital Improvement Account, to the Revenue Credit Account and to such other Accounts that may be established, from time to time, within the General Fund, in such amounts and such priority as shall be determined by the Authority.

Moneys in the Capital Improvement Account may be used for any lawful Airport System purpose including, at the Authority’s discretion, payment of the costs of capital improvements of the Airport System.

Moneys in the Revenue Credit Account shall be transferred at the beginning of each Fiscal Year to the Revenue Fund and applied for such Fiscal Year as a credit in the calculation of such fees and charges as shall be determined by the Authority that are related to Airport System.

PFC Fund. There is created within the PFC Fund, initially, an account known as the “PFC Capital Account.” The Authority has covenanted and agreed that all Passenger Facility Charges, when and as received by the Authority, shall be deposited into the PFC Fund. In addition to Passenger Facility Charges, all earnings derived from investment of the PFC Fund shall be retained in the PFC Fund, unless otherwise provided in a Supplemental Indenture. The Authority shall make transfers, payments or deposits from the PFC Fund at the times and in the amounts determined by the Authority to fund principal and interest on Outstanding Bonds or Subordinated Obligations, if any, issued to fund Costs of a Project authorized to be funded with Passenger Facility Charges.

Any Passenger Facility Charges not used for such transfers, payments or deposits may be transferred, at the election of the Authority, to the PFC Capital Account or to such other Accounts as may be created within the PFC Fund as the Authority may determine in conformity with federal statutes and regulations governing the use of the Passenger Facility Charges. Funds

on deposit in the PFC Capital Account and any other Accounts established within the PFC Fund may be transferred or applied as the Authority shall determine in conformity with applicable law.

LOI Fund. The Authority has created within the LOI Fund, initially, an Account known as the “LOI Capital Account.” The Authority has covenanted and agreed that all LOI Receipts, when and as received by the Authority, shall be deposited into the LOI Fund. In addition to LOI Receipts, all earnings derived from investment of the LOI Fund shall be retained in the LOI Fund, unless otherwise provided in a Supplemental Indenture. The Authority shall make transfers, payments or deposits from the LOI Fund at the times and in the amounts determined by the Authority to fund principal and interest on Outstanding Bonds or Subordinated Obligations issued to fund Costs of a Project authorized to be funded with LOI Receipts.

Any LOI Receipts not used for such transfers, payments or deposits may be transferred, at the election of the Authority, to the LOI Capital Account or to such other Accounts as may be created within the LOI Fund as the Authority may determine in conformity with federal statutes and regulations governing the use of the LOI Receipts. Funds on deposit in the LOI Capital Account and any additional Accounts established within the LOI Fund may be transferred or applied as the Authority shall determine in conformity with applicable law.

Additional Security for a Series of Bonds. The pledge of Net Revenues and the other security provided in the Granting Clauses of the Master Indenture secure all Bonds issued under the terms of the Master Indenture on an equal and ratable basis, except as to the timing of such payments. The Authority may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Payment of Principal and Interest

The Authority has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner in the Master Indenture, in the Supplemental Indentures and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Indenture and in the Bonds contained, provided that the Authority’s obligation to make payment of the principal of, premium, if any, and interest on the Bonds shall be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Indenture and any other source which the Authority may specifically provide for such purpose and no Bondholder shall have any right to enforce payment from any other funds of the Authority.

Rate Covenant

The Authority covenants in the Master Indenture to fulfill the following requirements:

- (a) The Authority, so long as any Bonds remain Outstanding, shall establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Aggregate Annual Debt Service on any Outstanding Bonds required to be funded by the Authority in such Fiscal Year as required by the Master Indenture;

(ii) the required deposits to the Debt Service Reserve Fund which may be established by a Supplemental Indenture;

(iii) the interest on and principal of any indebtedness required to be funded Fiscal Year other than Outstanding Bonds, but including Subordinated Obligations;

(iv) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, but including Subordinated Obligations;

(v) the reimbursement owed to any Credit Provider or Subordinate Credit Provider as required by a Supplemental Indenture or the Master Subordinate Indenture;

(vi) transfers to the Maintenance and Operation Reserve Fund under the Master Indenture; and

(vii) transfers to the Renewal and Replacement Fund under the Master Indenture.

(b) The Authority further agrees under the Master Indenture that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with the amount on deposit in the Coverage Account, will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Bonds. For purposes of this subsection (b), the amount on deposit in the Coverage Account taken into account shall not exceed 25% of Aggregate Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

(c) The Authority covenants that if Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Authority shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in the amount specified in paragraph (a) or (b) above in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the Authority promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by paragraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the Master Indenture. Nevertheless, if after taking the measures required by paragraph (c) above to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amount specified in paragraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of the Master Indenture.

Obligations Prohibited

The Authority has agreed that so long as any Bonds are Outstanding under the Master Indenture, it will not issue, or authorize issuance of, any bonds or other obligations with a lien on or security interest granted in Net Revenues which is senior to the Bonds.

Subordinated Obligations

The Authority may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in the Master Indenture, referred to as Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Authority shall determine, provided that:

(a) any Supplemental Indenture authorizing the issuance of any Subordinated Obligations shall specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds; and

(b) payment of principal of and interest on such Subordinated Obligations shall be permitted, provided that all deposits required to be made pursuant to the Master Indenture, if any, are then current in accordance with the Master Indenture.

Special Facilities and Special Facility Obligations

The Authority shall be permitted to designate new or existing Airport Facilities as Special Facilities. The Authority may, from time to time, and subject to the terms and conditions of this section, (a) designate a separately identifiable existing facility or planned facility as a "Special Facility," (b) pursuant to an indenture other than the Master Indenture and without a pledge of any Net Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from such Special Facility, together with other income and revenues available to the Authority from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be "Special Facilities Revenue" and not included as Revenues or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred shall be a "Special Facility Obligation" and the principal of and interest thereon shall

be payable solely from the Special Facilities Revenue. The Authority may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which shall include contractual payments derived by the Authority under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Authority and another person, firm or corporation, either public or private, as shall undertake the operation of a Special Facility.

No Special Facility Obligations shall be issued by the Authority unless there shall have been filed with the Trustee: (i) a certificate of an Authorized Authority Representative stating that the estimated Special Facilities Revenue pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Authority and all sinking fund, reserve or other payments required with respect to the Special Facility Obligations as the same become due; and (ii) a certificate of a Consultant with respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as a "Special Facility" or "Special Facilities," to the effect that the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Maintenance and Operation Expenses of the Airport System, will be sufficient so that the Authority will be in compliance with the Rate Covenant of the Master Indenture; and (iii) no Event of Default then exists under the Master Indenture.

To the extent Special Facilities Revenue received by the Authority during any Fiscal Year shall exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

Notwithstanding any other provision of this section, at such time as the Special Facility Obligations issued for a Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Authority from such facility shall be included as Revenues.

Obligations Secured by Other Revenues

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

Maintenance and Operation of Airport System

The Authority has covenanted that the Airport System shall at all times be operated and maintained in good working order and condition and in compliance with all lawful orders of any governmental agency or authority having jurisdiction (provided the Authority shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary with respect to construction or operation of any part of the Airport System shall be obtained and maintained, and that all necessary repairs, improvements and replacements of the Airport System shall be made in order to maintain proper operation of the Airport System.

Insurance; Application of Insurance Proceeds.

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

(a) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self insured programs provided by similar airports; and

(b) the Authority will place on file with the Trustee, annually within 120 days after the close of each Fiscal Year, a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self insured programs then in effect with respect to the Airport System and the operations of the Authority. The Trustee may conclusively rely upon such certificate and shall not be responsible for the sufficiency or adequacy of any insurance required herein or obtained by the Authority.

“Qualified Self Insurance” shall mean insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self insurance program shall be reviewed at least once every 12 months by a Consultant who shall deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he shall make a recommendation as to the amount of reserves that should be established and maintained, and the Authority shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Authority shall create within the Revenue Fund a special account and shall credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds shall, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portions thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Bonds or Subordinated Obligations, or (iv) create an escrow fund pledged to pay (I) specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Indenture; or (II) specified Subordinated Obligations and thereby cause such Subordinated Obligations to be deemed to be paid as provided in the Master Subordinate Indenture; provided, however, in either case, that the Authority shall first deliver to the Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Bonds or Subordinated Obligations, the Rate Covenant set forth in the Master Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Authority shall not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this section, any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, shall not, for so long as the Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

The Authority may transfer, sell or otherwise dispose of any property or interest in property constituting Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the immediately preceding 12 month period (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Fund to be used as described below and the Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Indenture; or (c) the Authority receives fair market value for the property, the proceeds are deposited in the Revenue Fund to be used as described below, and prior to the disposition of such property, there is delivered to the Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that Authority will be in compliance with the Rate Covenant as set forth in the Master Indenture during each of the three Fiscal Years immediately following such disposition.

