

In the opinion of Bond Counsel, under existing law and subject to the conditions described in "TAX MATTERS," (a) interest on the Series 2021A Bonds (i) is not included in gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, (b) interest on the Series 2021B Bonds (i) is not included in gross income for federal income tax purposes, except when held by a "substantial user" of the facilities to be financed by the Series 2021B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, and (ii) is an item of tax preference for purposes of the federal alternative minimum tax, and (c) interest on the Series 2021C Bonds is includable in gross income for federal tax purposes. Further, interest on the Series 2021 Bonds is exempt from income taxation by the Commonwealth of Virginia. See "TAX MATTERS."



**NORFOLK AIRPORT
AUTHORITY**

\$25,850,000

NORFOLK AIRPORT AUTHORITY

\$20,890,000

**Airport Revenue
Refunding Bonds**

**Series 2021A (Non-AMT)
(the "Series 2021A Bonds")**

\$2,690,000

**Airport Revenue
Refunding Bonds**

**Series 2021B (AMT)
(the "Series 2021B Bonds")**

\$2,270,000

**Airport Revenue
Refunding Bonds**

**Series 2021C (Federally Taxable)
(the "Series 2021C Bonds")**

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The Series 2021A Bonds, the Series 2021B Bonds and the Series 2021C Bonds (together, the "Series 2021 Bonds") of the Norfolk Airport Authority, a political subdivision of the Commonwealth of Virginia (the "Authority"), will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2021 Bonds under a book-entry only system. So long as Cede & Co. is registered owner of the Series 2021 Bonds, as the nominee for DTC, (1) references in this Official Statement to the owner or registered owner shall mean Cede & Co. and (2) principal, premium, if any, and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal, premium, if any, and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Series 2021 Bonds. Individual purchases will be made in book-entry form only, in Authorized Denominations (as defined in this Official Statement). Bond certificates will be held at DTC and will not be available for delivery to investors as described in this Official Statement.

The Series 2021 Bonds will bear interest from the date of delivery, payable semiannually on January 1 and July 1, commencing January 1, 2022.

The Series 2021 Bonds will not be subject to optional redemption prior to their respective maturities.

Proceeds of the Series 2021 Bonds will be used to (a) refund all or a portion of the Authority's Airport Revenue Refunding Bonds, Series 2011A, Series 2011B and Series 2011C, and (b) pay costs associated with the issuance of the Series 2021 Bonds. See "PLAN OF FINANCE; SOURCES AND USES OF FUNDS – Refinancing Plan."

The Series 2021 Bonds are payable from General Revenues of the Authority and certain funds and accounts established under the Indenture (hereinafter defined) and constitute General Revenue Bonds of the Authority, all as described in more detail in this Official Statement. Neither the Authority, the Commonwealth of Virginia nor any political subdivision thereof shall be obligated to pay the Series 2021 Bonds or the interest thereon or other costs incident thereto except from the revenues and moneys pledged therefor in accordance with the Indenture, and neither the faith nor credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof shall be pledged thereto. The Authority has no taxing power.

(FOR MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS, SEE INSIDE COVER)

The Series 2021 Bonds are offered when, as and if issued, and received by the Underwriters and subject to the approval of validity by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Vandevanter Black LLP, Norfolk, Virginia, and for the Underwriters by Butler Snow LLP, Richmond, Virginia. It is expected that the Series 2021 Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about June 23, 2021.

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

Raymond James

Siebert Williams Shank & Co., LLC

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$20,890,000

**Norfolk Airport Authority
Airport Revenue Refunding Bonds, Series 2021A (Non-AMT)**

Maturity (July 1)	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP*</u>
2023	\$1,525,000	4.00%	0.15%	107.770%	655857 EK2
2024	2,070,000	4.00	0.27	111.219	655857 EL0
2025	2,155,000	4.00	0.41	114.306	655857 EM8
2026	2,240,000	4.00	0.53	117.174	655857 EN6
2027	2,335,000	5.00	0.69	125.380	655857 EP1
2028	2,455,000	5.00	0.81	128.545	655857 EQ9
2029	2,570,000	5.00	0.95	131.211	655857 ER7
2030	2,705,000	5.00	1.06	133.815	655857 ES5
2031	2,835,000	5.00	1.12	136.685	655857 ET3

\$2,690,000

**Norfolk Airport Authority
Airport Revenue Refunding Bonds, Series 2021B (AMT)**

Maturity (July 1)	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP*</u>
2022	\$740,000	4.00%	0.22%	103.857%	655857 EU0
2023	735,000	4.00	0.29	107.475	655857 EV8
2024	725,000	5.00	0.45	113.642	655857 EW6
2025	490,000	5.00	0.63	117.329	655857 EX4

\$2,270,000

**Norfolk Airport Authority
Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)**

Maturity (July 1)	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP*</u>
2022	\$1,780,000	0.30%	0.30%	100.000%	655857 EY2
2023	490,000	0.40	0.40	100.000	655857 EZ9

* CUSIP is a registered trademark of the American Bankers Association (“ABA”). Initial CUSIP data in this Official Statement are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Intelligence, a division of S&P Global, Inc. The CUSIP numbers listed above are being provided solely for the convenience of purchasers of the Series 2021 Bonds only at the time of issuance of the Series 2021 Bonds, and the Authority makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy nor or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

NORFOLK AIRPORT AUTHORITY
2200 NORVIEW AVENUE
NORFOLK, VIRGINIA 23518-5807
ROBERT S. BOWEN, EXECUTIVE DIRECTOR
(757) 857-3351

Malcolm P. Branch, *Chair*
Deborah H. Painter, *Vice Chair*
Mekbib Gameda, *Treasurer*
John R. Broderick, *Commissioner*
Michael B. Burnette, *Commissioner*
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Bruce B. Smith, *Commissioner*

Robert S. Bowen, *Executive Director and Secretary*
Anthony E. Rondeau, *Deputy Executive Director*
Steven C. Sterling, *Deputy Executive Director and Assistant Secretary*
Jarred M. Roenker, *Director of Finance*

Vandeventer Black LLP
Norfolk, Virginia
General Counsel

Kaufman & Canoles, a Professional Corporation
Richmond, Virginia
Bond Counsel

PFM Financial Advisors LLC
Orlando, Florida
Financial Advisor

DKMG Consulting LLC
Guilford, Indiana
Airport Consultant

REGARDING THIS OFFICIAL STATEMENT

This Official Statement is being used in connection with the initial offering and sale of the Series 2021 Bonds and may not be reproduced or be used, whether in whole or in part, for any other purpose. Certain information contained in, or incorporated by reference in, this Official Statement has been derived from information provided by the Authority and other sources that are believed to be reliable. No guaranty is made, however, as to the accuracy or completeness of information obtained from such other sources by the Authority or the Underwriters of the Series 2021 Bonds as shown on the cover page of this Official Statement (the “Underwriters”). The delivery of this Official Statement does not imply that the information in it is correct as of any time subsequent to its date.

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

No broker, dealer salesperson, or other person has been authorized by the Authority to give any information or to make any representations in connection with the offering of the Series 2021 Bonds other than those contained in this Official Statement and the Appendices hereto, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2021 Bonds.

The Series 2021 Bonds are exempt from registration under the Securities Act of 1933, as amended, and are also exempt from registration under the securities laws of the Commonwealth of Virginia.

Any references to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12, as amended.

U.S. Bank National Association, as Trustee, has neither reviewed nor participated in the preparation of this Official Statement.

THE PRICES AT WHICH THE SERIES 2021 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES AND YIELDS APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. FURTHERMORE, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Cautionary Note Regarding Forward-Looking Statements

This Official Statement contains disclosures which contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by use of words like “believe,” “intend,” “expect,” “project,” “forecast,” “estimate,” “anticipate,” “plan,” “continue,” or similar expressions or by the use of future or conditional verbs such as “may,” “will,” “should,” “would,” or “could.” These forward-looking statements are based on the current plans and expectations of the Authority and are subject to a number of known and unknown uncertainties and risks, many of which are beyond their control and/or difficult or impossible to predict, that could significantly affect current plans and expectations and the Authority’s future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which benefit the Authority. As a consequence, current plans, anticipated actions and projected or future financial positions and liquidity may differ materially from those expressed in (or implied by) any forward-looking statements made by the Authority or the Airport Consultant in this Official Statement based on a number of factors, including, among others, the amount of General Revenues, cost reduction, capital markets condition, future long-term and short-term borrowings, the financial condition of the Authority, potential legislative or other actions, pandemics, including but not limited to COVID-19, epidemics and natural disasters and other risks and uncertainties discussed under the captions “IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY” and “AVIATION AND OTHER INVESTMENT CONSIDERATIONS.” Such forward-looking statements include, but are not limited to, certain statements contained in Appendix A – LETTER OF THE AIRPORT CONSULTANT attached hereto. The Letter of the Airport Consultant should be read in its entirety, including the notes and assumptions set forth therein.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN REVIEW OF THE TERMS OF THE SERIES 2021 BONDS, THE OFFERING THEREOF AND THE SECURITY THEREFOR, INCLUDING BUT NOT LIMITED TO THE COLLECTION OF GENERAL REVENUES AS THE PRINCIPAL SOURCE OF PAYMENT OF THE SERIES 2021 BONDS, AND THE MERITS AND RISKS INVOLVED IN A DECISION TO PURCHASE SERIES 2021 BONDS. THE SERIES 2021 BONDS HAVE NOT BEEN APPROVED, DISAPPROVED OR RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHER, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

NORFOLK AIRPORT AUTHORITY

Relating to the Issuance of

\$20,890,000
Airport Revenue
Refunding Bonds
Series 2021A (Non-AMT)

\$2,690,000
Airport Revenue
Refunding Bonds
Series 2021B (AMT)

\$2,270,000
Airport Revenue
Refunding Bonds
Series 2021C
(Federally Taxable)

INTRODUCTION

The purpose of this Official Statement, including the information contained in the cover page, the inside cover page and the attached Appendices, is to furnish information relating to (a) the Norfolk Airport Authority (the “Authority”) and Norfolk International Airport (the “Airport”), (b) the Authority’s \$20,890,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT) (the “Series 2021A Bonds”), its \$2,690,000 Airport Revenue Refunding Bonds, Series 2021B (AMT) (the “Series 2021B Bonds”), and its \$2,270,000 Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the “Series 2021C Bonds,” and together with the Series 2021A Bonds and the Series 2021B Bonds, the “Series 2021 Bonds”), and (c) the terms of and security for the Series 2021 Bonds and investment considerations with respect to the purchase thereof. This Official Statement has been authorized by the Authority for use in connection with the sale of the Series 2021 Bonds.

Certain capitalized terms not otherwise defined in this Official Statement have the meanings set forth in Appendices D and E to this Official Statement. See APPENDIX D – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF AIRLINE USE AND LEASE AGREEMENT.”

The Series 2021 Bonds

The Authority will issue the Series 2021 Bonds pursuant to a Master Indenture of Trust dated as of April 1, 2001 (the “Master Indenture”), by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”), as previously supplemented and amended by a First Supplemental Indenture dated as of April 1, 2001 (the “First Supplemental Indenture”), a Second Supplemental Indenture dated as of May 1, 2011 (the “Second Supplemental Indenture”), a Third Supplemental Indenture dated as of October 1, 2011 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture dated as of June 1, 2019 (the “Fourth Supplemental Indenture”), a Fifth Supplemental Indenture dated as of June 1, 2020 (the “Fifth Supplemental Indenture”), and as further supplemented by a Sixth Supplemental Indenture (the “Sixth Supplemental Indenture”) dated as of June 1, 2021 (the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and Sixth Supplemental Indenture being hereinafter collectively referred to as the “Indenture”).

The Series 2021 Bonds are limited obligations of the Authority, which is authorized to issue revenue bonds under the Constitution and the laws of the Commonwealth of Virginia (the “Commonwealth”), including the Authority’s Charter, Chapter 463 of the 1948 Acts of the General

Assembly (as amended and in effect from time to time, the “Act”), and are payable solely from certain revenues of the Authority.

The Series 2021 Bonds will bear interest from their dated date at the interest rates and will mature on the dates set forth on the inside front cover page hereof. Interest on the Series 2021 Bonds will be initially payable on January 1, 2022 and semi-annually on each January 1 and July 1 thereafter and will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2021 Bonds will be issued only in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), in denominations of \$5,000 or integral multiples thereof. For information on DTC and its Book-Entry Only System, see APPENDIX H.

Purpose of the Issue

The Authority will use the net proceeds of the Series 2021 Bonds, together with other available funds, to (a) refund all or a portion of the Authority’s Airport Revenue Refunding Bonds, Series 2011A, Series 2011B and Series 2011C (together, the “Series 2011 Bonds”), and (b) pay costs associated with the issuance of the Series 2021 Bonds. See “PLAN OF FINANCE; SOURCES AND USES OF FUNDS.”

COVID-19

The worldwide outbreak of a highly contagious, upper respiratory tract illness caused by a novel strain of coronavirus (“COVID-19”) has caused significant disruptions to domestic and international air travel, including both passenger traffic and cargo operations at airports, and has had significant negative and adverse effects on the economies of the Commonwealth, the nation, and the world. Certain of the information in this Official Statement that describes historical Authority revenues, financial affairs, operations and general economic conditions predates the COVID-19 pandemic or was prepared before the outbreak of COVID-19. Such “pre-COVID-19” information should be considered in light of the negative and adverse impacts from COVID-19 subsequent to the dates of such data.