Net proceeds of sale or other disposition of property or interest in property shall be applied by the Authority to replacement of property so sold or otherwise disposed of, if deemed necessary or proper by the Authority, or, in lieu thereof, shall be deposited by the Authority to the Revenue Fund, in the case of sale or other disposition of current assets (determined in accordance with sound accounting practice) or the lease of property, and otherwise in the

Renewal and Replacement Fund or Debt Service Fund, as appropriate to the intended use thereof.

Notwithstanding the foregoing provisions of this section, Airport Facilities (excluding property described in subparagraph (a) above) which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of unless the Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition shall be made which would cause the Authority to be in default of any other covenant contained in the Master Indenture.

The Authority covenants that it will not dispose of assets necessary to operate the Airport System in the manner and at the levels of activity required to enable it to perform its covenants contained in the Master Indenture, including, without limitation, the Rate Covenant.

Investments

Moneys held by the Trustee in the funds and accounts created in the Master Indenture and under any Supplemental Indenture shall be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Master Indenture and such Supplemental Indenture. The Authority shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Permitted Investments specified in item (ix) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account (which is generally referred to as the U.S. Government Fund) of the Trustee, provided it meets the requirements specified in (ix) of the definition of Permitted Investments.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Master Indenture except for the purposes of payment from moneys or Defeasance Obligations held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Master Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Bonds under the Master Indenture shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Master Indenture, shall execute, acknowledge and deliver to the Authority such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and

deliver to the Authority any property and revenues at the time subject to the Master Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds; provided, however, that so long as any Subordinated Obligations remain outstanding, the Trustee shall not cancel, discharge and release the Master Indenture.

A Bond shall be deemed to be paid within the meaning of and for all purposes of the Master Indenture when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bonds and the Master Indenture or (b) shall have been provided for by depositing with the Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) Defeasance Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds shall be deemed to be paid under the Master Indenture, such Bonds shall no longer be secured by or entitled to the benefits of the Master Indenture, except for the purposes of payment from such moneys or Defeasance Obligations.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Bonds. Once such deposit shall have been made, the Trustee shall notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Master Indenture. No notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by the Supplemental Indenture under which such Bonds were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Master Indenture subject to (a) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and (b) receipt of a report of a nationally recognized accounting firm verifying sufficiency of the deposit of the amount of moneys and/or maturing principal of and interest on Defeasance Obligations estimated to be derived therefrom for the payment of the principal of, premium, if any, and interest on such Bonds. Notwithstanding anything in the Master Indenture to the contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the Authority so long as the requirements of subparagraphs (a) and (b) above are met prior to or concurrently with any such withdrawal.

Defaults and Remedies

Events of Default. Each of the following events shall constitute and is referred to in the Master Indenture as an "Event of Default":

- (a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Authority and which are contained in the Master Indenture or a Supplemental Indenture, which failure, except for a violation of the Rate Covenant under the Master Indenture which shall be controlled by the provisions set forth therein, shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Master Indenture;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the Authority to account as if it were the Trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

(c) In no event, upon the occurrence and continuation of an Event of Default shall the Trustee, the Bondholders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

(d) An Event of Default with respect to the one Series of Bonds shall not cause an Event of Default with respect to any other Series of Bonds unless such event or conditions on its own constitutes an Event of Default with respect to such other Series of Bonds pursuant to the Master Indenture.

Bondholders' Right To Direct Proceedings. Anything in the Master Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Master Indenture to be taken in connection with the enforcement of the terms of the Master Indenture or exercising any trust or power conferred on the Trustee by the Master Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Master Indenture and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right To Institute Proceedings. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Indenture, or any other remedy under the Master Indenture or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under the Master Indenture shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or under the Bonds, except in the manner provided in the Master Indenture, and that all suits,

actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of all Bondholders.

Rights of Credit Providers. Credit Providers may be granted, pursuant to a Supplemental Indenture, the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in the Master Indenture to the same extent and in place of the owners of the Bonds which are secured by the Credit Facility

Trustee

Standard of Care; Duties. If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Trustee shall perform the duties set forth in the Master Indenture and no implied duties or obligations shall be read into the Master Indenture against the Trustee. Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Master Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of the Master Indenture.

The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; and (ii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders, any Credit Provider or the Authority in the manner provided in the Master Indenture.

The Trustee shall not, by any provision of the Master Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Indenture at the request or direction of any of the holders of the Bonds, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Authority is required before such events will become Events of Default, such notice has been given, then the Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Bondholder. Except in the case of a default in payment or

purchase on any Bonds, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Trustee. The Master Indenture shall always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the Commonwealth, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. The Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. The Authority may remove the Trustee, by notice in writing delivered to the Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this section shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the Authority. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under the Master Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Indenture, the Authority shall promptly appoint a successor Trustee. If a Trustee is not performing its duties under the Master Indenture and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Trustee, the Authority or the holders of a majority in Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and such corporation meets the qualifications set forth in the Master Indenture, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, Paying Agent or Registrar.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Master Indenture or any Supplemental Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Master Indenture and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Authority in the Master Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment shall not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Master Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Bondholders;

(h) to provide for book-entry only Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate

bonds, discounted or compound interest bonds or other forms of indebtedness which the Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Authority shall, pursuant to this section, execute any Supplemental Indenture, there shall have been delivered to the Authority and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Master Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not cause interest on any of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into as described above and any Supplemental Indenture entered into pursuant subsection (b) below, the holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following subsection (b) is applicable, nothing contained in the Master Indenture shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Master Indenture, including the provisions of subsection (b) below, shall, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Indenture) upon or pledge of the Net Revenues created by the Master Indenture, ranking prior to or on a parity with the claim created by the Master Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses of the Master Indenture, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing contained in the Master Indenture, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized in

the Master Indenture, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(b) The Authority may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in the section above regarding Supplemental Indentures without consent of Bondholders, no notice to or consent of the Bondholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and the section above regarding Supplemental Indentures without consent of Bondholders is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing contained in the Master Indenture shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Indenture, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized by the Master Indenture, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(c) If at any time the Authority shall desire to enter into any Supplemental Indenture for any of the purposes of this section, the Authority shall cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Bondholders or, under section (b) above, all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Authority for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Indenture but it shall be sufficient if such Bondholders approve the substance thereof.

Credit Providers

If a Credit Facility is provided for a Series of Bonds or for specific Bonds, the Authority may in the Supplemental Indenture under which such Bonds are issued, provide any or all of the following rights to the Credit Provider as the Authority shall deem to be appropriate:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in the Master Indenture to the same

extent and in place of the owners of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Bondholder of such Bonds; and

(b) the right to act in place of the owners of the Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under the Master Indenture.

The rights granted to any such Credit Provider, with respect to the Master Indenture shall be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility.

PART II: SUMMARY OF THE FIFTH SUPPLEMENTAL TRUST INDENTURE

Terms of the Series 2017 Bonds

The Fifth Supplemental Trust Indenture sets forth the terms of the Series 2017 Bonds, most of which terms are described earlier in this Official Statement under “DESCRIPTION OF THE SERIES 2017 BONDS.”

Establishment of Funds

The Fifth Supplemental Trust Indenture establishes the following funds and accounts: (i) the Series 2017 Settlement Fund, (ii) within the Debt Service Fund, the Series 2017 Debt Service Account (the “*Series 2017 Debt Service Account*”) and within the Series 2017 Debt Service Account an Interest Subaccount, a Principal Subaccount and a Redemption Subaccount; (iii) within the Debt Service Reserve Fund, the Series 2017 Debt Service Reserve Account (the “*Series 2017 Debt Service Reserve Account*”); and (iv) the Series 2017 Rebate Fund (the “*Series 2017 Rebate Fund*”) and therein an Earnings Account.