Airports in the United States, as well as airlines, have been acutely affected by interruptions in travel, reductions in passenger volumes and flights, as well as by the broader economic slowdown resulting from the COVID-19 pandemic. The outbreak has adversely affected domestic and international travel and travel-related industries. In addition, with many states instituting stay-at-home orders and many businesses closing or permitting employees to work from home, business travel has been more severely impacted than leisure travel. Airlines have reported unprecedented reductions in passenger volumes, causing the cancellation of numerous flights and a dramatic reduction in network capacity. Currently, this reduction in demand and capacity is expected to continue in the near term, although with modest incremental improvement. In response, airlines have “right-sized” their aircraft fleet mix and reduced flights and personnel in an attempt to match capacity to reduced demand for air travel.

The outbreak of COVID-19 and resultant restrictions have had an adverse effect on airlines serving the Airport, Airport concessionaires and the Authority’s revenues as more fully discussed in this Official Statement. The Airport has experienced a sharp decline in activity since March 2020. Since the onset of the outbreak of the COVID-19 pandemic, April 2020 represented the low point in terms of enplaned passengers at the Airport, which totaled 8,894, which is a 94.4% decrease over April 2019. The Airport reports approximately 117,681 in enplaned passengers in April 2021 or approximately an increase of 1200% over April 2020 enplanements, and a 26.0% decrease with respect to April 2019 enplaned passengers. Retail, food and other service concessionaires located in terminal facilities at the Airport have reported significant declines in sales, and many of the locations were temporarily closed as a result of reduced passenger traffic. Most concessionaires are now open. In addition, the reduction in air travel has

had an adverse effect on parking, ground transportation companies and rental car activity and, consequently, such related revenues for the Airport.

COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance. For a more detailed discussion of the impact of the COVID-19 pandemic on the Airport, see “IMPACT OF THE COVID-19 PANDEMIC ON THE AUTHORITY.” For a discussion of the current and projected effects of the COVID-19 pandemic on the operations, revenues and expenses of the Airport, see APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT.”

Certain Investment Considerations

The Series 2021 Bonds may not be suitable for all investors and may involve investment risk. Prospective purchasers of the Series 2021 Bonds should read this entire Official Statement, including “AVIATION AND OTHER INVESTMENT CONSIDERATIONS.” Such sections contain a discussion of certain risks relating to the Series 2021 Bonds, the Airport, the Authority and the airline industry.

Factors Affecting the Airline Industry

Many factors and events affect the air transportation industry, many of which the industry cannot control. For example, general economic conditions, international conflicts, increased security requirements in air transportation, the threat of future domestic and international terrorist attacks, significant increases in fuel costs and the outbreak and transmission of certain communicable sicknesses (such as COVID-19, avian flu, SARS and the Zika virus), a growing shortage of airline pilots, and airline consolidation have adversely affected the air transportation industry, including operations of the airlines at the Airport, in recent years or may do so in the future. For a more complete discussion of recent events affecting the Airport and the airlines that use the Airport, see “AIRPORT OPERATIONS AND THE AIR TRADE AREA – Airline Service” and “AVIATION AND OTHER INVESTMENT CONSIDERATIONS.”

Security for the Series 2021 Bonds

Pursuant to the Indenture, the Authority has irrevocably pledged the General Revenues of the Airport and certain funds created under the Indenture to the payment of the Bonds (as defined below), including the Series 2021 Bonds. Passenger facility charges (“PFCs”) collected in respect of the Airport are not pledged as security for the Series 2021 Bonds. Customer facility charges (“CFCs”) collected in respect of the Airport’s rental car facilities are included as a component of General Revenues. The Series 2021A Bonds and the Series 2021B Bonds are also secured by amounts maintained in the Debt Service Reserve Account, which amounts are also available to make payments on certain other Series of Bonds secured on a parity with the Series 2021A Bonds and the Series 2021B Bonds. The Series 2021C Bonds are secured by a separate Debt Service Reserve Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Debt Service Reserve.”

The Series 2021 Bonds will be limited obligations of the Authority and are secured solely by the revenues and receipts pledged therefore and by certain funds and accounts created under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.” The Series 2021 Bonds are not secured by any mortgage or other interest in the Airport or the projects financed with the proceeds of the Series 2021 Bonds.

The Series 2021 Bonds will be issued on a parity basis with the Authority’s Airport Revenue Bonds, Series 2019 (Non-AMT) (the “Series 2019 Bonds”), which are currently outstanding in the

aggregate principal amount of \$54,435,000. The Series 2021 Bonds will refund all of the Authority's \$33,720,000 outstanding Airport Revenue Refunding Bonds, Series 2011A, 2011B and 2011C, maturing after July 1, 2021. The Series 2011 Bonds that mature on July 1, 2021 will be paid from available funds in the normal course and will be defeased as of the closing date. See "DEBT SERVICE REQUIREMENTS" and "PLAN OF FINANCE; SOURCES AND USES OF FUNDS." The Series 2021 Bonds and the Series 2019 Bonds, along with any Additional Bonds issued from time to time under the Indenture, are sometimes referred to in this Official Statement as the "General Revenue Bonds," as further described in this Official Statement.

The Series 2021 Bonds are special, limited obligations of the Authority payable solely from the trust estate established under the Indenture. Neither the Authority, the Commonwealth of Virginia nor any political subdivision thereof shall be obligated to pay the Series 2021 Bonds or the interest thereon or other costs incident thereto except from the revenues and moneys pledged therefor in accordance with the Indenture, and neither the faith nor credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof shall be pledged thereto. The Authority has no taxing power.

The principal sources of General Revenues are the rates and charges generated under the Authority's airport use and lease agreements (collectively, the "Airline Agreement") with certain airlines (the "Signatory Airlines") that have entered into the Airline Agreement with the Authority, fees received from non-signatory airlines using the Airport, parking revenues, and payments and rentals under concession and lease agreements for various terminal, aviation and non-aviation facilities at the Airport. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS" and "CERTAIN AGREEMENTS FOR USE OF THE AUTHORITY'S FACILITIES."

Rate Covenant

The Authority has covenanted and agreed at all times while any Series 2021 Bonds are outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities of the Airport such that General Revenues will be fully sufficient at all times to (i) provide for 100% of the Operating Expenses of the Airport and for the accumulation in the Revenue Fund of a reasonable reserve therefor, and (ii) produce Net Revenues in each Fiscal Year which will: (a) equal, for General Revenues, at least 125% of the Debt Service Requirements on all related Bonds secured by General Revenues then Outstanding for the Sinking Fund Year ending on the next July 1 and, for other categories of Revenues, such percentages that may be established pursuant to a Supplemental Indenture; (b) enable the Authority to make all required payments, if any, into any Debt Service Reserve Account and the Rebate Fund and on any Contracts or Other Airport Obligations; (c) enable the Authority to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the Airport, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the Airport; and (d) remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Indenture from prior Fiscal Years. See "SECURITY FOR THE SERIES 2021 BONDS – Rate Covenant."

The Authority's ability to prescribe, fix, maintain and collect certain rates, fees and other charges may be limited by various contractual obligations to third parties. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Airport Agreements."

Redemption

The Series 2021 Bonds will not be subject to optional or mandatory sinking fund redemption prior to their respective maturities.

Letter of the Airport Consultant

The Authority has engaged DKMG Consulting LLC, Guilford, Indiana (the “Airport Consultant”), in connection with the issuance of the Series 2021 Bonds. The Letter of the Airport Consultant (the “Airport Consultant Letter”) is attached hereto as APPENDIX A and should be read in its entirety to obtain a description of the Airport, its operations, and the forecasts made therein. See “LETTER OF THE AIRPORT CONSULTANT” and APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT.”

The Airport

The Airport is located in the City of Norfolk, Virginia approximately eight miles from the City’s downtown area and less than 20 miles from the City of Virginia Beach, Virginia. The Airport has provided regular commercial air passenger service to the region since 1938 and is owned and operated by the Authority. Airfield facilities include two carrier runways (with associated taxiways) and 22 air carrier gates. The primary runway has a usable runway length of approximately 8,000 feet.

The Airport is primarily an origin and destination (“O&D”) airport, does not serve as a hub for any major airline and is classified by the Federal Aviation Administration (“FAA”) as a “small hub” airport. The Airport is served by six national passenger airlines: Allegiant Airlines (“Allegiant”), American Airlines (“American”), Delta Air Lines (“Delta”), Frontier Airlines (“Frontier”), Southwest Airlines (“Southwest”) and United Airlines (“United”), with affiliated service by 11 regional or commuter passenger air carriers, in addition to two principal all-cargo carriers, and charter operations.

For the four-year period of FY 2016 through FY 2019, enplaned passengers at the Airport increased at an average rate of 7.5% per year. In the Authority’s Fiscal Year (“Fiscal Year” or “FY”) ended June 30, 2020, the Airport served over 1.47 million enplaned passengers, a decrease of 23.7% from the Fiscal Year ended June 30, 2019. The decrease is primarily due to the effects of the COVID-19 pandemic. As of May 2021, airlines at the Airport serve 18 markets nonstop with an average of 49 flight departures.

For a more detailed description of the Airport operations and the effect of COVID-19 on the Airport, see “AIRPORT OPERATIONS AND THE AIR TRADE AREA,” “IMPACT OF COVID-19 ON THE AUTHORITY” and APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT.”

Continuing Disclosure

The Authority has undertaken to comply with the provisions of Rule 15c2-12, as it may be amended from time to time (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, by providing annual financial information and operating data and event notices required by the Rule. See “CONTINUING DISCLOSURE” and “FORM OF CONTINUING DISCLOSURE CERTIFICATE” included as APPENDIX G to this Official Statement.

Prospective Financial Information

The Authority’s management believes that the prospective financial information set forth in “IMPACT OF COVID-19 ON THE AUTHORITY” and from its FY 2021 budget (see “AUTHORITY FINANCIAL INFORMATION– Fiscal Year 2021 Budget”) and the Airport Consultant Letter (included in APPENDIX A) have been prepared on a reasonable basis, reflecting best estimates and judgments, and represent, to the best of management’s knowledge and opinion, the Authority’s expected course of action and future financial performance. However, any prospective financial information is subject to

uncertainties. Generally, some assumptions underlying the prospective financial information will not be realized and unanticipated events and circumstances will occur. Therefore, there will be differences between the prospective financial information and actual results and those differences may be material.

Additional Information

Inquiries regarding information contained in this Official Statement may be directed to the Authority, 2200 Norview Avenue, Norfolk, Virginia 23518, Attention: Jarred M. Roenker, Director of Finance (757-857-3459).

General

All information presented in this Official Statement has been provided by the Authority and other sources that are believed to be reliable. The presentation of information is intended to show current information and is not intended, unless specifically stated, to indicate projections or expectations with respect to the Airport's future operations and financial performance. No one subject discussed in this Official Statement should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement, including the Indenture and the Airline Agreements for more complete information regarding their contents.

This Official Statement refers to and contains summaries of federal, Commonwealth and local laws, including but not limited to the Constitution of the Commonwealth of Virginia, the Code of Virginia, the Act, as well as various documents, agreements and court decisions, including summaries of the Indenture, the Airline Agreement and the terms of and security for the Series 2021 Bonds, together with descriptions of the Airport and its operations. *Such summaries and descriptions do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by references to the definitive forms of each such agreement or document, copies of which are generally available to the public or available for inspection during normal business hours at the Authority's office. Prospective purchasers of the Series 2021 Bonds are referred to the Indenture for the complete terms thereof, and references to the Series 2021 Bonds are qualified in their entirety by reference to the form of the Series 2021 Bonds included in the Sixth Supplemental Indenture.* During the offering period of the Series 2021 Bonds, copies of the Indenture may be obtained from the Underwriters.

THE NORFOLK AIRPORT AUTHORITY

The Authority was established on July 1, 1948, as a political subdivision of the Commonwealth of Virginia pursuant to the Act. The Authority was created to carry out those functions assigned to it as prescribed in the Act. The Authority is managed by a management staff headed by an Executive Director who is appointed by the Board of Commissioners and serves at the pleasure of the Board of Commissioners.

On May 1, 1949, the Authority was given "supervision" responsibility for the operation and maintenance of what was then called the "Norfolk Municipal Airport" and what is now known as the "Norfolk International Airport". On January 1, 1950, the Authority received full responsibility for the Airport's operation, maintenance and development. The Authority owns the Airport. See "AIRPORT OPERATIONS AND THE AIR TRADE AREA – Annual Payments to the City of Norfolk."

Authority Commissioners

The Authority is governed by a Board of Commissioners of at least seven (7) but not more than nine (9) members appointed for four-year terms by the City Council (the “City Council”) of the City of Norfolk (the “City”). Certain information regarding the Authority’s Commissioners follows:

Mr. Malcolm P. Branch, Chair. Term expires August 19, 2024. Initially appointed as a Commissioner on October 6, 2009. Mr. Branch is retired from the U.S. Navy.

Ms. Deborah H. Painter, Vice Chair. Term expires June 28, 2023. Initially appointed as a Commissioner on September 13, 2011. Ms. Painter retired as the Executive Vice President Planning and Chief Information Officer for Norfolk Southern Corporation.

Mr. Mekbib Gameda, Treasurer. Term expires June 30, 2022. Initially appointed as a Commissioner on July 21, 2015. Mr. Gameda is the Vice President of Diversity and Inclusion at Eastern Virginia Medical School.