The funds and accounts shall be initially funded by the proceeds of the sale of the Series 2017 Bonds and other available funds as described in this Official Statement under “APPLICATION OF THE SERIES 2017 BOND PROCEEDS.”

Settlement Fund. The net proceeds of the sale of the Series 2017 Bonds will be deposited to the Series 2017 Settlement Fund. The Trustee shall make transfers, payments or disbursements from the Series 2017 Settlement Fund in accordance with the terms of the Fifth Supplemental Indenture and will pay Costs of Issuance pursuant to directions issued by the Authority upon the closing of the Series 2017 Bonds or upon receipt from the Authority of a written requisition executed by an Authorized Authority Representative, which requisition states, among other things, with respect to each amount requested thereby, (i) that such amount is to be paid from the Series 2017 Settlement Fund, (ii) the number of the requisition from such account, (iii) the amount to be paid, the name/names of the entity/entities to which the payment is to be made and the manner in which the payment is to be made, and (iv) describe the Costs of Issuance represented by such payment. Any amounts remaining in the Series 2017 Settlement Fund 180 days after the issuance of the Series 2017 Bonds shall be transferred to the Interest Subaccount of the Series 2017 Debt Service Account and the Series 2017 Settlement Fund shall be closed.

Amounts deposited to the Series 2017 Settlement Fund shall be invested and reinvested in Permitted Investments as directed by the Authority and the earnings in such account shall be deposited to the Interest Subaccount of the Series 2017 Debt Service Account.

Series 2017 Debt Service Account within the Debt Service Fund. Pursuant to the Fifth Supplemental Trust Indenture, the Series 2017 Debt Service Account is established within the Debt Service Fund; and within the Series 2017 Debt Service Account, an Interest Subaccount, a Principal Subaccount and a Redemption Subaccount are established.

The Trustee shall deposit into the Interest Subaccount the amounts representing interest earnings from the account established within the Settlement Fund and shall, thereafter, deposit

into the Interest Subaccount (i) amounts received from the Authority to be used to pay interest on the Series 2017 Bonds and, if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2017 Bonds, to pay amounts due and payable to the provider of such agreement at such times as are provided in such interest rate swap agreement and (ii) if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2017 Bonds, any amounts received by the Authority from the provider of such agreement. The Trustee shall also deposit into the Interest Subaccount any other amounts deposited with the Trustee for deposit in the Interest Subaccount or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Subaccount shall be held on a priority basis for the ratable security and payment of interest due on the Series 2017 Bonds in accordance with their terms and amounts due and payable by the Authority under any interest rate swap agreement entered into by the Authority with respect to all or a portion of the Series 2017 Bonds (other than any swap termination payments) at any time in proportion to the amounts due or accrued with respect to each of them. Earnings on the Interest Subaccount shall be retained in the account to be credited against the Authority's payment of interest next becoming due.

The Trustee shall deposit into the Principal Subaccount amounts received from the Authority to be used to pay principal of the Series 2017 Bonds whether at maturity or by mandatory sinking fund redemption. The Trustee shall also deposit into the Principal Subaccount any other amounts deposited with the Trustee for deposit into the Principal Subaccount or transferred from other funds and accounts for deposit therein. On or about January 15 of each Fiscal Year, the Authority may direct either (i) that earnings on the Principal Subaccount be withdrawn by the Trustee and paid to the Authority for deposit into the Revenue Fund unless an Event of Default exists under the Master Indenture, in which event the earnings shall be retained in such account or (ii) that earnings be retained in such account to be credited against the Authority's payment of principal next becoming due.

The Trustee shall deposit into the Redemption Subaccount amounts received from the Authority or from other sources to be used to pay the principal of, interest on and premium, if any, on Series 2017 Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of the mandatory sinking fund). Earnings on amounts from time to time deposited into the Redemption Subaccount shall be retained in such account or paid to the Authority for deposit into the Revenue Fund in accordance with written instructions given to the Trustee by an Authorized Authority Representative at the time of such deposit.

The Series 2017 Debt Service Account shall be invested and reinvested as directed by the Authority in Permitted Investments.

Series 2017 Debt Service Reserve Account. Pursuant to the Fifth Supplemental Trust Indenture, the Series 2017 Debt Service Reserve Account is established within the Debt Service Reserve Fund.

Upon issuance of the Series 2017 Bonds, the Trustee will deposit into the Series 2017 Debt Service Reserve Account funds transferred from the 2008A Debt Service Reserve Account in the amount of \$1,938,250.00 (the "**Series 2017 Initial Deposit**"). Over the term of the Series

2017 Bonds and from and after the Series 2017 Initial Deposit is made, additional deposits (the “**Series 2017 Transferred Deposits**”) to the Series 2017 Debt Service Reserve Account are expected to be made, from time to time, from moneys available to be transferred from the Series 2008B Debt Service Reserve Account and the Series 2012 Debt Service Reserve Accounts. If on January 1, 2033 the sum of the Series 2017 Initial Deposit and any Series 2017 Transferred Deposits on deposit in the Series 2017 Debt Service Reserve Account is less than the Maximum Annual Debt Service on the Series 2017 Bonds, then on that date the Authority must transfer to the Trustee for deposit into the Series 2017 Debt Service Reserve Account moneys at least sufficient to eliminate such deficiency.

As long as any Series 2017 Bonds remain Outstanding, the Authority must maintain an amount equal to the Debt Service Reserve Requirement for the Series 2017 Bonds in the Series 2017 Debt Service Reserve Account. The Debt Service Reserve Requirement for the Series 2017 Bonds from the date of issuance to but not including January 1, 2033 will be the lesser of either (i) the sum of the Series 2017 Initial Deposit and any Series 2017 Transferred Deposits and (ii) the Maximum Annual Debt Service on the Series 2017 Bonds. The Debt Service Reserve Requirement for the Series 2017 Bonds from January 1, 2033 and thereafter will be the Maximum Annual Debt Service on the Series 2017 Bonds. In no event will the Debt Service Reserve Requirement for the Series 2017 Bonds exceed Maximum Annual Debt Service for the Series 2017 Bonds.

Moneys on deposit in the Series 2017 Debt Service Reserve Account shall be applied by the Trustee as follows:

(a) On the Payment Date of each required payment from the Series 2017 Debt Service Account, moneys in the Series 2017 Debt Service Reserve Account shall be applied to cure any deficiency in the Series 2017 Debt Service Account;

(b) Upon maturity or redemption of the Series 2017 Bonds, moneys remaining in the Series 2017 Debt Service Reserve Account and no longer needed in order to satisfy the Debt Service Reserve Requirement for the Series 2017 Bonds shall be transferred to the Interest Subaccount of the Series 2017 Debt Service Account and credited against the Authority’s payments next becoming due in respect of the interest on the Series 2017 Bonds; and

(c) Any amount in the Series 2017 Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on all Outstanding Series 2017 Bonds on any valuation date shall be transferred to the Interest Subaccount of the Series 2017 Debt Service Account and credited against the Authority’s payments next becoming due in respect of the interest on the Series 2017 Bonds.

The amount of any deficiency in the Series 2017 Debt Service Reserve Account shall be restored by the Authority in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration

period for the initial withdrawal. In addition, if on any Valuation Date the fair market value of the investments, including accrued interest in the Series 2017 Debt Service Reserve Account is less than 100% of the Debt Service Reserve Requirement on the Outstanding Series 2017 Bonds for which the Series 2017 Debt Service Reserve Account was established, the difference between such Debt Service Reserve Requirement and the value of the Series 2017 Debt Service Reserve Account shall be restored by the Authority in no more than 12 equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the Authority may direct the Trustee to recompute the value of the assets in the relevant Series 2017 Debt Service Reserve Account, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

Subject to limitations set forth in the Tax Certificate, moneys in the Series 2017 Debt Service Reserve Account shall be invested and reinvested by the Trustee at the direction of the Authority in Permitted Investments.

The Authority is permitted to substitute a Debt Service Reserve Fund Surety Policy for cash or securities on deposit in any Series 2017 Debt Service Reserve Account provided certain conditions set forth in the Fifth Supplemental Trust Indenture are met.

Series 2017 Rebate Fund. The Fifth Supplemental Trust Indenture creates the Series 2017 Rebate Fund for the Series 2017 Bonds established for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Trustee with respect to the Series 2017 Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2017 Bonds. Such excess is to be deposited into the Series 2017 Rebate Fund and periodically paid to the United States of America. The Series 2017 Rebate Fund while held by the Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Series 2017 Bonds.