Mr. John R. Broderick, Commissioner. Term expires August 19, 2024. Initially appointed as a Commissioner on August 25, 2020. Mr. Broderick is President of Old Dominion University.

Mr. Michael B. Burnette, Commissioner. Term expires August 19, 2024. Initially appointed as a Commissioner on August 25, 2020. Mr. Burnette is the founder of Commercial Real Estate Development

Mr. Peter G. Decker, III, Esquire, Commissioner. Term expires June 28, 2023. Initially appointed as a Commissioner on July 21, 2015. Mr. Decker is an attorney with Decker, Cardon, Thomas, Weintraub & Neskis, PC.

Mr. Paul D. Fraim, Esquire, Commissioner. Term expires August 19, 2024. Initially appointed as a Commissioner on February 27, 2018. Mr. Fraim is an attorney with Fraim & Fiorella and former Mayor of the City.

Mr. William L. Nusbaum, Esquire, Commissioner. Term expires June 30, 2022. Initially appointed as a Commissioner on October 5, 2010. Mr. Nusbaum is an attorney with Williams Mullen, P.C.

Mr. Bruce B. Smith, Commissioner. Term expires June 30, 2022. Initially appointed as a Commissioner on July 1, 2018. Mr. Smith is the owner of Bruce Smith Enterprises, LLC.

Authority Senior Management

The key members of the Authority’s staff with brief biographies are set forth below:

Robert S. Bowen joined the Authority in January 1988 as the Director of Operations. He served as Deputy Executive Director from 2009 until he was promoted to serve as Executive Director in March 2016. Prior to joining the Authority, he worked for Piedmont Aviation at the Airport from July 1977 through December 1987 where he held progressive positions in operations, administration and management. Mr. Bowen holds a Bachelor of Science Degree in Business Management from Old Dominion University, is an Accredited Member of the American Association of Airport Executives and is a member of the Southeast Chapter of the American Association of Airport Executives. He represents the

Authority as an Executive Member of the Virginia Airport Operators Council and serves on its Board of Directors.

Anthony E. Rondeau joined the Authority in September 2009 as the Director of Facilities until he was promoted to serve as Deputy Executive Director of Engineering and Facilities in 2016. Prior to joining the Authority, he worked as a Project Manager for a local engineering firm. He holds a Bachelor of Science Degree in Civil Engineering from Virginia Military Institute. He is a registered Professional Engineer and is a Certified Member of the American Association of Airport Executives.

Steven C. Sterling currently serves as Deputy Executive Director for Administration and Operations for the Authority. Prior to his appointment as Deputy Executive Director, Steve served as the Director of Operations for the Authority for six years. Prior to being appointed as Director of Operations, Mr. Sterling was the Police Chief of the Authority Police Department for two years and previously spent twenty-two years with the Portsmouth Police Department, attaining the position of Assistant Police Chief. He holds a Bachelor of Arts Degree in Human Resources from St. Leo University, holds a Certified Member designation with the American Association of Airport Executives, and is a graduate of the FBI National Academy (221st Session).

Jarred M. Roenker joined the Authority in March 2018 as the Director of Finance. Prior to joining the Authority, he worked in the audit practice of KPMG LLP for nine years. Through various promotions he rose to the level of Senior Manager. During his time at KPMG, he specialized in the audits of government entities, including the Authority. Mr. Roenker holds a Bachelor of Science Degree in Business from Virginia Tech, majoring in Accounting and Information Systems. He is a Certified Public Accountant in the Commonwealth of Virginia.

THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be issued pursuant to the Act, the Indenture, and an authorizing resolution adopted by the Authority's Commissioners on May 27, 2021.

The Series 2021 Bonds are special, limited obligations of the Authority payable solely from the trust estate established under the Indenture. Neither the Authority, the Commonwealth of Virginia nor any political subdivision thereof shall be obligated to pay the Series 2021 Bonds or the interest thereon or other costs incident thereto except from the revenues and moneys pledged therefor in accordance with the Indenture, and neither the faith nor credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof shall be pledged thereto. The Authority has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS."

The Series 2021 Bonds will be issued in authorized denominations of \$5,000. The Series 2021 Bonds will be held in book-entry only form by DTC, or its nominee, as securities depository with respect to the Series 2021 Bonds as described below.

The Series 2021 Bonds will be dated the date of their delivery and will mature on July 1 in the years and amounts and bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Series 2021 Bonds

Interest on the Series 2021 Bonds will be payable semiannually on January 1 and July 1, commencing January 1, 2022. Interest is payable to the owners of the Series 2021 Bonds identified on the registration books with respect to the Series 2021 Bonds on the fifteenth day of the month preceding each interest payment date.

Redemption

The Series 2021 Bonds will not be subject to optional redemption prior to their respective maturities.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

The Series 2021 Bonds are General Revenue Bonds under the Indenture payable from and secured by a Senior Lien on the Revenues of the Authority constituting General Revenues.

“Revenues” are defined in the Indenture as (i) all revenues, income, receipts and money derived from the ownership and operation of the Airport, including without limitation all rentals, charges, landing fees, use charges and concession revenues received by or on behalf of the Authority, Investment Earnings (other than Investment Earnings on the Project Fund), and all other income earned and accreted from, and deferred gain from, securities and other investments, and amounts earned on amounts deposited in funds and accounts under the Indenture or otherwise maintained with respect to the Airport, computed in accordance with generally accepted accounting principles, and (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the benefit of the Airport which are (y) not restricted by law or the payor to application for a particular purpose, and (z) otherwise lawfully available for payment of Revenue Obligations or Contracts. The term “Revenues” does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the Authority in respect of a liability or are to be used to repair or replace portions of the Airport.

It should be noted that, under the foregoing definition of “Revenues,” funds such as the COVID-19 Relief Grants (as such term is defined below) are included in the definition of Revenues. See “IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY.”

General Revenues

The Indenture defines “General Revenues” to mean all Revenues of the Authority other than PFC Revenues, Special Purpose Revenues and Released Revenues. CFCs are included as a component of General Revenues.

The Series 2021 Bonds will not be secured by PFC Revenues (as further described below) or by Special Purpose Revenues, any of which Special Purpose Revenues may be pledged to secure other bonds and obligations under the Indenture. The Indenture also provides that, under certain circumstances, a separable category or portion of General Revenues may be withdrawn from General Revenues and thereafter be treated as Released Revenues for all purposes – including ceasing to secure the Series 2021 Bonds. No such category of Released Revenues has been so withdrawn.

In addition, the Series 2021 Bonds are secured by amounts in subaccounts of the Debt Service Reserve Account (see “– Debt Service Reserve” hereafter), and other intended purposes, and amounts in other funds and accounts derived from General Revenues. A detailed description of the application of General Revenues is described in this Official Statement in “SECURITY AND SOURCES OF

PAYMENT FOR THE SERIES 2021 BONDS – Funds Created by the Indenture and Flow of Funds -- Revenue Fund” below.

The Indenture does not permit the Authority to issue any obligation that has a lien on General Revenues senior to the lien of the Series 2021 Bonds and any Additional Bonds issued on a parity therewith. Additional Bonds with a lien on all or a portion of General Revenues subordinate to the lien securing the Series 2021 Bonds are permitted under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Additional Bonds” below.

PFC Revenues

The Series 2021 Bonds are not secured by a lien on the PFC Revenues. The Indenture permits Bonds of the Authority to be secured by PFC Revenues, and the Authority’s Series 2011B Bonds, which are secured by a parity lien on General Revenues, are additionally secured by a lien on PFC Revenues to the extent same are legally available to pay such bonds.

“PFC Revenues” are defined as all income and revenue received by or required to be remitted to the Authority from the PFCs imposed by the Authority pursuant to the PFC Act and the PFC Regulations, including any interest earned after such charges have been remitted to the Authority as provided in the PFC Regulations, all of which may be pledged pursuant to the PFC Act and PFC Regulations §158.13; provided, the term “PFC Revenues” also includes any interest or other gain in any of the accounts or subaccounts created in the Indenture or in any Supplemental Indenture resulting from any investments and reinvestments of PFC Revenues.

Pursuant to the Master Indenture, the PFC Revenues pledged to secure obligations of the Authority may only secure (A) PFC Revenue Obligations, (B) Subordinate Lien Obligations, (C) Hybrid Obligations which have a lien on PFC Revenues, and (D) any Contracts with respect to such Revenue Obligations. Unless specifically designated, PFC Revenues are not included in the definition of General Revenues under the Indenture and are not pledged to secure Bonds, and PFCs have not been designated or pledged to secure the Series 2021 Bonds.

The Authority has historically used PFCs for runway projects and terminal improvements at the Airport. The Authority is authorized to collect \$150.03 million of PFCs through January 1, 2023, at which time it expects to extend its authorization. PFCs are currently being used on various projects at the Airport, including terminal development, runway projects, and other various construction activity. PFCs are either used as the project progresses, or are used to reimburse previous construction activity funded by the Authority. Various projects within the capital plan may draw upon PFC revenues in the future. Depending on the final availability of AIP and state funding, PFCs may be utilized to pay directly for construction projects or as a source of funding for future PFC-backed debt.

See “IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY – Impact of PFC Revenues,” “AVIATION AND OTHER INVESTMENT CONSIDERATIONS – Availability of Funding” and “ – Considerations Regarding Passenger Facility Charges” for information regarding PFC Revenues and the Authority’s program in respect thereof.

Debt Service Reserve

The Sixth Supplemental Indenture establishes a Debt Service Reserve Requirement for the Series 2021 Bonds, and the Outstanding Series 2019 Bonds in an amount equal to the lesser of (a) 125% of the average annual Debt Service Requirement for the Series 2021 Bonds, and the Outstanding Series 2019 Bonds, (b) 10% of the original issue price of the Series 2021 Bonds, and the Outstanding Series 2019

Bonds, and (c) the Maximum Annual Debt Service Requirement for the Series 2021 Bonds, and the Outstanding Series 2019 Bonds. If at any time the amount determined under (a) or (c) of the preceding sentence is less than the amount originally determined, the Debt Service Reserve Requirement can be re-determined based on such lesser amount. The Indenture does not require a debt service reserve for any other series of Bonds issued pursuant to the Indenture as Additional Bonds.

Upon the issuance of the Series 2021 Bonds, the Authority shall have on deposit the Debt Service Reserve Requirement for the Series 2021 Bonds, and the Outstanding Series 2019 Bonds. After the issuance of any Additional Bonds, any increases in the amount of the Debt Service Reserve Requirement resulting from the issuance of Additional Bonds which also are secured by a Debt Service Reserve Requirement may be accumulated in either the same or a separate subaccount in the Debt Service Reserve Account. The balance of each subaccount of the Debt Service Reserve Account shall be maintained at an amount equal to the Debt Service Reserve Requirement for the related Bonds.

The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement for any Bonds by means of a Reserve Account Credit Facility, subject to restrictions provided in the Indenture. Any such Reserve Account Credit Facility shall be pledged to the benefit of the owners of all of the Bonds secured by it. The Authority reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Indenture without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment shall not, in the written opinion of Bond Counsel filed with the Authority, impair or reduce the security granted to the owners of Bonds or any of them.

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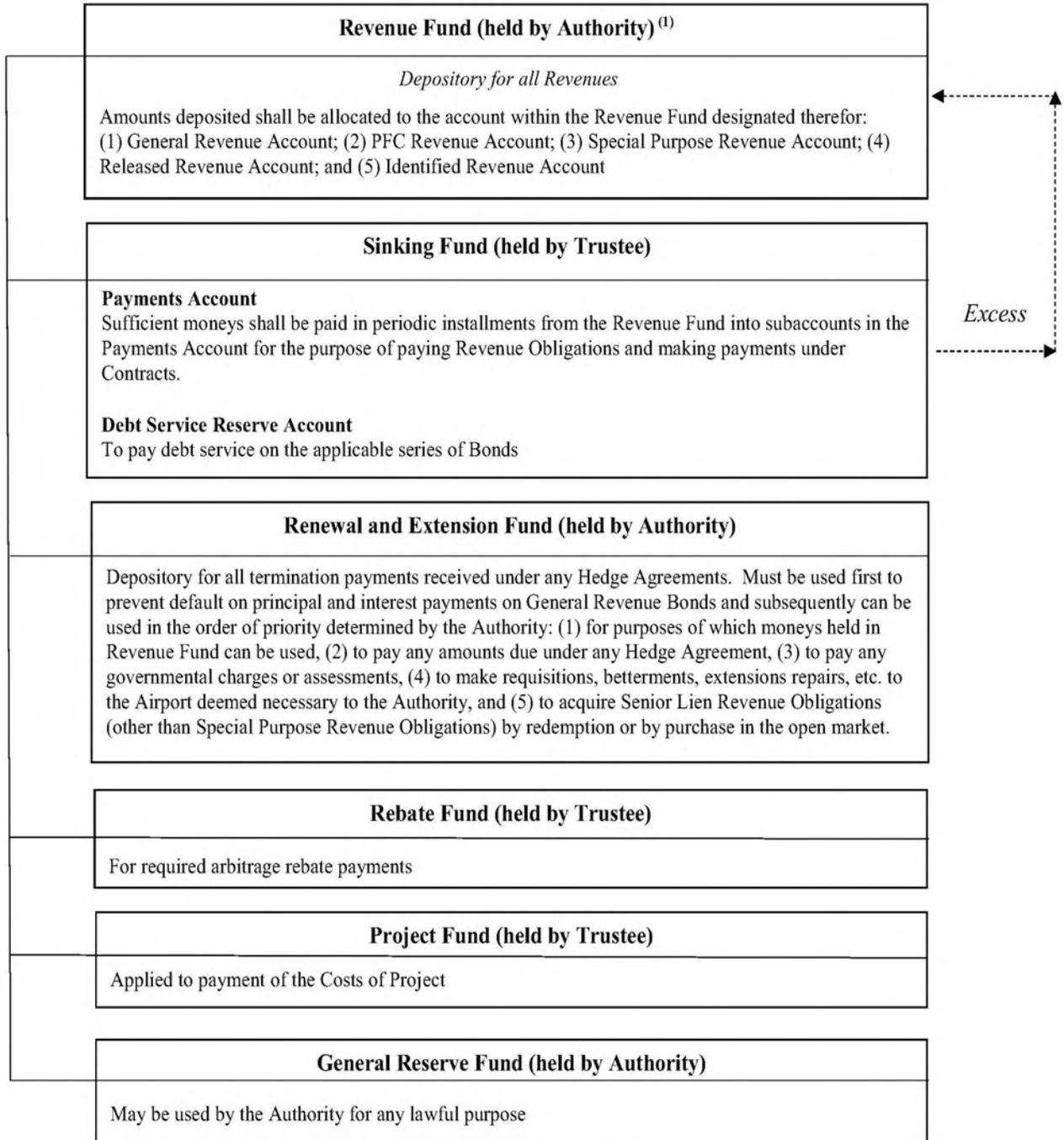
Funds Created by the Indenture and Flow of Funds