Transfer of Net Revenues from Revenue Fund to the Debt Service Fund.

(a) The Authority shall pay or cause to be paid amounts from Net Revenues on deposit in the Revenue Fund to the Trustee for deposit to the Principal Subaccount of the Series 2017 Debt Service Account by the tenth day of each month sufficient to accumulate in equal monthly installments the principal component of the Annual Debt Service next becoming due on the succeeding Payment Date for the payment of principal of the applicable Series 2017 Bonds.

(b) The Authority shall pay or cause to be paid, amounts from Net Revenues on deposit in the Revenue Fund, to the Trustee for deposit to the Interest Subaccount of the Series 2017 Debt Service Account by the tenth day of each month an amount sufficient to accumulate in equal monthly installments the interest component of the Annual Debt Service next becoming due on the succeeding Payment Date for the payment of interest on the applicable Series 2017 Bonds.

APPENDIX C-2
SUMMARY OF CERTAIN PROVISIONS OF THE MASTER SUBORDINATE TRUST
INDENTURE

The following statements are summaries of certain provisions of the Master Subordinate Trust Indenture. The summaries set forth below should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entirety for the complete statements of the provisions thereof. Copies of the Master Subordinate Trust Indenture are on file at the corporate trust office of the Subordinate Trustee in Harrisburg, Pennsylvania.

Grant to Secure Subordinate Bonds; Pledge of Subordinate Net Revenues

To secure the payment of the interest, principal and premium, if any, on the Subordinate Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Master Subordinate Indenture or contained in the Subordinate Bonds, the Authority has pledged and assigned to the Subordinate Trustee and granted to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the Authority in the following: (a) the Subordinate Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Subordinate Trustee under the Master Subordinate Indenture, and to the extent provided in any Supplemental Indenture moneys and securities held in any Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) above (except to the extent excluded from the definition of “Revenues” by the Master Subordinate Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by the Master Subordinate Indenture, be of equal rank without preference, priority or distinction as to any Subordinate Bond over any other Subordinate Bond or Subordinate Bonds, except as to the timing of payment of the Subordinate Bonds. Moneys in the Subordinate Debt Service Reserve Fund and any Subordinate Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Subordinate Debt Service Reserve Requirement and any other security, Subordinate Liquidity Facility or Subordinate Credit Facility provided for specific Subordinate Bonds, a specific Series of Subordinate Bonds or one or more Series of Subordinate Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, Series of Subordinate Bonds or one or more Series of Subordinate Bonds and, therefore, shall not be included as security for all Subordinate Bonds under the Master Subordinate Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Bonds which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Bonds which are

deemed to have been paid under the Master Subordinate Indenture shall be held solely for the payment of such specific Subordinate Bonds.

Additional Subordinate Bonds

Subject to the provisions under subparagraphs (c) and (d) of the last paragraph of this section, as a condition to the issuance of any Series of Subordinate Bonds, there first shall be delivered to the Subordinate Trustee either:

(a) a certificate of an Authorized Authority Representative stating that the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Bonds or preceding the first issuance of the proposed Subordinate Program Bonds were at least equal to 110% of the Combined Maximum Annual Debt Service; or

(b) a certificate of a Consultant to the effect that the Annual Debt Service of the proposed Series of Subordinate Bonds or the full Authorized Amount of proposed Subordinate Program Bonds (as applicable) is payable out of Subordinate Net Revenues and stating that the Authority will be in compliance with the Rate Covenant during either (i) each of the first three Fiscal Years succeeding the date on which the Specified Project is expected to be completed, or (ii) during each of the first five Fiscal Years succeeding the date of issuance of such Subordinate Bonds, whichever is later.

For purposes of subparagraph (a) above, the Authorized Authority Representative shall be allowed to adjust Net Revenues for any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Series of Subordinate Bonds but which rates, charges and fees were not in effect for the 12-month period under consideration, in an amount equal to the sum by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole of the such 12-month period provided, however, such increase is intended to continue to be effective following the issuance of such proposed Series of Subordinate Bonds.

Neither of the certificates described in subparagraphs (a) and (b) above shall be required:

(c) if Subordinate Bonds being issued are for the purpose of refunding then Outstanding Subordinate Bonds and there is delivered to the Subordinate Trustee, instead, a certificate of an Authorized Authority Representative showing that Maximum Aggregate Annual Debt Service after the issuance of such Subordinate Refunding Bonds will not exceed Maximum Aggregate Annual Debt Service prior to the issuance of such Subordinate Refunding Bonds; or

(d) if the Subordinate Bonds being issued constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Net Revenues for any 12 consecutive months out of the 24 months immediately preceding the issuance of the proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate

of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Authority will be in compliance with the Rate Covenant.

Subordinate Repayment Obligations Afforded Status of Bonds

If a Subordinate Credit Provider or Subordinate Liquidity Provider makes payment of principal of or interest on a Subordinate Bond or advances funds to purchase or provide for the purchase of Subordinate Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Subordinate Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Subordinate Bond issued under the Master Subordinate Indenture, and, if afforded such status, the Subordinate Credit Provider or Subordinate Liquidity Provider shall be the Bondholder and such Subordinate Bond shall be deemed to have been issued at the time of the original Subordinate Bond for which the Subordinate Credit Facility or Subordinate Liquidity Facility was provided and will not be subject to the provisions of the Master Subordinate Indenture relating to the issuance of additional Subordinate Bonds. The payment terms of such Subordinate Bond shall be the stated terms of the Subordinate Repayment Obligation (unless otherwise provided in the Supplemental Indenture pursuant to which such Subordinate Bonds are issued). Any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Bond shall be a Junior Obligation of the Authority. This provision shall not defeat or alter the rights of subrogation which any Subordinate Credit Provider may have under law or under the terms of any Supplemental Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Subordinate Credit Provider or Subordinate Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Bond under the Master Subordinate Indenture.

Obligations Under Qualified Swap; Nonqualified Swap.

The obligation of the Authority to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Subordinate Bonds may be on a parity with the obligation of the Authority to make payments with respect to such Series of Subordinate Bonds and other Subordinate Bonds under the Master Subordinate Indenture, except as otherwise provided by a Supplemental Indenture and in the Master Subordinate Indenture with respect to any Swap Termination Payments. The Authority may provide in any Supplemental Indenture that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Subordinate Net Revenues on a parity with the Subordinate Bonds of such Series and all other Subordinate Bonds, regardless of the principal amount, if any, of the Subordinate Bonds of such Series remaining Outstanding. The Subordinate Trustee shall take all action consistent with the other provisions the Master Subordinate Indenture as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Authority with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Subordinate Trustee either to exercise the remedies granted in the Master Subordinate Indenture

or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Subordinate Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Swap Termination Payment or any other amounts other than as described in preceding paragraph are due and payable by the Authority under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Junior Obligation under the Master Subordinate Indenture.

Obligations of the Authority to make payments, including termination payments, under a Nonqualified Swap shall constitute Junior Obligations under the Master Subordinate Indenture.

Revenues and Funds

Revenue Fund. The Authority has covenanted and agreed to deposit in the Revenue Fund, all Revenues when and as received. The Authority has further covenanted to deposit into the Revenue Fund all other moneys required by the Master Subordinate Indenture to be so deposited. So long as no Event of Default exists and is continuing, the Revenue Fund shall remain in the possession of the Authority; otherwise the Revenue Fund will be held by the Trustee.

As long as there are any Outstanding Subordinate Bonds, all Revenues shall be deposited in the Revenue Fund and shall be applied by the Authority in the manner, at the times and in the order of priority as follows:

(a) *Maintenance and Operation Expense of the Airport System.* Payment Maintenance and Operation Expenses of the Airport System then due and payable.

(b) *Senior Debt Service Fund.* Revenues shall be paid over by the Authority to the Trustee in such amounts and at such times as shall be required by the Indenture to pay the debt service with respect to Senior Bonds.

(c) *Senior Debt Service Reserve Fund.* Revenues shall be paid over by the Authority to the Trustee in such amounts and at such times as shall be required by the Indenture to fund any reserve requirement for debt service with respect to the Senior Bonds.

(d) *Subordinate Debt Service Fund.* Revenues shall be paid over by the Authority to the Subordinate Trustee for deposit in the Subordinate Debt Service Fund, in the amounts, at the times and in the manner provided in the Master Subordinate Indenture or in such other amounts and times provided in a Supplemental Indenture to provide for the payment of principal and interest to become due on Outstanding Subordinate Bonds.

(e) *Subordinate Debt Service Reserve Fund.* Revenues shall be paid over by the Authority to the Subordinate Trustee for deposit in the Subordinate Debt Service Reserve Fund in the amounts and at the times as shall be specified in a Supplemental Indenture to be used in the manner provided in the Master Subordinate Indenture.

(f) *Maintenance and Operation Reserve Fund.* Revenues shall be transferred to the Maintenance and Operation Reserve Fund in the amounts required in accordance with the Senior Master Indenture.

(g) *Renewal and Replacement Fund.* Revenues shall be transferred to the Renewal and Replacement Fund in the amounts required in accordance with the Senior Master Indenture.

(h) *General Fund.* Revenues shall be transferred to the General Fund at the time and in such amounts, if any, as the Authority, from time to time, may determine as provided in the Senior Master Indenture.

Funding of Debt Service Funds. The Subordinate Trustee, after taking into account Capitalized Interest and other money, if any, on deposit in the Subordinate Debt Service Fund, shall, at least 15 Business Days prior to each Payment Date on any Subordinate Bond, give the Authority notice by telephone, promptly confirmed in writing, of the amount required, if any, to be deposited with the Subordinate Trustee to make each required payment of principal and interest due on such Payment Date. Upon receipt of such notice, the Authority, at least five Business Days prior to such Payment Date, shall withdraw from the Revenue Fund and pay to the Subordinate Trustee said amount, if any, required to make the interest and/or principal payments due on such Payment Date.

The Supplemental Indenture under which any Series of Subordinate Bonds are issued may provide for different times and methods of notifying the Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Indenture shall control.

On any day on which the Subordinate Trustee receives moneys from the Authority to be used to pay principal of or interest on Subordinate Bonds, the Subordinate Trustee shall deposit such amounts into the respective Accounts of the Subordinate Debt Service Fund for the Series of Subordinate Bonds for which such payments were made and any excess shall be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Fund (without regard to any amounts which may be available from the Subordinate Debt Service Reserve Fund) to pay in full all amounts of principal and/or interest due on such date, the Subordinate Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in the Subordinate Debt Service Reserve Fund) as follows: first to the payment of interest then due on the Subordinate Bonds and, if the amount available shall not be sufficient to pay in full all interest on the Subordinate Bonds then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Subordinate Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Subordinate Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Bonds.

If an Account or Accounts in the Subordinate Debt Service Reserve Fund (or a Subordinate Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Bonds secured thereby, then the Authority may be required by Supplemental

Indenture to replenish such Account or Accounts or reimburse the Subordinate Credit Provider from Subordinate Net Revenues provided that (a) no amount from Subordinate Net Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Bonds which have become due and payable shall have been paid in full, (b) the required payments to replenish the Subordinate Debt Service Reserve Fund or reimburse the Subordinate Credit Provider shall be due in no more than 12 substantially equal monthly installments commencing in January of the year immediately succeeding any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish such Accounts in the Subordinate Debt Service Reserve Fund and reimburse the Subordinate Credit Provider exceeds the amount available for such purpose, the payments to be made for such purpose to the Subordinate Trustee and to the Subordinate Credit Provider shall be allocated among such Accounts in the Subordinate Debt Service Reserve Fund *pro rata* on the basis of the Outstanding Principal Amount of Subordinate Bonds secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Indenture authorizing such Series of Subordinate Bonds, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Bonds depending upon the terms of such Subordinate Bonds and may provide for payment through a Subordinate Credit Facility with reimbursement to the Subordinate Credit Provider from the respective Account in the Subordinate Debt Service Fund created for the Series of Subordinate Bonds for which such Subordinate Credit Facility is provided.

If the Subordinate Net Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Bonds, the Authority may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into a specified Account or Accounts or subaccount or subaccounts in the Subordinate Debt Service Fund.

Additional Security. The pledge of Subordinate Net Revenues and the other security provided in the Granting Clauses of the Master Subordinate Indenture secure all Subordinate Bonds issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Authority may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Bonds or Series of Subordinate Bonds with no obligation to provide such additional security or credit enhancement to other Subordinate Bonds.

Payment of Principal and Interest

The Authority has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Bond at the place and on the dates and in the manner in the Master Subordinate Indenture, in the Supplemental Indentures and in the Subordinate Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Subordinate Indenture and in the Subordinate Bonds contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Bonds shall be limited to payment from the Subordinate Net Revenues, the funds and accounts pledged therefor in the Granting

Clauses of the Master Subordinate Indenture and any other source which the Authority may specifically provide for such purpose and no Bondholder shall have any right to enforce payment from any other funds of the Authority.

Rate Covenant

The Authority covenants in the Master Subordinate Indenture to fulfill the following requirements:

(a) The Authority, so long as any Subordinate Bonds remain Outstanding, shall establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Senior Aggregate Annual Debt Service and Senior Debt Service Reserve Requirement required to be funded by the Authority in such Fiscal Year;

(ii) the Subordinate Aggregate Annual Debt Service on all Subordinate Bonds Outstanding and the Subordinate Debt Service Reserve Requirement with respect to Subordinate Bonds required to be funded by the Authority in such Fiscal Year;

(iii) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than Senior Bonds or Outstanding Subordinate Bonds, including Junior Obligations;

(iv) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds or Outstanding Subordinate Bonds, including Junior Obligations;

(v) the reimbursement owed to any Senior Credit Provider and Subordinate Credit Provider as required by the Indenture and the Subordinate Master Indenture;

(vi) transfers to the Maintenance and Operation Reserve Fund pursuant to the Senior Master Indenture; and

(vii) transfers to the Renewal and Replacement Fund pursuant to the Senior Master Indenture.

(b) The Authority further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with the amount on deposit in the Coverage Account, will be equal to at least 110% of Subordinate Aggregate Annual Debt Service and Senior Aggregate Annual Debt Service. For purposes of this subsection (b), the amount on deposit in the

Coverage Account taken into account shall not exceed 25% of Senior Aggregate Annual Debt Service on Senior Bonds outstanding in such Fiscal Year.

(c) The Authority covenants that if Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Authority shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues, together with any amount on deposit in the Coverage Account (only as applied in (b) above), in the amount specified in paragraph (a) or (b) above in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the Authority promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by paragraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the Master Subordinate Indenture. Nevertheless, if after taking the measures required by paragraph (c) above to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amount specified in paragraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of the Master Subordinate Indenture.

Junior Obligations

The Authority may, from time to time, incur indebtedness which is subordinate to the Subordinate Bonds and which indebtedness is, in the Master Subordinate Indenture, referred to as Junior Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Authority shall determine, provided that:

(a) any instrument or document authorizing the issuance of any Junior Obligations shall specifically state that such lien on or security interest granted in Subordinate Net Revenues is junior and subordinate to the lien on and security interest in such Subordinate Net Revenues and other assets granted to secure the Subordinate Bonds; and

(b) payment of principal of and interest on such Junior Obligations shall be permitted, provided that all deposits required to be made pursuant to the Master Subordinate Indenture, if any, are then current in accordance with the Master Subordinate Indenture.

Obligations Secured by Other Revenues

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

Maintenance and Operation of Airport System

The Authority has covenanted that the Airport System shall at all times be operated and maintained in good working order and condition and in compliance with all lawful orders of any governmental agency or authority having jurisdiction (provided the Authority shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary with respect to construction or operation of any part of the Airport System shall be obtained and maintained, and that all necessary repairs, improvements and replacements of the Airport System shall be made in order to maintain proper operation of the Airport System.

Insurance; Application of Insurance Proceeds.

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

(a) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self insured programs provided by similar airports; and

(b) the Authority will place on file with the Subordinate Trustee, annually within 120 days after the close of each Fiscal Year, a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self insured programs then in effect with respect to the Airport System and the operations of the Authority. The Subordinate Trustee may conclusively rely upon such certificate and shall not be responsible for the sufficiency or adequacy of any insurance required herein or obtained by the Authority.