The Indenture creates and requires the Authority to maintain the following funds with respect to the Airport:

- (1) the Revenue Fund (held by the Authority) and therein the following five accounts:
 - (a) General Revenue Account,
 - (b) PFC Revenue Account,
 - (c) Special Purpose Revenue Account,
 - (d) Released Revenue Account, and
 - (e) Identified Revenue Account;
- (2) the Sinking Fund (held by the Trustee) and therein the following two accounts:
 - (a) Payments Account,
 - (b) Debt Service Reserve Account, and
- (3) the Renewal and Extension Fund (held by the Authority);
- (4) the Rebate Fund (held by the Trustee);
- (5) the Project Fund (held by the Authority); and
- (6) the General Reserve Fund (held by the Authority).

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APPLICATION OF REVENUES (FLOW OF FUNDS)



⁽¹⁾ All moneys held in the Revenue Fund are applied by the Authority in the order of priority determined by the Authority: (a) to pay Operating Expenses; (b) to deposit into the Sinking Fund, (c) to deposit into the Debt Service Reserve Account; (d) to deposit into the Rebate Fund, (e) to pay any party to a Contract; (f) to pay amounts with respect to any Other Airport Obligations; (g) for transfer to the Renewal and Extension Fund; (h) for transfer to the General Reserve Fund; and (i) for any other lawful purposes related to the Airport.

Revenue Fund. The Indenture requires the Authority to deposit and continue to deposit all Revenues of the Authority in the Revenue Fund when received. The amounts deposited shall be immediately allocated to the account within the Revenue Fund designated therefor: General Revenues other than Identified Revenues to the General Revenue Account; PFC Revenues to the PFC Revenue Account; Special Purpose Revenues to the Special Purpose Revenue Account; Released Revenues to the Released Revenue Account; and Identified Revenues to the Identified Revenue Account. **Under the terms of the Indenture, the Trustee does not have a perfected security interest in the moneys in the Revenue Fund, and moneys in the Revenue Fund are held by and are to be applied by the Authority from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default under the Indenture, in the order of priority determined by the Authority in its sole discretion:** (a) to pay Operating Expenses, (b) to deposit into the Payments Account within the Sinking Fund the amounts required for debt service on the Bonds and certain related Contracts, (c) to deposit into the Debt Service Reserve Account within the Sinking Fund any required amounts, (d) to deposit into the Rebate Fund the amounts required to make provision for arbitrage rebate payment to the United States government, (e) to pay to any party to a Contract the amounts due thereon, including additional interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related Bonds, (f) to pay any amounts required to be paid with respect to any Other Airport Obligations, (g) for transfer to the Renewal and Extension Fund, (h) for transfer to the General Reserve Fund, and (i) for any other lawful purpose related to the Airport, provided (1) amounts from each account in the Revenue Fund are only to be used for Operating Expenses, Bonds, Contracts, Other Airport Obligations and other purposes related to the category of Revenues allocated thereto, and (2) no deposit may be made to the General Reserve Fund unless the Sinking Fund contains sufficient money to make the next payment of principal and interest on all Revenue Obligations and Contracts and each Debt Service Reserve subaccount contains the applicable Debt Service Reserve Requirement.

Payments Account. The Indenture requires the Authority to deposit sufficient moneys in periodic installments from the Revenue Fund into subaccounts of the Payments Account within the Sinking Fund related to particular series of Bonds for the purpose of paying debt service on such Bonds and additional parity bonds (collectively, the “Senior Lien Bonds” and, for Senior Lien Bonds secured by General Revenues, “General Revenue Bonds”) when due and for the purpose of paying amounts (other than termination, indemnity, and expense payments) due to providers of credit facilities, hedge agreements (such as interest rate swap agreements) and other Contracts relating to Senior Lien Bonds.

Debt Service Reserve Account. Upon the issuance of the Series 2021 Bonds, the Authority will have on deposit \$6,960,132.73 (which equals the initial Debt Service Reserve Requirement for the Series 2021A Bonds, the Series 2021B Bonds, and the Outstanding Series 2019 Bonds) in a subaccount of the Debt Service Reserve Account, to be used to prevent default in the payment of debt service on the Series 2021A Bonds, the Series 2021B Bonds, and the Outstanding Series 2019 Bonds whenever there are insufficient moneys in the related subaccounts of the Payments Account available to make such payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Debt Service Reserve” above for discussion of the Debt Service Reserve Requirement. The Series 2021C Bonds will be secured by a separate subaccount in the Debt Service Reserve Account in the amount of \$227,000.00.

Renewal and Extension Fund. Under the terms of the Indenture, amounts held in the Renewal and Extension Fund must be used first to prevent default in the payment of interest on or principal of any General Revenue Bonds when due and then will be applied by the Authority from time to time, as and when the Authority shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default under the Indenture, in the order of priority determined by the Authority in its sole discretion: (a) for the purposes of which moneys held in the Revenue Fund may be

applied as described above, (b) to pay any amounts which may then be due and owing under any Hedge Agreement relating to the Bonds (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the Airport or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the Airport deemed necessary to the Authority (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), and (e) to acquire Senior Lien Bonds (other than Special Purpose Revenue Bonds) by redemption or by purchase in the open market. Notwithstanding the preceding sentence, any PFC Revenues or Released PFC Revenues in the Renewal and Extension Fund may only be used for PFC Revenue Bonds, Released Revenue Bonds secured by Released PFC Revenues, related Contracts and Costs of PFC Facilities.

General Reserve Fund. All deposits made to the General Reserve Fund may be used by the Authority for any lawful purpose.

Rate Covenant

The Authority has covenanted and agreed at all times while any Series 2021 Bonds are outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities of the Airport such that General Revenues will be fully sufficient at all times to (i) provide for 100% of the Operating Expenses of the Airport and for the accumulation in the Revenue Fund of a reasonable reserve therefor, and (ii) produce Net Revenues in each Fiscal Year which will: (a) equal, for General Revenues, at least 125% of the Debt Service Requirement on all related Bonds secured by General Revenues then Outstanding for the Sinking Fund Year ending on the next July 1 and, for other categories of Revenues, such percentages that may be established pursuant to a Supplemental Indenture; (b) enable the Authority to make all required payments, if any, into any Debt Service Reserve Account and the Rebate Fund and on any Contracts or Other Airport Obligations; (c) enable the Authority to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the Airport, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the Airport; and (d) remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Indenture from prior Fiscal Years. In the Indenture, the definition of Debt Service Requirement contains a number of provisions governing how debt service will be calculated in certain circumstances, including, without limitation, a provision that debt service will not include amounts to the extent that the PFC Revenues are available in funds under the Indenture to make payments of Revenue Obligations. See the definition of “Debt Service Requirement” in APPENDIX D – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

If the Authority fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges in accordance with the Indenture in any Fiscal Year, but the Authority in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there shall be no Event of Default until the end of such next Fiscal Year and only then if Net Revenues are less than the amount required. The rates, fees, and other charges shall be classified in a reasonable manner to cover users of the services and facilities furnished by the Airport so that, as nearly as practicable, such rates, fees, and other charges shall be uniform in application to all users falling within any reasonable class.

The Authority’s ability to prescribe, fix, maintain and collect certain rates, fees and other charges may be limited by various contractual obligations to third parties. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Airport Agreements.”

Additional Bonds

Upon satisfaction of certain conditions, the Indenture permits the Authority to issue additional revenue bonds without express limit as to principal amount to finance capital improvements to or expansions of the Airport (or to refinance obligations issued for such purposes), which will be equally and ratably secured on a parity basis with the Series 2021 Bonds. The Indenture allows revenue bonds issued to refund General Revenue Bonds to constitute parity bonds if the Authority obtains a report from an independent certified public accountant or a financial advisor, demonstrating that the refunding will reduce the total debt service payments on Outstanding General Revenue Bonds, on a present value basis. The Series 2021 Bonds are being issued pursuant to this provision of the Indenture.

The Indenture also allows revenue bonds to constitute parity bonds if the Authority obtains either:

(a) a report by an Independent Certified Public Accountant to the effect that the historical Net General Revenues for each of the two most recent audited Fiscal Years, were equal to at least 125% of the Maximum Annual Debt Service Requirement on all General Revenue Bonds which will be Outstanding immediately after the issuance of the proposed parity bonds; or

(b) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period the Net General Revenues are forecast to equal at least 125% of the Annual Debt Service Requirement during such period on all General Revenue Bonds which will be Outstanding immediately after the issuance of the proposed parity bonds.

The Indenture also allows the Authority to issue obligations (including, without limitation, Subordinate Lien Bonds) secured by Pledged Revenues which are junior and subordinate to outstanding General Revenue Bonds as to lien and right of payment. The Indenture permits the accession of Subordinate Lien Bonds and related hedge agreements to the status of complete parity with General Revenue Bonds and related hedge agreements if, among other things, as of the date of accession, the report described in paragraph (a) above is obtained on a basis which includes all outstanding General Revenue Bonds and such Subordinate Lien Bonds.

Released Revenues

A separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the Airport may be withdrawn from General Revenues and thereafter treated as Released Revenues for all purposes, including the security for Released Revenue Bonds if, among other things, (i) the Authority obtains a report of an Independent Certified Public Accountant to the effect that historical Net General Revenues, excluding the category of Revenues proposed to become Released Revenues, for the most recent audited Fiscal Year prior to the date of such report were equal to at least 125% of the Maximum Annual Debt Service Requirement on all General Revenue Bonds which will be Outstanding after the category of Revenues becomes released Revenues, and (ii) the Authority obtains Rating Agency confirmation that the ratings on the Outstanding General Revenue Bonds will not be reduced as a result of such withdrawal of Released Revenues. There are no Released Revenue Bonds outstanding.

Special Purpose Revenue Bonds

The Authority may designate facilities at the Airport as Special Purpose Facilities if such facilities meet the tests stated in the definition thereof: facilities which (i) will not result, upon completion, in a material reduction in Net General Revenues, and (ii) will not be of such a type or design that the subsequent closing thereof will materially impair the general operations of the Airport. If a

facility meets such tests and is so designated, the revenues arising therefrom or generated thereby shall not be General Revenues for the period during which any Special Purpose Revenue Bonds for such facility are Outstanding. There are no Special Purpose Revenue Bonds outstanding.

Maintenance, Insurance and Sale of the Airport; Annual Budget; Tax Covenants

The Authority covenants in the Indenture to (i) maintain the Airport in good repair and in sound operating condition; (ii) carry adequate public liability, fidelity, and property insurance or self-insurance, such as is maintained by similar airports; and (iii) before the start of each Fiscal Year, adopt an annual budget for the Airport in compliance with the rate covenant described above.

The Authority also covenants in the Indenture not to sell, lease, encumber, or in any manner dispose of the Airport as a whole or in part, except for property not necessary, useful, or profitable in the operation of the Airport or property the disposition of which will be advantageous to the Airport and will not adversely affect the security for the Bonds.

The Authority reserves the right in the Indenture to sell any portion of the Airport or to transfer the Airport as a whole to any political subdivision or authority or agency of one or more political subdivisions of the Commonwealth, provided that the Authority obtains an approving opinion of Bond Counsel and an opinion of an Airport Consultant expressing the view that such sale will not result in any diminution of Net Revenues to the extent that in any future Fiscal Year of the Authority the Net Revenues will be less than 100% of the annual Debt Service Requirement on all Senior Lien Bonds to be outstanding after such sale, in the then current or any succeeding Fiscal Year of the Authority.

The Authority also covenants in the Indenture to take all actions to assure the tax-exempt status of interest on tax-exempt Bonds and to refrain from taking any action which would adversely affect such status.