“Qualified Self Insurance” shall mean insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall

provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self insurance program shall be reviewed at least once every 12 months by a Consultant who shall deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he shall make a recommendation as to the amount of reserves that should be established and maintained, and the Authority shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Authority shall create within the Revenue Fund a special account and shall credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds shall, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portions thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Senior Bonds or Subordinate Bonds, or (iv) create an escrow fund pledged to pay (I) specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Senior Master Indenture or (II) specified Subordinate Bonds and thereby cause such Subordinate Bonds to be deemed to be paid as provided in the Master Subordinate Indenture, provided, however, that the Authority shall first deliver to the Trustee and the Subordinate Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Subordinate Bonds, the Rate Covenant set forth in the Senior Master Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Authority shall not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this section, any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, shall not, for so long as the Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

The Authority may transfer, sell or otherwise dispose of any property or interest in property constituting Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the immediately preceding 12 month period (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Fund to be used as described below and the Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Subordinate Indenture; or (c) the Authority receives fair market value for the property, the proceeds are deposited in the Revenue Fund to be used as described below, and prior to the disposition of such property, there is delivered to the Subordinate Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of

such proceeds in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that Authority will be in compliance with the Rate Covenant as set forth in the Master Subordinate Indenture during each of the three Fiscal Years immediately following such disposition.

Net proceeds of sale or other disposition of property or interest in property shall be applied by the Authority to replacement of property so sold or otherwise disposed of, if deemed necessary or proper by the Authority, or, in lieu thereof, shall be deposited by the Authority to the Revenue Fund, in the case of sale or other disposition of current assets (determined in accordance with sound accounting practice) or the lease of property, and otherwise in the Renewal and Replacement Fund or Subordinate Debt Service Fund, as appropriate to the intended use thereof.

Notwithstanding the foregoing provisions of this section, Airport Facilities (excluding property described in subparagraph (a) above) which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of unless the Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition shall be made which would cause the Authority to be in default of any other covenant contained in the Master Subordinate Indenture.

The Authority covenants that it will not dispose of assets necessary to operate the Airport System in the manner and at the levels of activity required to enable it to perform its covenants contained in the Master Subordinate Indenture, including, without limitation, the Rate Covenant.

Investments

Moneys held by the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Indenture shall be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Indenture. The Authority shall direct such investments by written certificate (upon which the Subordinate Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Subordinate Trustee shall, to the extent practicable, invest in Permitted Investments specified in item (ix) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account (which is generally referred to as the U.S. Government Fund) of the Subordinate Trustee, provided it meets the requirements specified in (ix) of the definition of Permitted Investments.

Defeasance

Subordinate Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys or Defeasance Obligations held by the

Subordinate Trustee or a Paying Agent for such purpose. When all Subordinate Bonds which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues and the other assets pledged to secure the Subordinate Bonds under the Master Subordinate Indenture shall thereupon cease, terminate and become void, and thereupon the Subordinate Trustee shall cancel, discharge and release the Master Subordinate Indenture, shall execute, acknowledge and deliver to the Authority such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the Authority any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Bonds.

A Subordinate Bond shall be deemed to be paid within the meaning of and for all purposes of the Master Subordinate Indenture when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Subordinate Bonds and the Master Subordinate Indenture or (b) shall have been provided for by depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) Defeasance Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Bonds shall be deemed to be paid under the Master Subordinate Indenture, such Subordinate Bonds shall no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys or Defeasance Obligations.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Subordinate Bonds. Once such deposit shall have been made, the Subordinate Trustee shall notify all holders of the affected Subordinate Bonds that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Bonds are deemed to have been paid in accordance with the Master Subordinate Indenture. No notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by the Supplemental Indenture under which such Subordinate Bonds were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Indenture under which such Subordinate Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Bonds or the Master Subordinate Indenture subject to (a) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Bond or Subordinate Bonds then Outstanding and (b) receipt of a report of a nationally recognized accounting firm verifying sufficiency of the deposit of the amount of moneys and/or maturing principal of and interest on Defeasance Obligations estimated to be derived therefrom for the payment of the principal of, premium, if any, and interest on such Subordinate Bonds. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Bonds

may be withdrawn and delivered to the Authority so long as the requirements of subparagraphs (a) and (b) above are met prior to or concurrently with any such withdrawal.

Defaults and Remedies

Events of Default. Each of the following events shall constitute and is referred to in the Master Subordinate Indenture as an “Event of Default”:

- (a) the occurrence of an event of default as is provided in the Senior Master Indenture;
- (b) a failure to pay the principal of or premium, if any, or any installment of interest on, any of the Subordinate Bonds when the same shall become due and payable;
- (c) a failure to pay the purchase price of any Subordinate Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;
- (d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Authority and which are contained in the Master Subordinate Indenture or a Supplemental Indenture, which failure, except for a violation of the Rate Covenant under the Master Subordinate Indenture which shall be controlled by the provisions set forth therein, shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and shall be given at the written request of holders of 25% or more of the Principal Amount of the Subordinate Bonds then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the holders of Subordinate Bonds in a Principal Amount not less than the Principal Amount of Subordinate Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the holders of such principal amount of Subordinate Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued until such failure is corrected;
- (e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 60 days after such institution; or
- (f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Subordinate Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Bonds;

(iii) commence an action or suit in equity to require the Authority to account as if it were the Subordinate Trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Subordinate Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Event of Default.

(c) In no event, upon the occurrence and continuation of an Event of Default shall the Subordinate Trustee, the Bondholders, a Subordinate Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Bonds Outstanding.

(d) An Event of Default with respect to the one Series of Subordinate Bonds shall not cause an Event of Default with respect to any other Series of Subordinate Bonds unless such event or conditions on its own constitutes an Event of Default with respect to such other Series of Subordinate Bonds pursuant to the Master Subordinate Indenture.

Bondholders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Subordinate Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there shall have been provided to the Subordinate Trustee security and indemnity satisfactory to the

Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Bonds, unless such Bondholder or Bondholders previously shall have given to the Subordinate Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Subordinate Bonds then Outstanding shall have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding under the Master Subordinate Indenture shall have accrued, and shall have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Bonds, except in the manner provided in the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Subordinate Indenture and for the equal benefit of all Bondholders.

Rights of Credit Providers. Subordinate Credit Providers may be granted, pursuant to a Supplemental Indenture the right to make requests of, direct or consent to the actions of the Subordinate Trustee or to otherwise direct proceedings all as provided in the Master Subordinate Indenture to the same extent and in place of the owners of the Subordinate Bonds which are secured by the Subordinate Credit Facility.

Senior Bonds Protected. Notwithstanding any provisions of the Subordinate Indenture, neither the Bondholders nor the Subordinate Trustee shall pursue any remedy or take any action in pursuit of any remedy that will diminish or otherwise affect adversely payments of principal, premium, if any or interest on either the Senior Bonds or the lien on Revenues and other funds, assets, rights, property or interests pledged, granted or delivered under the Indenture to secure payment of the principal of and interest on the Senior Bonds.

Subordinate Trustee

Standard of Care; Duties. If an Event of Default has occurred and is continuing, the Subordinate Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate Trustee shall perform the duties set forth in the Master Subordinate Indenture and no implied duties or obligations shall be read into the Master Subordinate Indenture against the Subordinate Trustee. Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Subordinate Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Subordinate Trustee and conforming to the requirements of the Master Subordinate Indenture. However, the Subordinate Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of the Master Subordinate Indenture.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Subordinate Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (ii) the Subordinate Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders, any Subordinate Credit Provider or the Authority in the manner provided in the Master Subordinate Indenture.