Events of Default and Remedies

The Indenture defines an “Event of Default” to mean, among other things, (i) failure to pay debt service on Senior Lien Bonds when due, (ii) failure to perform any obligation with respect to the Debt Service Reserve Account, which remains unremedied for more than 30 days, (iii) certain events of insolvency affecting the Authority, (iv) the appointment of a receiver of the Airport or the funds held under the Indenture, (v) failure to perform any other covenant contained in the Indenture for 90 days (or 180 days if such default cannot be cured in 90 days and if corrective action is instituted and diligently pursued) after notice from the owners of (or a Credit Issuer securing) at least 25% in aggregate principal amount of Senior Lien Bonds, (vi) an Event of Default under any Supplemental Indenture relating to Senior Lien Bonds, (vii) failure by any Credit Issuer to pay the purchase price of Senior Lien Bonds, (viii) delivery of notice that an “Event of Default” has occurred under any agreement relating to a Credit Facility supporting Senior Lien Bonds, and (ix) delivery of notice that an “Event of Default” has occurred under a hedge agreement relating to Senior Lien Bonds; provided if the Event of Default relates solely to Bonds related to a particular category of Revenues and no other event has occurred which could become an Event of Default with respect to any other Bonds then Outstanding, such Event of Default shall be deemed to apply solely to the related Bonds and Contracts and the provisions of the Indenture shall otherwise remain in full force and effect with respect to all other Bonds and related Contracts.

Upon the happening and continuance of any Event of Default (except for events described in clauses (vii), (viii) and (ix) above), the Indenture allows the owners of more than 50% in aggregate principal amount of outstanding Senior Lien Bonds affected thereby or a Credit Issuer securing more than 50% in aggregate principal amount of the outstanding Senior Lien Bonds affected thereby to accelerate

such Bonds affected thereby. If the Authority cures the Event of Default, the Indenture allows the owners of more than 50% in aggregate principal amount of outstanding Senior Lien Bonds to waive the acceleration, subject to the consent of each Credit Issuer securing Senior Lien Bonds.

The Indenture provides that, upon the occurrence and continuation of an Event of Default, the Authority or a receiver appointed for the purpose must apply all Pledged Revenues as follows and in the following order of priority: (i) first, to the payment of the reasonable and proper charges, expenses, and liabilities of the receiver and any paying agent and bond registrar under the Indenture (with such amounts payable, if related to a particular series and therefore to a particular category of Revenues, first from such category), (ii) second, to the payment of all reasonable and necessary expenses of operation and maintenance of the Airport and major renewals and replacements to the Airport, and (iii) third, to the payment of debt service on Senior Lien Bonds and amounts (other than termination, indemnity, and expense payments) due under hedge agreements relating to Senior Lien Bonds.

If the Authority were to default on the Bonds, the realization of value from the pledge of the Pledged Revenues to secure the payment of the Bonds would depend upon the exercise of various remedies specified by the Indenture and Virginia law. These remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the Authority, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor. . . ." Bankruptcy Code, §109(c)(2). **Current Virginia statutes do not expressly authorize the Authority or municipalities generally to file under Chapter 9.** Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the Authority.

Bankruptcy proceedings by the Authority, if they should hereafter become authorized for the Authority under state law and proceed, would likely have adverse effects on owners of the Series 2021 Bonds, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the Authority after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (iii) imposition without their consent of a plan of reorganization reducing or delaying payment of the Series 2021 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors, such as the owners of the Series 2021 Bonds, such class of creditors will have the benefit of their original claim or its "indubitable equivalent", although such "equivalent" may not provide for payment of the Series 2021 Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Defeasance

The Indenture provides that Senior Lien Bonds for the payment or redemption of which sufficient moneys or sufficient direct obligations of, or obligations fully guaranteed by, the United States of America have been deposited with the paying agent or the depository of the Sinking Fund (whether upon or prior to the maturity or the redemption date of such bonds) will be deemed to be paid and no longer outstanding under the Indenture.

If all Bonds and obligations secured by a lien on a category of Revenues have been paid or provision for payment thereof made as set forth in the preceding paragraph, at the option of the Authority the terms and provisions of the Indenture relating solely to such category of Revenues may be determined as void and of no further force or effect; provided the other terms and provisions of the Indenture shall remain in effect until the election of the Authority after payment or provision for payment of all Bonds and obligations secured by a lien created pursuant to the Indenture on any Revenues.

PLAN OF FINANCE; SOURCES AND USES OF FUNDS

Refinancing Plan

The Series 2021 Bonds are being issued to (a) refund certain of the Authority’s Revenue Refunding Bonds, Series 2011A (Non-AMT), Revenue Refunding Bonds, Series 2011B Bonds (AMT) and Revenue Refunding Bonds, Series 2011C Bonds (Non-AMT) (the “2011A Bonds,” the “2011B Bonds,” and the “2011C Bonds,” respectively and, collectively, the “Series 2011 Bonds”), and (b) pay costs associated with the issuance of the Series 2021 Bonds. The 2011A Bonds are currently outstanding in the aggregate principal amount of \$4,060,000, the 2011B Bonds are currently outstanding in the aggregate principal amount of \$3,700,000 and the 2011C Bonds are currently outstanding in the aggregate principal amount of \$25,960,000.

The Authority issued the Series 2011 Bonds for the purpose of refunding bonds issued in 2001 to finance a new three-story arrivals terminal, renovations of the existing terminal which formerly housed both arrivals and departures, a nine-story parking garage, and certain related roadway improvements at the Airport.

Net proceeds of the Series 2021 Bonds will be deposited in a special refunding fund held by the Trustee under the Indenture, and used, together with other available funds, to provide for the refunding of the Series 2011 Bonds maturing after July 1, 2021. Such amounts will be held in cash, uninvested, and will be in an aggregate amount sufficient to pay the principal and interest requirements on such Series 2011 Bonds on their redemption date without taking into account earnings thereon or the need for reinvestment. As of the closing date, the Authority will provide funds to the Trustee in an amount sufficient to provide for the defeasance of the Series 2011 Bonds maturing on July 1, 2021.

Sources and Uses of Funds

The proceeds of the Series 2021 Bonds are expected to be used as shown below:

<i>Estimated Sources of Funds</i>	
Par Amount of Series 2021 Bonds	\$25,850,000.00
Plus original issue premium	5,361,258.30
Release from debt service reserve account	498,861.34
Release from debt service account	<u>3,501,431.25</u>
	<u>\$35,211,550.89</u>
 <i>Estimated Uses of Funds</i>	
Redemption of 2011 Bonds	\$34,550,455.31
Costs of Issuance ¹	434,095.58
Series 2021C Debt Service Reserve Account	<u>227,000.00</u>
	<u>\$35,211,550.89</u>

¹ Includes underwriters’ discount, fees and expenses of attorneys, financial advisors, and consultants, printing and other costs associated with the issuance of the Series 2021 Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth for each bond year ending July 1 the total principal or sinking fund and interest requirements with respect to the existing outstanding Bonds as of the issuance of the Series 2021 Bonds, all of which are Airport Revenue Bonds secured on a parity Senior Lien basis.* See “AUTHORITY FINANCIAL INFORMATION –Existing Indebtedness.”

<u>Year Ending July 1</u>	<u>Series 2019 Bonds Debt Service</u>	<u>Series 2021 Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$4,136,750.00	\$2,520,000.00	\$1,115,908.89	\$7,772,658.89
2023	4,136,000.00	2,750,000.00	1,056,710.00	7,942,710.00
2024	4,136,750.00	2,795,000.00	964,350.00	7,896,100.00
2025	4,133,750.00	2,645,000.00	845,300.00	7,624,050.00
2026	4,137,000.00	2,240,000.00	734,600.00	7,111,600.00
2027	4,136,000.00	2,335,000.00	645,000.00	7,116,000.00
2028	4,135,750.00	2,455,000.00	528,250.00	7,119,000.00
2029	4,136,000.00	2,570,000.00	405,500.00	7,111,500.00
2030	4,136,500.00	2,705,000.00	277,000.00	7,118,500.00
2031	4,137,000.00	2,835,000.00	141,750.00	7,113,750.00
2032	4,132,250.00			4,132,250.00
2033	4,132,250.00			4,132,250.00
2034	4,136,500.00			4,136,500.00
2035	4,134,500.00			4,134,500.00
2036	4,136,250.00			4,136,250.00
2037	4,136,250.00			4,136,250.00
2038	4,134,250.00			4,134,250.00
2039	4,135,000.00			4,135,000.00
2040	4,133,000.00			4,133,000.00
2041	4,133,000.00			4,133,000.00
2042	4,134,500.00			4,134,500.00
2043	4,137,000.00			4,137,000.00
	<u>\$90,976,250.00</u>	<u>\$25,850,000.00</u>	<u>\$6,714,368.89</u>	<u>\$123,540,618.89</u>

* The Series 2021 Bonds will refund all of the Series 2011 Bonds maturing after July 1, 2021. The Series 2011 Bonds that mature on July 1, 2021 will be paid from available funds in the normal course and will be defeased as of the closing date. In addition, the Authority has outstanding \$965,000 under its line of credit.

AIRPORT OPERATIONS AND THE AIR TRADE AREA

Norfolk International Airport

The Airport provides air transportation services for the Hampton Roads region—the second-largest metropolitan area in Virginia and the 36th-largest metropolitan area in the United States—as well as northeastern North Carolina. The Airport occupies approximately 1,088 acres of land in the City approximately eight miles from the City’s downtown area. The airfield presently contains two runways (with associated taxiways) one of which is approximately 9,001 feet in length and is equipped with an instrument landing system for air carrier operations and the other of which is 4,875 feet in length and is primarily for general aviation operation. The shorter runway is slated for decommissioning under the current Master Plan Update for the Airport, but there is no certain date by which such decommissioning

would occur. Other airfield facilities include airport equipment storage and maintenance, air traffic control tower, and aircraft rescue and firefighting (ARFF).

The passenger terminal complex consists of two buildings, one housing the departures terminal and the other the arrivals terminal, connected by a 362-foot pedestrian bridge. The main terminal is a three-story building of approximately 485,000 square feet with two passenger concourses. The first level contains the airline ticketing functions, outbound baggage make-up and airline operations space on Concourses A and B. The second level is comprised of the two Transportation Security Administration (TSA) screening checkpoints, 22 air carrier gates on Concourses A and B, a Federal Inspection Services facility, airport administration offices, and concession space. The arrivals terminal is a three-level facility consisting of 243,000 square feet. The first level consists of a basement, while the second level contains airline baggage claims and ground transportation center. The third level has administrative offices and the military welcome center. The passenger terminal complex also features a conference center, offering private meeting rooms for hourly or daily rental for business meetings, seminars, receptions, banquets and meal functions, with capacity of up to 75 people banquet style and 300 people for receptions.

Public parking facilities include both surface and garage parking options and provide over 7,800 parking spaces in total. Surface lots include two short-term lots, one long term lot that can accommodate oversized vehicles, and one permit lot. Structured parking consists of four parking garages (Garages A, B, C and D) adjacent to the arrivals terminal. The parking facilities currently provide space for up to 7,613 public parking, 636 rental cars, and 60 for permit parking. All parking facilities are located within a short walking distance from the passenger terminal complex. Parking Garage D accounts for 3,200 long term, public and employee parking spaces in the description provided above. Garage D is currently under construction and scheduled for completion in November 2021.

Other facilities at the Airport include air cargo and general aviation facilities, and the fuel farm. Two air cargo terminals providing users with 88,000 square feet of space facilitate approximately 65 million pounds of air cargo shipped through the Airport annually. Signature Flight Support provides general aviation services based out of a 54,000 square-foot facility.

The Authority currently employs 192 persons, none of whom are represented by labor unions. The Authority believes that its relationship with its employees is favorable and stable.

Air Trade Area

The Airport is the primary commercial air service facility serving the Hampton Roads metropolitan area and the surrounding region. The Airport is primarily an origin and destination (or O&D) airport. In calendar year 2020, approximately 98% of the Airport's enplaned passengers were O&D passengers, according to the Airport Consultant Letter.

The demand for air transportation at an O&D airport to a large degree is dependent upon the demographic and economic characteristics of an airport's "Air Trade Area" – the geographical region that serves as the Airport's primary air service catchment area. The primary Air Trade Area for the Airport is the Virginia Beach-Norfolk, VA-NC Combined Statistical Area ("CSA"), as defined by the federal government's Office of Management and Budget. The federal government generally defines a CSA as two or more defined areas with social and economic ties, which are measured by commuting; the ties are not as strong as those within a Metropolitan Statistical Area, which reflect broader social and economic interactions. The economic strength of the CSA provides the primary base for supporting air transportation at the Airport. As shown by the following map, the CSA comprises 21 jurisdictions, including the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg and the counties of Gloucester, Isle of Wight, James City, Mathews,

and York, all in Virginia, and the counties of Camden, Currituck, Dare, Gates, Pasquotank, Perquimans, and Tyrrell in North Carolina. The Air Trade Area encompasses approximately 7,000 square miles, with a population in excess of 1.8 million. More than 92% of the Air Trade Area’s population resides in Virginia.



The Hampton Roads region has a somewhat diverse economy, having considerable involvement in commerce and industry, education and government. The Air Trade Area’s concentration of employment among industries varies from that of the U.S., with a higher concentration of employment in government and military and a lower concentration in the business and financial services industry than experienced throughout the U.S. In order to protect the local economy from periodic economic downturns, governments and other organizations in the Air Trade Area are making efforts to diversify the local economy. For further information regarding the Air Trade Area, see APPENDIX C – CERTAIN INFORMATION REGARDING THE AIR TRADE AREA.

Airline Service

As of May 15, 2021, the Airport had scheduled service provided by six U.S. passenger carriers and two all-cargo carriers, as listed in the table below.

AIRLINES SERVING THE AIRPORT Norfolk International Airport	
<u>Passenger</u> Allegiant American ^(a) Delta ^(b) Frontier Southwest United ^(c)	<u>All-Cargo Carriers</u> Federal Express ^(d) UPS Airlines

^(a) As of May 15, 2021, code-sharing service was provided by Envoy, Piedmont, PSA, Republic, and SkyWest.

^(b) As of May 15, 2021, code-sharing service was provided by Endeavor, GoJet, and SkyWest.

^(c) As of May 15, 2021, code-sharing service was provided by Air Wisconsin, CommutAir, ExpressJet, Mesa, and Republic.

^(d) As of May 15, 2021, code-sharing service was provided by Mountain Air Cargo.

Source: Authority records; Official Airline Guide via PlaneStats.com.

The outbreak and spread of COVID-19 depressed demand for air travel in the US beginning in March 2020, having first impacted travel in East Asia in early 2020 before rapidly accelerating to other regions globally. Airlines responded to the collapse in demand by grounding aircraft and drastically reducing capacity across their networks. By May 2020, which represented the low point in terms of passenger airline capacity, scheduled departing seat capacity represented 25.1% of May 2019 scheduled departing seats. Passenger volumes have decreased at a faster rate than seat capacity systemwide. Through the majority of April 2020, which represented the low point in terms of passenger activity, the TSA reported daily airport screening throughput for all US airports had declined by more than 95% when compared to the volume on the equivalent day in 2019. A modest recovery in airline capacity and enplaned passengers began in June 2020 but plateaued over the rest of the year, with December 2020 scheduled departing seats from US airports representing approximately 58% of December 2019 scheduled departing seats. December 2020 TSA throughput represented approximately 40% of December 2019 TSA throughput. This plateau appears to have been overcome in March and April 2021, which months witnessed a significant uptick in passenger demand at the Airport. March and April 2021 experienced enplaned passengers of 58% and 74% respectively, as compared to the corresponding periods in 2019.

In 2019, prior to the COVID-19 pandemic, the Airport offered nonstop service to 31 markets with 74 daily flights and over 6,800 seats. The Airport has lost less air service than its regional peer airports in Virginia and North Carolina. While the Airport did lose 44% of its flights in 2020 when airlines adjusted their schedules for the massive drop in demand, Newport News/Williamsburg International Airport (“Newport News”) lost 45%, Raleigh-Durham International Airport (“Raleigh”) lost 52%, and Richmond International Airport (“Richmond”) lost 47%. Furthermore, for the first three months of 2021, the Airport is trending upward, losing only 39% of its flights while Newport News lost 68%, Raleigh lost 55%, and Richmond lost 55%. Seat capacity is similar: for 2020, seats declined by 39%, but were down 48% for Newport News, 50% for Raleigh, and 44% for Richmond. For the first quarter of 2021, seats were down 29% for the Airport, but Newport News witnessed a drop of 69%, Raleigh lost 52%, and Richmond lost 51%. Much of Norfolk’s strength relative to its peers can be attributed to the ongoing traffic of friends and relatives visiting military personnel, and an increase in leisure travel to outdoor locations such as Virginia Beach and the Outer Banks, with close access to travelers from the Midwest and Northeast.

As airlines have pared their service offerings, the Airport has lost some service and in May, 2021, offered nonstop flights to 18 markets and a daily average of 49 nonstop flights. Primary O&D markets with a significant number of daily nonstop flights include Atlanta, Charlotte, Chicago, New York, and

Washington, D.C. An additional five markets are seasonal offerings which are scheduled to begin in Summer 2021, and in addition some airlines are offering new service which will not begin until Summer 2021. The Authority is optimistic that nonstop service will be close to the 31 destinations it offered in 2019 by the end of Fiscal Year 2022. Furthermore, several markets which may not be restored in 2021, may be renewed in 2022.

Historical Passenger Activity

The following table summarizes numbers of enplaned passengers at the Airport. During the first ten months of FY 2021, the number of enplaned passengers decreased by 43.7% compared with the same period in FY 2020. The large decrease is almost entirely due to the impact of COVID-19. See IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY. Prior to the COVID-19 pandemic, the Airport's enplaned passengers grew in each of the previous four Fiscal Years prior to FY 2020. A global economic recession, record-high fuel costs that prompted airlines to moderate service across respective routes, and decreased Department of Defense spending in the Air Trade Area, followed by federal budget sequestration, led to declines in the Airport's enplaned passengers in FY 2011 through FY 2015 with the exception of a slight increase in 2013. The section "IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY" includes a discussion of recent passenger activity level and presents certain periods of passenger activity levels on a monthly basis.

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HISTORICAL ENPLANED PASSENGERS

<u>Fiscal Year</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
2011	1,638,947	----
2012	1,603,060	(2.2)%
2013	1,606,669	0.2
2014	1,537,557	(4.3)
2015	1,450,388	(5.7)
2016	1,553,605	7.1
2017	1,628,353	4.8
2018	1,741,125	6.9
2019	1,928,129	10.7
2020	1,471,918	(23.7)
2021 (first ten months)	790,026	(43.7)

Sources: Authority records.

The following table presents historical airline shares of enplaned passengers at the Airport. As shown, the market share is well distributed among the airlines. American, Delta, Southwest, and United, with their affiliates, enplaned approximately 93% of the passengers at the Airport in FY 2020.

ENPLANED PASSENGER SHARES BY AIRLINE

<u>Airline</u>	<u>FY 2016</u>		<u>FY 2017</u>		<u>FY 2018</u>		<u>FY 2019</u>		<u>FY 2020</u>	
	<u>Number</u>	<u>Share</u>								
American ⁽¹⁾	503,843	32.4%	532,112	32.7%	580,461	33.3%	607,965	31.5%	468,356	31.8%
Delta ⁽²⁾	495,500	31.9	504,382	31.0	513,143	29.5	571,554	29.6	439,740	29.9
Southwest ⁽³⁾	312,139	20.1	331,289	20.3	339,297	19.5	305,281	15.8	229,441	15.6
United ⁽⁴⁾	242,123	15.6	260,570	16.0	278,868	16.0	332,909	17.3	231,192	15.7
Allegiant	0	0	0	0.0	29,356	1.7	49,780	2.6	55,328	3.8
Frontier	0	0	0	0.0	0	0.0	59,593	3.1	46,301	3.1
Charter & Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>1,047</u>	<u>0.1</u>	<u>1,560</u>	<u>0.1</u>
TOTAL	1,553,605	100.0%	1,628,353	100.0%	1,741,125	100.0%	1,928,129	100.0%	1,471,918	100.0%

(1) Includes enplaned passengers on the following code-sharing partners: Air Wisconsin, Envoy, Mesa, Piedmont, PSA, Republic, SkyWest, and Trans States. Also includes enplaned passengers on US Airways and its code-sharing partners.

(2) Includes enplaned passengers on the following code-sharing partners: Chautauqua, Compass, Endeavor, ExpressJet, GoJet, Republic, Shuttle America, and SkyWest.

(3) Includes enplaned passengers on AirTran.

(4) Includes enplaned passengers on the following code-sharing partners: Air Wisconsin, CommutAir, ExpressJet, GoJet, Mesa, Republic, Shuttle America, SkyWest, and Trans States.

Source: Authority records.

Certain other metrics of aviation activity, including landed weight, are described in the Letter of the Airport Consultant. See APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT – Air Traffic.”

The Authority maintains an Air Service Development Incentive Program in order to attract new entrant airlines and otherwise to increase air service at the Airport. Incentives under this program may include fee waivers, fee abatements and reductions in facility charges, as well as assistance with promotional expenses related to marketing and advertising the new service.

Specific airline changes in service that could positively impact capacity at the Airport in FY 2021 include:

- Delta has resumed infrequent service to Boston in May 2021, with daily service expected beginning in June 2021.
- Allegiant has announced it plans on beginning twice weekly seasonal service to Boston, Cincinnati, and Cleveland and twice weekly summer seasonal service to Columbus and Pittsburgh in June 2021.
- Southwest has announced to begin, in June 2021, daily service to Denver and Nashville, Sunday-only service to Dallas, and Thursday and Friday service to San Diego.
- On May 21, 2021, Breeze Airways (Breeze) announced that it would begin serving the Airport with nonstop service to Charleston, SC (June 10); Tampa, FL (June 10); New Orleans, LA (July 15); Columbus, OH (July 22); Hartford, CT (July 22); Pittsburgh, PA (July 22); and Providence, RI (July 29). Six of these seven destinations are currently not included in the Airport's 18 nonstop market destinations, increasing that number to 24. Breeze will base at least three planes at the Airport, and the Authority anticipates that the Airport's monthly flights will increase to 180 by August, 2021, which equates to approximately 8% of the Airport's August 2019 schedule.

Airline Service at the Airport and Other Area Airports

Due to the Airport's positioning as an O&D airport, the number of passengers depends primarily on the attractiveness of the Air Trade Area as a business and leisure destination and the propensity of its residents to travel, as well as the air service offered by other airports in the region.

Portions of the Air Trade Area are also served by Newport News/Williamsburg International Airport (Newport News), located approximately 25 miles northwest of the Airport, and Richmond International Airport (Richmond), located approximately 90 miles northwest of the Airport (see "AIRPORT OPERATIONS AND THE AIR TRADE AREA – Air Trade Area"). Certain travelers, particularly those beginning or ending their journeys in the northern parts of the Air Trade Area, have choices of airline service at the three airports. See "– Air Trade Area," above.

In the past, airline traffic and enplaned passenger volumes at the Airport have fluctuated in part as a result of airline service levels and air fares offered at the Airport and at the other airports in the region, particularly with respect to the presence of low-cost carriers at such airports. Although these factors can be expected to affect airline traffic and enplaned passenger volumes at the Airport, the Airport has successfully competed for airline capacity and airline passengers with these alternative facilities, due to the convenience of the Airport to the Air Trade Area as well as the quality, quantity and cost of air service available at the Airport. However, the Authority cannot predict whether the current level of passenger traffic will continue at its current level, nor can it predict what events, occurring domestically or internationally, might adversely affect such passenger traffic in the future.

IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY

COVID-19 Pandemic

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus that is currently negatively impacting most, if

not all, areas of the world, including the United States and the Commonwealth. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at mitigating the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these various measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have also resulted in dislocations in the labor market and stress on the global and national economies.

In response to the COVID-19 pandemic, the Governor of Virginia declared a state of emergency in Virginia on March 12, 2020, which state of emergency continues as of the date of this Official Statement. On March 13, 2020, the President of the United States declared a national emergency with respect to the COVID-19 pandemic. While the duration of the COVID-19 pandemic and its potential impact on the Authority, the Airport and its operations, cannot be predicted at this time, the continued spread of the COVID-19 pandemic, as well as the efforts of individuals, enterprises and governments to contain it and mitigate its impact, could have a material adverse effect on the Authority, the Airport and its operations.

Under the auspices of the federal government's program called Operation Warp Speed, vaccines have recently been developed to combat COVID-19, with limited distribution beginning in December 2020. When vaccines became available, the Commonwealth prioritized vaccines for individuals who were most at risk of contracting COVID-19 and those who worked in certain critical industries, based on public health guidelines from the federal Centers for Disease Control and Prevention. Beginning April 18, 2021, everyone aged 16 and older who lives or works in Virginia has been eligible to receive a COVID-19 vaccine.

Since the emergency declaration by the Governor of Virginia, the Governor has issued a number of executive orders restricting business, governmental and social activities to reduce person to person contact to protect the health and safety of people in Virginia and to limit the spread of COVID-19. One such order is Executive Order Seventy-Two, originally issued on December 10, 2020 and amended on seven occasions since then, which imposes restrictions on businesses serving the general public and limits on the number of people who can gather for private and public meetings, and, as initially issued, imposed curfews for businesses and the general public. The most recent such amendments, including the seventh amendment effective on May 15, 2021, eliminated certain such restrictions and eased other such restrictions somewhat and extended them. Whether the next executive order continues to ease these restrictions, extends them, or adds additional restrictions cannot at this time be predicted because of the changing course of the COVID-19 pandemic.

There is no basis to predict how long the public health crisis caused by COVID-19 will continue. Likewise, there is no basis to predict how long the current level of restrictions may remain in place or whether the Governor may determine to loosen or tighten any of the restrictions in one or more localities or regions of the Commonwealth. Additional executive orders addressing health, safety, and economic issues in Virginia may be forthcoming and the Authority cannot predict the impact of such additional executive orders, or of further spread of the COVID-19 pandemic, on the Authority's financial condition, operations and cash flow.

Impact on Airport Activity and Authority Revenues

Airports in the United States have been acutely impacted by the COVID-19 pandemic and the broad-based economic shutdown resulting from efforts to stop the spread of COVID-19, including reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic

and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes and have experienced reduced levels of passenger volumes, which in turn, has resulted in a considerable reduction in scheduled service.

The Airport, similar to most other airports around the nation, experienced steep declines in passenger volumes as a result of the COVID-19 pandemic. Passenger traffic at the Airport has declined substantially since March 2020, with enplaned passengers decreasing 23.7% from Fiscal Year 2019 to Fiscal Year 2020. This decrease is comprised of a 6.4% increase in the first eight months year-over-year and a 77.8% decrease in the last four months, as a result of COVID-19 travel restrictions beginning in March 2020. For July 2020 through April 2021 (which is Fiscal Year 2021), enplaned passengers decreased 49.2% compared to July 2018 through April 2019 (which is Fiscal Year 2019). Enplaned passengers began to return to the Airport in May 2020, which trend has continued into calendar year 2021.