The Subordinate Trustee shall not, by any provision of the Master Subordinate Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Subordinate Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Subordinate Indenture at the request or direction of any of the holders of the Subordinate Bonds, unless such holders shall have offered to the Subordinate Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Authority is required before such events will become Events of Default, such notice has been given, then the Subordinate Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Subordinate Bonds, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture shall always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the Commonwealth, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Subordinate Trustee. The Subordinate Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Subordinate Bonds may remove the Subordinate Trustee by notifying the removed Subordinate Trustee and may appoint a successor Subordinate Trustee with the Authority's consent. The Authority may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority shall have no right to remove the Subordinate Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Subordinate Trustee under this section shall be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Authority. Immediately thereafter, the retiring Subordinate Trustee shall transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee shall then (but only then) become effective and the successor Subordinate Trustee shall have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Authority shall promptly appoint a successor Subordinate Trustee. If a Subordinate Trustee is not performing its duties under the Master Subordinate Indenture and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Subordinate Trustee, the Authority or the holders of a majority in Principal Amount of the Subordinate Bonds may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Successor Subordinate Trustee or Agent by Merger. If the Subordinate Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and such corporation meets the qualifications set forth in the Master Subordinate Indenture, the resulting, surviving or transferee corporation without any further act shall be the successor Subordinate Trustee, Paying Agent or Registrar.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Subordinate Bonds under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Bonds and the special provisions which shall apply to such Subordinate Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Authority in the Master Subordinate Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment shall not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Subordinate Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Subordinate Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Bondholders;

(h) to provide for book-entry only Subordinate Bonds or for the issuance of coupons and bearer Subordinate Bonds or Subordinate Bonds registered only as to principal;

(i) to qualify the Subordinate Bonds or a Series of Subordinate Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Subordinate Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Subordinate Credit Facility or v Liquidity Facility for specific Subordinate Bonds or a specific Series of Subordinate Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the

Subordinate Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Authority shall, pursuant to this section, execute any Supplemental Indenture, there shall have been delivered to the Authority and Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not cause interest on any of the Subordinate Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into as described above and any Supplemental Indenture entered into pursuant subsection (b) below, the holders of not less than a majority in aggregate Principal Amount of the Subordinate Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds then Outstanding or unless such change affects less than all Series of Subordinate Bonds and the following subsection (b) is applicable, nothing contained in the Master Subordinate Indenture shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds or the rate of interest thereon; and provided that nothing contained in the Master Subordinate Indenture, including the provisions of subsection (b) below, shall, unless approved in writing by the holders of all the Subordinate Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Net Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Bonds, a preference or priority of any Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds with respect to the security granted therefor under the Granting Clauses of the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing contained in the Master Subordinate Indenture, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Bonds, security in addition to the pledge of the Subordinate Net Revenues.

(b) The Authority may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Subordinate Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in the section above regarding Supplemental Indentures without consent of Bondholders, no notice to or consent of the Bondholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Bonds Outstanding and the section above regarding Supplemental Indentures without consent of Bondholders is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Subordinate Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Subordinate Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Subordinate Indenture, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized by the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Bonds, security in addition to the pledge of the Subordinate Net Revenues.

(c) If at any time the Authority shall desire to enter into any Supplemental Indenture for any of the purposes of this section, the Authority shall cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Bondholders or, under section (b) above, all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Authority for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Indenture but it shall be sufficient if such Bondholders approve the substance thereof.

Subordinate Credit Providers

If a Subordinate Credit Facility is provided for a Series of Subordinate Bonds or for specific Subordinate Bonds, the Authority may in the Supplemental Indenture under which such Subordinate Bonds are issued, provide any or all of the following rights to the Subordinate Credit Provider as the Authority shall deem to be appropriate:

(a) the right to make requests of, direct or consent to the actions of the Subordinate Trustee or to otherwise direct proceedings all as provided in the Master Subordinate Indenture to the same extent and in place of the owners of the Subordinate

Bonds which are secured by the Subordinate Credit Facility and for such purposes the Subordinate Credit Provider shall be deemed to be the Bondholder of such Subordinate Bonds; and

(b) the right to act in place of the owners of the Subordinate Bonds which are secured by the Subordinate Credit Facility for purposes of removing a Subordinate Trustee or appointing a Subordinate Trustee under the Master Subordinate Indenture.

The rights granted to any such Subordinate Credit Provider, with respect to the Master Subordinate Indenture shall be disregarded and be of no effect if the Subordinate Credit Provider is in default of its payment obligations under its Subordinate Credit Facility.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

Form of Approving Opinion of Bond Counsel

November 16, 2017

Susquehanna Area Regional Airport Authority
One Terminal Drive, Suite 300
Harrisburg International Airport
Middletown, Pennsylvania 17057

RBC Capital Markets, LLC
2101 Oregon Pike
Lancaster, Pennsylvania 17601

Wilmington Trust, National Association,
as Trustee
213 Market Street, 2nd Floor
Harrisburg, PA 17101

Re: \$38,765,000 Susquehanna Area Regional Airport Authority, Airport System
Revenue Bonds, Series 2017 (AMT)

We have acted as bond counsel to the Susquehanna Area Regional Airport Authority (the “Authority”) in connection with the issuance by the Authority of its Airport System Revenue Bonds, Series 2017 (AMT) in the aggregate principal amount of \$38,765,000 (the “Bonds”). The Bonds are being issued as fully registered bonds under and pursuant to the laws of the Commonwealth of Pennsylvania (the “Commonwealth”), including particularly the Pennsylvania Municipality Authorities Act, Act 22 of 2001, approved June 18, 2001, 53 Pa. Cons. Stat. § 5601 et seq., as amended (the “Act”), and a Master Trust Indenture dated as of April 15, 2003 (the “Original Indenture”), as previously supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of November 1 2017 (the “Fifth Supplemental Indenture” and, together with the Original Indenture as previously supplemented, the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). Capitalized terms used but not defined herein have the meanings given to such terms in the Indenture.

The proceeds of the Bonds are being used to provide funds, together with other available moneys, to: (i) refund all of the Authority’s Airport System Revenue Bonds, Series 2008A (AMT); (ii) fund a deposit to the Debt Service Reserve Fund under the Indenture; and (iii) pay the costs of issuance of the Bonds (collectively, the “Project”).

Under the Indenture, the Authority is required to make payments from Net Revenues in amounts and at times sufficient to pay, when due, the principal of, premium if any, and interest on the Bonds. Pursuant to the Indenture, the Authority has assigned certain of its interests under the Indenture in and to the Net Revenues to the Trustee for the benefit of the holders of the Bonds.

The Bonds are being issued to finance certain costs related to an airport within the meaning of Section 142(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"). The Code imposes various requirements pertaining to (a) the use of proceeds of exempt facilities bonds, (b) the maturity of and security for the Bonds, (c) the payment to the United States of certain amounts earned from investment of proceeds of the Bonds, (d) the procedure for issuance of the Bonds, (e) the total amount of private activity bonds issued in each state each year, and (f) filings with the Internal Revenue Service in respect of the Bonds. The Authority has certified as to certain matters relating to the requirements of the Code on the date hereof, and the Authority has covenanted that the requirements of the Code will be met as long as the Bonds are outstanding. The exclusion from gross income of the interest on the Bonds depends on and is subject to the accuracy of the certifications by the Authority and to present and continuing compliance with the requirements of the Code. Failure to comply with these requirements could cause interest on the Bonds to be deemed not excluded from gross income as of the date hereof or as of some later date.

In our capacity as bond counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture and the other documents listed in the closing memorandum in respect of the Bonds. We also have examined an executed Bond and assume that all other Bonds have been similarly executed and have been authenticated by the Trustee. We assume that the Indenture has been duly authorized, executed and delivered by the Trustee.

Based on the foregoing, it is our opinion that:

1. The Authority is a body corporate and politic validly subsisting under the laws of the Commonwealth, with full power and authority to undertake the Project, to execute and deliver the Fifth Supplemental Indenture and to issue and sell the Bonds.

2. The Fifth Supplemental Indenture has been duly authorized, executed and delivered by the Authority and the covenants of the Authority in the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally.

3. The issuance and sale of the Bonds have been duly authorized by the Authority and, on the assumption as to execution and authentication stated above, the Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited as described in paragraph 2.

4. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

5. Under existing laws as presently enacted and construed, assuming the accuracy of the certifications of the Authority and continued compliance by the Authority with the requirements of the Code, interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing laws as enacted and construed on the date hereof (except for interest on any Bond while held by a substantial user of the Facility or a related person within the

meaning of Section 147 of the Code). Interest on the Bonds is a specific tax preference item for purposes of determining individual and corporate federal alternative minimum tax. Also, interest on the Bonds held by certain foreign corporations may be subject to the branch profits tax imposed by the Code.

We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

We express no opinion herein with respect to the adequacy of the security for the Bonds or the sources of payment for the Bonds or with respect to the accuracy or completeness of the preliminary or final Official Statement prepared in respect of the Bonds or as to any other matter not set forth herein.