Month	FY 2019	FY 2020		FY 2021		
	Enplaned Passengers	Enplaned Passengers	% Change from FY 2019	Enplaned Passengers	% Change from FY 2020	% Change from FY 2019
July	182,757	199,670	9.3%	71,312	-64.3%	-61.0%
August	181,399	194,373	7.2%	81,760	-57.9%	-54.9%
September	139,150	155,387	11.7%	71,886	-53.7%	-48.3%
October	164,052	167,824	2.3%	78,615	-53.2%	-52.1%
November	162,584	159,898	-1.7%	76,894	-51.9%	-52.7%
December	161,617	173,430	7.3%	83,939	-51.6%	-48.1%
January	127,844	137,098	7.2%	58,467	-57.4%	-54.3%
February	121,199	131,727	8.7%	59,117	-55.1%	-51.2%
March	156,578	74,955	-52.1%	90,355	20.5%	-42.3%
April	159,096	8,894	-94.4%	117,681	1223.2%	-26.0%
May	179,001	22,248	-87.6%	n/a	n/a	n/a
June	192,852	46,414	-75.9%	n/a	n/a	n/a
Total	1,928,129	1,471,918	-23.7%			
July-February	1,240,602	1,319,407	6.4%	581,990	-55.9%	-53.1%
March-June	687,527	152,511	-77.8%			
July - April	1,556,276	1,403,256	-9.8%	790,026	-43.7%	-49.2%

Since the COVID-19 outbreak, there have been corresponding declines in demand for airport concessions including terminal services, rental car transactions, parking and ground transportation services.

Impact on revenues for Fiscal Year 2020. For Fiscal Year ending June 30, 2019, operating revenues were approximately \$41.2 million; for Fiscal Year ending June 30, 2020, the Authority's operating revenues were approximately \$35.8 million. The decrease in operating revenues principally resulted from the decrease in enplanements caused by the COVID-19 pandemic and the corresponding lower rates and charges on the airlines after application of federal support. See “- Federal Relief Efforts” below, as well as “AUTHORITY FINANCIAL INFORMATION.” The latter section, in addition, also describes the Authority's budget for Fiscal Year 2022. Certain forward looking financial information regarding the Airport's financial performance is set forth in “APPENDIX A – LETTER OF THE AIRPORT CONSULTANT.” See also “LETTER OF THE AIRPORT CONSULTANT.”

Reduced Air Service

Domestic air travel throughout the nation has been severely curtailed by the COVID-19 pandemic. Airlines at the Airport are continually evaluating their flight schedules, resulting in flight cancellations on a daily basis and ongoing revisions to flight schedules. From time to time, states have issued quarantine orders, which have resulted in additional flight cancellations. The Authority anticipates the reduced level of scheduled airline service to continue and cannot predict the duration.

As described above, flight operations during the remainder of Fiscal Year 2020-21 and beyond will depend in significant part on developments relating to the COVID-19 pandemic. There can be no assurances that negative developments relating to the COVID-19 pandemic will not result in declines in capacity, departures, or passenger activity at the Airport and result in further material adverse declines in revenues. See “– Airline Service” above and APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT” for a discussion of the impact of COVID-19 on air service at the Airport. The Authority is optimistic that nonstop service will be close to the 31 destinations it offered in 2019 by the end of Fiscal Year 2022. Furthermore, several destinations which may not be restored in 2021, may be renewed in 2022.

Temporary Tenant Relief Program

In addition to reductions in both international and domestic air travel, the Authority has experienced significant reductions in operations at concessions at the Airport. The decreased passenger activity resulting from COVID-19 has negatively affected full-service dine-in restaurants and other concessionaires at the Airport. Most concessionaires initially closed operations at the Airport as a result of the COVID-19 pandemic. Many have subsequently resumed limited operations as activity at the Airport has gradually increased from the initial declines.

As the negative effects on airline travel at the Airport, in the U.S., and internationally caused by COVID-19 became more apparent, the Authority took a series of operational, commercial, and financial actions to prioritize strong cash liquidity and debt service coverage, and also assist airline and non-airline partners serving the Airport. These actions included applying federal grant funding to reduce airline rates and charges, mandatory and voluntary furlough programs, reductions in maintenance and other operating expenses, temporary waivers of minimum annual guarantee payments for rental car and terminal concessionaires. Additional reductions in minimum annual guarantee payments are currently anticipated through the use of CRRSA and ARPA (defined below) concessions and may exceed these grant amounts depending on actual concessionaire revenues. These minimum annual guarantee waivers are not assumed in the financial projections contained in the Letter of the Airport Consultant.

Federal Relief Efforts

The United States government, the Federal Reserve, and foreign governments are taking statutory and regulatory actions and implementing further measures to help mitigate the broad disruptive effects of the COVID-19 pandemic on the United States and global economies. Principal federal legislative enactments to help address the crisis created by the COVID-19 pandemic in the aviation sector include the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which became law on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSAA”), which became law on December 27, 2020, and the American Rescue Plan Act (the “ARPA”), which became law on March 11, 2021. These are described in the following paragraphs.

CARES Act. Direct aid for airports, to reimburse amounts spent for lawful airport purposes, was included in the CARES Act. Airport operators can use their CARES Act grants for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of operating

expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the grant agreement between the airport operator and the FAA was executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020. The Authority's most recent quarterly report to the FAA stated that, as of December 31, 2020, after permitted adjustments, the Authority was compliant with this employment requirement. The CARES Act grants are provided to the Authority on a reimbursement basis. On May 14, 2020, the Authority entered into a grant agreement with the FAA for approximately \$19,847,270 of such direct aid funds. As of April 30, 2021, the Authority has requested and received a total of \$18,847,270 in CARES Act reimbursement. The table below sets forth the Authority's use of CARES Act grant funds.

In addition, the CARES Act included a provision increasing the federal share of federal fiscal year 2020 (ended September 30, 2020) Airport Improvement Program ("AIP") grants to 100%. This provision resulted in approximately \$1,059,384 in additional funding for the Authority for its federal fiscal year 2020 grant-funded projects. The Authority has also been approved for \$334,222 funding under the Airport Reimbursement Process for COVID-19 Cleaning and Sanitation Activities to be used for reimbursement for cleaning and sanitizing TSA screening areas and has applied for other grant funding in respect of COVID 19 response expenses.

CRRSAA. The CRRSAA provides additional direct aid for airports. This includes a total of \$1.75 billion in federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments, and a total of \$200.0 million for airports to provide relief from rent and minimum annual guarantees to on-airport car rental, on-airport parking, and in-terminal airport concessions located at "primary" airports, such as the Airport. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. The FAA announced that the Authority will receive approximately \$6,195,216 in direct aid. All airport sponsors of airports receiving funds under the CRRSAA are required to continue to employ, through February 15, 2021, at least 90% of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act). The Authority has certified to the FAA that, as of February 15, 2021, after permitted adjustments, it was compliant with this employment requirement.

ARPA. The March 2021 enactment of the ARPA also provides additional direct aid for airports. This includes a total of \$6.492 billion in federal funding for primary airports for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments, and a total of \$800.0 million in federal funding for primary airports to provide relief from rent and minimum annual guarantees to airport concessions. Of the concessions relief, 80% is required to be used to provide relief to eligible small airport concessions, as defined in the ARPA. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions. The ARPA also increases to 100% the federal share for all airport development project grants awarded in federal fiscal year ("FFY") 2020-21, and all grants awarded in FFY 2019-20 with less than a 100-percent federal share. All airport sponsors of airports receiving funds under the ARPA are required to continue to employ, through September 30, 2021, at least 90% of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act).

Future legislation may be introduced in the U.S. Congress that would provide new and/or additional financial relief to individuals, businesses and organizations affected financially by the COVID-

19 pandemic and related restrictions on activity, including potential additional relief to airlines and airports. The Authority cannot predict whether additional federal financial support will be made available to airports (including the Airport) or airlines in the future, under what conditions, or whether the Authority would accept any such available support.

The Authority’s CARES Act grants, CRRSAA grants, and ARPA grants (collectively, the “COVID-19 Relief Grants”) are presented in the table below. As shown in the table, the Authority has been allocated approximately \$26.0 million in COVID-19 Relief Grants (excluding ARPA) and has used approximately \$5.0 million of these funds to reimburse itself for Operating Expenses in FY 2020. The Authority estimates that it will receive at least \$13.0 million in ARPA grants. The Authority intends on using \$14.2 million to reimburse itself for FY 2021 Operating Expenses and Debt Service Requirement, \$12.7 million to reimburse itself for FY 2022 Operating Expenses and Debt Service Requirement, and \$7.1 million to reimburse itself for the FY 2023 Debt Service Requirement. Under the Master Indenture, funds such as the COVID-19 Relief Grants are included in the definition of Revenues.

Application of COVID-19 Relief Grants

	Total	FY 2020	FY 2021			FY 2022		FY 2023
		Operating Expenses	Operating Expenses	Debt Service Requirement	Concession Relief	Operating Expenses	Debt Service Requirement	Debt Service Requirement
CARES Act grants	\$19,847,270	\$5,056,595	\$9,575,050	\$4,215,625	\$0	\$1,000,000	\$0	\$0
ACRGP grants	6,195,216	0	0	0	426,391	220,982	5,547,843	0
ARPA grants (a)	13,000,000	0	0	0	n/a	5,900,000	0	7,100,000
Total COVID-19 Relief Grants	\$39,042,486	\$5,056,595	\$9,575,050	\$4,215,625	\$426,391	\$7,120,982	\$5,547,843	\$7,100,000
Annual totals		\$5,056,595	\$14,217,066			\$12,668,825		\$7,100,000

(a) The FAA has not provided the ARPA grant amounts by airport as of the date of this Official Statement; however, based on the ARPA grants being distributed using CY 2019 enplanements, it is estimated that the Authority may receive approximately \$13 million

Note: Columns may not add to totals shown due to rounding.

Future Impacts of the COVID-19 Pandemic Cannot Be Predicted

The Authority cannot predict (1) the duration or extent of the COVID-19 pandemic and its continuing impacts on the Authority and the Airport; (2) the scope or duration of the current COVID-19 pandemic and any additional restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings; (3) what additional short or long-term effects the pandemic and restrictions or warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from the Airport, the retail and services provided by Airport concessionaires, Authority costs or revenues; (4) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Authority’s CIP, or other Airport operations; (5) the extent to which the COVID-19 pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (6) whether or to what extent the Authority may provide additional deferrals, forbearances, adjustments or other changes to the Authority’s arrangements with Airport tenants and concessionaires; or (7) the duration and extent of the material adverse effect on the finances and operations of the Authority expected to result from the foregoing.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Authority revenues. Future outbreaks, pandemics or events outside the Authority's control (including re-imposition of more stringent limitations on economic activity) may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Authority revenues.

Inasmuch as the outbreak of the COVID-19 pandemic has caused significant disruptions to domestic and international passenger travel as well as to the conduct of day-to-day business of the Authority, the Authority requested the preparation of the Letter of the Airport Consultant to consider the impacts of COVID-19 on aviation activity at the Airport and on the Authority's financials. This prospective, forward looking analysis is set forth in "APPENDIX A – LETTER OF THE AIRPORT CONSULTANT." See also "AVIATION AND OTHER INVESTMENT CONSIDERATIONS – Assumptions in the Letter of the Airport Consultant." **However, any projection is subject to uncertainties and some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material. The achievement of any financial forecast is dependent upon future events which cannot be assured.**

AUTHORITY FINANCIAL INFORMATION

Annual Budget

The Executive Director of the Authority prepares the Authority's annual budget for the next Fiscal Year in preliminary form and submits it to the Board of Commissioners for approval in March of each year. The proposed budget is submitted to the Signatory Airlines on April 1 for review and comment. The Signatory Airlines, through the chairman of an Airline Affairs Committee, have thirty days after the forwarding of the proposed budget by the Authority to request a meeting with the Authority to discuss the proposed budget. Under the Airport Agreements, the Authority is required to fully consider the comments of the Signatory Airlines prior to finalizing the budget. The Authority's Board of Commissioners approves the final annual budget in May or June and the Airlines are advised of the rates and charges to be effective for the Fiscal Year beginning July 1. An unaudited monthly financial and activity report is prepared by the Authority's Director of Finance reflecting budgeted and actual revenues and expenses and is submitted to the Authority's Executive Director and Board of Commissioners for review. A quarterly financial and activity report is prepared by the Executive Director and submitted to the Board of Commissioners for review and discussion.

Internal Controls

The Authority complies with Government Accounting Standards Board policies with respect to accounting and financial reporting. The Authority utilizes internal accounting controls which are designed to comply with such standards and to provide safeguards for the use and disposition of assets, maintaining accountability of assets and ensuring the reliability of financial records for preparing financial statements. The Director of Finance is responsible for these activities and for developing and enforcing policies and procedures with respect to accounting and financial controls.