We call your attention to the fact that the Bonds are limited obligations of the Authority, payable solely from Net Revenues of the Authority and certain other moneys available therefor as provided in the Indenture, and that the Bonds do not pledge the credit or taxing power of the Authority, the Commonwealth or any political subdivision, agency or instrumentality thereof. The Authority has no taxing power.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this "Disclosure Undertaking") is made by the Susquehanna Area Regional Airport Authority (the "Authority") as of November 16, 2017 in connection with its issuance of \$38,765,000 aggregate principal amount of Airport System Revenue Bonds, Series 2017 (AMT) (the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to the Authority's Master Trust Indenture dated as of April 15, 2003, between the Authority and Manufacturers and Traders Trust Company (the "Trustee"), as previously supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of November 1, 2017 (as so supplemented, the "Master Indenture") between the Authority and the Trustee.

In consideration of the purchase of the Series 2017 Bonds by the Underwriter (as defined below), the Authority agrees as follows:

SECTION 1. Purpose of this Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Authority for the benefit of the Bondowners and in order to assist the Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended from time to time (the "Act") in connection with the public offering of the Series 2017 Bonds.

SECTION 2. Definitions. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Master Indenture. The capitalized terms below shall have the following meanings:

"Annual Financial Information" shall mean financial information or operating data with respect to the Authority, the Airport System, and any other Obligated Person, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type of information set forth in the Official Statement under the captions "THE AUTHORITY," "HARRISBURG INTERNATIONAL AIRPORT — Aviation Activity (specifically excluding the route maps)" and "FINANCIAL INFORMATION" and in Appendix A to the Official Statement. Annual Financial Information may, but is not required to, include Audited Financial Statements or any other format deemed convenient by the Authority.

"Audited Financial Statements" shall mean the annual financial statements of the Authority for the prior Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States of America as in effect from time to time, audited by a firm of certified public accountants.

"Bondowner" or "Owner of the Bonds" shall mean the registered owner of the Series 2017 Bonds, and so long as the Series 2017 Bonds are subject to the Book Entry Only System, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Series 2017 Bonds, which includes the power to dispose, or direct the disposition, of the Series 2017 Bonds.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Act.

"Obligated Persons" shall mean the Authority, and each airline or other entity using the Airport Facilities of the Authority under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Authority for each of the two prior Fiscal Years of the Authority.

"Official Statement" shall mean the final Official Statement dated November 2, 2017, together with any supplements thereto, prior to the date the Series 2017 Bonds are issued and delivered in connection with the original issue and sale of the Series 2017 Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. The Repositories currently approved by the Securities and Exchange Commission may be found by visiting the Securities and Exchange Commission's website at <http://www.sec.gov/info/municipal/nrmsir.htm>. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the Municipal Securities Rulemaking Board, which currently accepts continuing disclosure submissions through EMMA.

"Rule 15c2-12" shall mean Rule 15c2-12 (as amended through the date of this Disclosure Undertaking including any official interpretations thereof promulgated on or prior to the effective date hereof), promulgated by the Commission under the Act.

"Underwriter" shall have the meaning given thereto under Rule 15c2-12, or any successor to such underwriter or underwriters known to the Authority.

SECTION 3. Provision of Annual Financial Information.

(a) Commencing with the Fiscal Year ending December 31, 2017, and annually while the Series 2017 Bonds remain outstanding, the Authority shall provide to the Repository the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided no later than 120 days after the end of the Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided if and when they become available, but in no event later than 180 days after the end of each Fiscal Year.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents, which have been submitted to the Repository or filed with the Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must be available from the MSRB. The Authority shall clearly identify each such other document provided by cross-reference.

(d) The Authority confirms that there is no Obligated Person other than the Authority at present. Unless Rule 15c2-12 no longer requires reporting of Obligated Persons, the Authority agrees to use its reasonable efforts to cause any future Obligated Person to make Annual Financial Information available as contemplated by this Section 3 hereof. Any change in Obligated Persons shall be reported by the Authority in connection with the Annual Financial Information. The Authority takes no responsibility for the accuracy or completeness of any financial information or operating data or other filings by any future Obligated Person.

SECTION 4. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 4, in a timely manner not in excess of 10 business days after the occurrence of the event, the Authority shall file, or cause to be filed with the Repository, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 2017 Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Series 2017 Bonds, or other events affecting the tax-exempt status of the Series 2017 Bonds;
7. modifications to rights of registered owners or beneficial owners, if material;
8. bond calls, if material, (other than mandatory sinking fund redemption) and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2017 Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the Authority;
13. the consummation of a merger, consolidation, or acquisition involving a member of the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The parties recognize that (1) the Chairman of the Board of Directors of the Authority or any person designated by him has primary responsibility for compliance with this section, unless such responsibility is altered by action of the Authority, and (2) no notice shall be deemed an official notice from the Authority unless given or authorized by the Chairman of the Board of Directors of the Authority (unless an alternative procedure is established by the Authority).

(c) At any time the Series 2017 Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB, notice of any failure of the Authority to provide the Annual Financial Information and Audited Financial Statements by the date specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2017 Bonds and shall extend to the earlier of (i) the date all principal and interest on the Series 2017 Bonds shall have been deemed paid pursuant to the terms of the Master Indenture; (ii) the date that the Authority shall no longer be deemed an "obligated person" with respect to the Series 2017 Bonds within the meaning of Rule 15c2-12; and (iii) the date on which those portions of Rule 15c2-12, which require this Disclosure Undertaking, are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2017 Bonds, which determination shall be evidenced by an

opinion of counsel selected by the Authority, a copy of which opinion shall be given to the Underwriter. The Authority shall file a notice of any such termination with the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Authority may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived (a) if such amendment or waiver occurs prior to a primary offering of the Series 2017 Bonds or prior to the actual issuance and delivery of the Series 2017 Bonds, (b) if such amendment or waiver is consented to by the Underwriter and by the Bondowners of no less than a majority in aggregate principal amount of the Series 2017 Bonds then outstanding obtained in the manner prescribed by the Master Indenture or (c) if such amendment or waiver is otherwise consistent with Rule 15c2-12 as then in effect. Written notice of any such amendment or waiver shall be provided by the Authority to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment or waiver and the impact of any change in the type of information being provided.

SECTION 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not in addition to that which is required by this Disclosure Undertaking; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the Authority shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or notice of occurrence of a Listed Event.

SECTION 8. Default and Enforcement. If the Authority fails to comply with any provision of this Disclosure Undertaking, any Bondowner may take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Undertaking; provided that any Bondowner seeking to require compliance with this Disclosure Undertaking shall first provide to the Chairman of the Board of Directors of the Authority at least 30 days' prior written notice of the Authority's failure, giving reasonable details of such failure, following which notice the Authority shall have 30 days to comply. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Master Indenture or the Series 2017 Bonds or any other agreement executed and delivered in connection with the issuance of the Series 2017 Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Authority to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 9. Disclosure Dissemination Agent. The Authority may appoint a disclosure dissemination agent to assume the responsibilities for compliance with disclosure requirements pursuant to Rule 15c2-12 performed by the Authority under this Disclosure Undertaking for the benefit of the Bondowners and Underwriter.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Authority, the Underwriter and the Bondowners and shall create no rights in any other person or entity.

SECTION 11. Governing Law. This Disclosure Undertaking shall be governed by the laws of the Commonwealth of Pennsylvania (other than with respect to conflicts of laws).

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Disclosure Undertaking as of the date first written above.

SUSQUEHANNA AREA REGIONAL AIRPORT
AUTHORITY

By: _____
Chairman

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for the Series 2017 Bonds, in the aggregate principal amount of the Series 2017 Bonds and will be deposited with the Trustee as custodian for DTC.

The information contained in certain of the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by DTC entitled "SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK ENTRY ONLY ISSUANCE." The Authority, the College and the Underwriter make no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instrument (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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Series 2017 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 Authority or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2017 Bond certificates will be printed and delivered to DTC.

Neither the Authority nor the Trustee shall have any responsibility or obligation to any Direct Participant or Indirect Participant with respect to: (i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2017 Bonds; (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than the registered owner of a Series 2017 Bond, as shown in the Bond Register, of any notice with respect to any Series 2017 Bond, including, without limitation, any notice of redemption; (iii) 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 Series 2017 Bonds; (iv) the payment to any Direct Participant or Indirect Participant or any other Person other than the registered owner of a Series 2017 Bond, as shown in the Bond Register, of any amount with respect to the principal of, redemption price of, or interest on, any Series 2017 Bond; or (v) any consent given by DTC as registered owner.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