Existing Indebtedness

As of May 1, 2021, the Authority had bonds outstanding in the aggregate principal amount of \$88,155,000. This amount consists of the Series 2011 Bonds, in the aggregate principal amount of

\$33,720,000, and Series 2019 Bonds in the aggregate principal amount of \$54,435,000. The Series 2011 Bonds maturing after July 1, 2021 will be refunded with proceeds of the Series 2021 Bonds. The Series 2011 Bonds maturing on July 1, 2021 will be defeased as of the closing date of the Series 2021 Bonds. Debt service was approximately \$4.2 million in FY 2021. Allocations of debt service on obligations issued for airfield and terminal purposes is included in the assessment of rates and charges to the Airlines, while debt service on public parking facilities financed with proceeds of the tax exempt bonds is paid from revenues associated with such parking decks and other available General Revenues.

The Authority entered into a Subordinated Lien Line of Credit Agreement dated June 18, 2020 (the “Revolving Credit Agreement”) with STI Institutional & Government, Inc., an affiliate of Truist Bank (the “Lender”), in connection with which it issued its Subordinate Lien Airport Revenue Note, Series 2020 (Revolving) under the Fifth Supplemental Indenture in order to finance, or to reimburse the Authority for, the costs of certain airfield and terminal capital projects. The Authority’s payment obligations under the Revolving Credit Agreement are payable solely from and secured by a subordinate lien on Pledged Revenues constituting General Revenues. Such lien is junior and subordinate to Senior Lien Revenue Obligations as described in the Fifth Supplemental Indenture and the Revolving Credit Agreement. The Revolving Credit Agreement provides for a five-year loan period, ending on June 18, 2025, during which the Authority may borrow, repay and re-borrow amounts, but not exceeding \$30,000,000 outstanding in the aggregate at any one time. Upon an event of default under the Revolving Credit Agreement, the Credit Agreement Provider may terminate its lending commitment but the Master Indenture provides that the Credit Agreement Provider may not receive accelerated payment from Pledged Revenues or amounts held in the funds and accounts created under the Indenture until the owners of all Senior Lien Revenue Obligations Outstanding having a Senior Lien have received payment in full of all principal and interest on such Senior Lien Revenue Obligations.

As of April 30, 2021, \$965,000 was outstanding under the Revolving Credit Agreement.

Grants

Over the three years FY 2017 through FY 2020, the Authority received approximately \$5,000,000 annually in federal grants, primarily through the FAA’s Airport Improvement Program, and \$2,000,000 annually in state grants which were used to pay for various capital improvement projects and eliminated the need for the expenditure of Authority revenues or the assumption of indebtedness.

Annual Payments to the City of Norfolk

The Authority’s property is not subject to taxation by the City. However, the Authority has entered into an agreement with the City (the “City Agreement”) whereby the Authority makes annual payments in lieu of taxes (“PILOT”) to the City on each July 1. Such annual PILOT arrangement was entered into on January 18, 2000, and the Authority made an initial payment to the City of \$3,000,000. Annual payments were set at \$2,500,000 from FY 2015 through FY 2020 and \$2,650,000 from FY 2021 through 2025. The City Agreement has been approved by the FAA. The annual payments under the agreement are subject to FAA approval and must be consistent with Federal law and the FAA’s revenue diversion policy. The City and the Authority will agree to the annual payment amount after July 1, 2024 (FY 2025).

Risk Management and Insurance

The Authority is exposed to a variety of risks or losses related to torts (i.e., injuries to employees, damage to property, destruction or theft of assets, cyber-attacks and natural disasters). The Authority

purchases insurance through the Commonwealth of Virginia and commercial insurance carriers for specific types of coverage.

The Authority participates in a risk management self-insurance plan through the Commonwealth of Virginia administered by the Division of Risk Management. Through this plan, the Authority obtains public officers, law enforcement, and medical malpractice liability coverage of \$1,000,000 per occurrence. The Comprehensive Annual Financial Report of the Commonwealth of Virginia contains disclosure of the Commonwealth's estimated claims payable and estimated losses for self-insurance plans at June 30, 2020 and 2019.

Through commercial insurance carriers, the Authority has property insurance coverage of \$311,000,000 annually, personal and advertising liability coverage of \$50,000,000 per occurrence, airport liability coverage of \$300,000,000 annually, pollution coverage of \$10,000,000, terrorism coverage for 80% of the loss, business auto coverage of \$1,000,000 per occurrence, cyber-attack coverage of \$3,000,000, crime insurance coverage of \$1,000,000 per occurrence, watercraft coverage of \$1,000,000, and workers' compensation coverage for bodily injury of \$1,000,000 per occurrence.

Retirement Plans

The Authority participates in the Virginia Supplemental Retirement System ("VRS") and also maintains an Executive Supplemental Retirement Plan. See Note 8 to the Authority's audited financial statements for FY 2020, included as APPENDIX B to this Official Statement, for information concerning the retirement plan's description, funding status and progress, including significant actuarial assumptions, actuarial value of assets (including a recent change to asset valuation method), unfunded actuarial accrued liability, funded ratio, including over- and under-funded amounts, annual covered payroll, and amounts over- and under-funded as a percentage of covered payroll. The Authority's liability was 85.8% funded as of the most recent report, and the Authority expects to continue its practice of funding annual contributions at recommended actuarial levels.

See Note 10 to the Authority's audited financial statements for FY 2020, included as APPENDIX B to this Official Statement, for information concerning the Executive Supplemental Retirement Plan for certain key executives, which is funded in part with whole life insurance policies owned by the Authority and naming the Authority as the beneficiary.

Historical Financial Results

The Authority operates as a self-supporting entity. The following two tables present a summary of the Authority's revenues, expenses and changes in net assets for the Fiscal Year periods 2016 through 2020 and the nine-month periods ended March 31, 2020 and 2021. Data for all Fiscal Year periods was derived from the Authority's audited financial statements; the information for the periods ended March 31 is preliminary, unaudited and subject to change. In the opinion of the Authority, there has been no material adverse change in the financial condition of the Authority since June 30, 2020, the date of the last audited financial statements.

Financial statements for the Fiscal Years ended June 30, 2019 and 2020 are included in this Official Statement as APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE NORFOLK AIRPORT AUTHORITY AS OF AND FOR THE YEARS JUNE 30, 2019 and 2020." The financial information presented in this section should be read in conjunction with the Authority's financial statements and "Management's Discussion of Recent Trends and Developments and Finances."

STATEMENT OF CHANGES IN NET POSITION
Norfolk Airport Authority
Fiscal Years ended June 30

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
OPERATING REVENUES					
Parking	\$14,611,343	\$15,135,831	\$15,465,667	\$16,927,094	\$13,591,153
Landing fees	8,813,538	8,991,845	7,699,906	6,175,569	5,754,222
Rent	7,695,510	7,580,914	7,010,567	6,377,792	6,775,095
Rental	6,269,171	6,602,430	6,792,428	7,246,770	5,565,567
Concessions	2,759,475	2,922,036	3,249,504	3,329,957	3,231,350
Other	<u>268,352</u>	<u>488,010</u>	<u>646,989</u>	<u>1,163,852</u>	<u>895,889</u>
Total	\$40,417,389	\$41,721,066	\$40,865,061	\$41,221,034	\$35,813,276
OPERATING EXPENSES					
Salaries and Fringe Benefits	14,973,786	16,069,061	16,119,948	17,041,382	19,515,257
Utilities	2,468,192	2,502,248	2,734,661	2,780,341	2,426,925
Maintenance and Repairs	3,458,833	3,505,388	3,662,659	2,993,527	2,976,372
Administrative	825,280	847,556	810,716	761,721	696,070
Professional services	520,672	483,703	623,101	547,797	455,675
Advertising and promotion	912,909	895,189	987,631	972,555	329,042
Insurance	799,943	920,554	987,936	732,597	909,811
Security and other services	3,491,232	4,451,058	3,874,357	3,957,952	3,772,184
Sanitation	639,203	651,992	696,342	773,408	1,108,669
City tax assessment	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Capital asset impairment	—	1,424,535	—	—	—
Other	<u>341,694</u>	<u>389,428</u>	<u>382,280</u>	<u>423,527</u>	<u>482,732</u>
Total	\$30,931,744	\$34,640,712	\$33,379,631	\$33,484,807	\$35,173,737
Operating Income Before Depreciation	9,485,645	7,080,354	7,485,430	7,736,227	639,539
DEPRECIATION	10,355,409	10,029,660	10,951,169	12,673,096	12,509,605
Operating Loss	\$(869,764)	\$(2,949,306)	\$(3,465,739)	\$(4,936,869)	\$(11,870,066)
NONOPERATING INCOME (EXPENSES)					
Federal grant revenues	\$5,438,342	\$1,373,734	\$9,299,601	\$2,645,036	\$15,814,021
State grant revenues	2,000,000	2,000,000	2,001,500	2,000,000	2,071,479
Passenger Facility Charges	6,316,588	6,580,824	7,201,183	7,934,573	5,926,222
Customer Facility Charges	1,021,106	1,031,792	1,432,100	2,739,307	2,377,861
State grant interest income	80,503	11,628	164,035	168,203	73,345
Passenger facility charges interest income (expense)	84,835	(21,945)	78,837	264,388	209,188
Other income	202,223	158,530	337,694	281,822	239,859
Bond issuance costs	—	—	—	(591,587)	—
Interest income	200,182	188,538	441,259**	873,150	2,021,389
Interest expense	(1,298,383)	(764,513)	(1,746,874)	(1,668,332)	(3,645,398)
Net nonoperating revenues	<u>14,045,396</u>	<u>10,558,588</u>	<u>19,209,335</u>	<u>14,646,560</u>	<u>25,087,966</u>
Change in net position	<u>13,175,632</u>	<u>7,609,282</u>	<u>15,743,596</u>	<u>9,709,691</u>	<u>13,217,900</u>
Total net position, beginning of the year	\$172,482,801	\$185,658,433	\$193,267,715	\$207,168,311	\$216,878,002
Opening adjustment of net position*	—	---	(1,843,000)	—	—
Total net position, end of year	<u>\$185,658,433</u>	<u>\$193,267,715</u>	<u>\$207,168,311</u>	<u>\$216,878,002</u>	<u>\$230,095,902</u>

* The Authority adopted GASB Statements 68 and 71 during FY 2015. The result of this adoption was an opening adjustment to net position to record pension liabilities in accordance with these standards. The Authority adopted GASB Statement 75 during FY 2018. The result of this adoption was an opening adjustment to net position to record OPEB liabilities in accordance with this standard.

** The Authority's adoption of GASB Statement 89 resulted in an increase in interest income in FY 2018.

The Authority's unaudited financial results for the first nine months of FY 2021 are presented in the table below.

Norfolk Airport Authority
Statement of Changes in Net Position (UNAUDITED)
Nine-Month Periods Ended March 31, 2021

	<u>3/31/2020</u>	<u>3/31/2021</u>
<i>OPERATING REVENUES</i>		
Parking	\$13,067,630	\$5,368,948
Landing fees	5,766,089	4,165,988
Concession	2,791,552	1,385,585
Rental cars	5,024,005	3,388,783
Rent	5,839,769	5,152,769
Other	848,003	319,937
Total	\$33,337,048	\$19,782,010
<i>OPERATING EXPENSES</i>		
Salaries and fringe benefits	13,093,002	12,800,744
Utilities	1,895,076	1,946,540
Maintenance and repairs	2,315,359	2,053,255
Administrative	623,213	325,116
Professional services	274,504	292,727
Advertising and promotion	277,517	303,341
Insurance	650,975	754,490
Security and other services	3,164,390	1,787,864
Stormwater and sanitation	853,197	779,489
City tax assessment	1,875,069	1,987,500
Other	375,486	166,329
Total	\$25,397,788	\$23,197,395
<i>Operating Income (Loss)</i>		
<i>Before Depreciation</i>	\$7,939,260	\$(3,415,385)
<i>DEPRECIATION</i>		
	9,371,576	9,157,590
<i>Operating Income (Loss)</i>	\$(1,432,316)	\$(12,572,975)
<i>NONOPERATING INCOME</i>		
<i>(EXPENSES)</i>		
Grant revenues	\$6,751,524	\$25,774,460
Passenger Facility Charges	5,788,646	2,321,632
Customer Facility Charges	2,068,890	1,333,624
Other income	159,493	170,684
PFC interest income	188,920	6,272
Interest income	1,839,909	137,307
Interest expense	(3,441,634)	(3,225,903)
Net nonoperating revenues	13,355,748	26,518,076
Change in net position	\$11,923,432	\$13,945,101

Fiscal Year 2022 Budget

The Authority's budget for FY 2022, approved on May 27, 2021, is based on projected amounts from FY 2021, estimated annual enplanements and other relevant factors. In the FY 2022 budget, revenues are budgeted to increase approximately 70% over the 2021 Fiscal Year projections, primarily driven by an increase in parking revenues, rental car revenues and concessions revenues due to a forecast increase in passenger activity. See “– Management’s Discussion of Recent Financial Performance – Fiscal Year 2021 Results Through March 31, 2021” for a brief discussion of FY 2021 results through March 31, 2021, as compared to budget.

Norfolk Airport Authority Operating Budget for Fiscal Years 2020 and 2021

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>
Operating Revenues:			
Parking	\$18,185,000	\$12,932,500	\$13,435,200
Landing Fees	8,008,000	6,491,018	6,448,461
Rent	7,490,000	6,614,119	6,739,658
Rental Cars	7,000,000	4,900,000	6,000,000
Concessions	3,498,000	2,684,000	2,860,200
Other	<u>939,000</u>	<u>824,500</u>	<u>845,000</u>
Total Operating Revenues	\$45,119,000	\$34,446,137	\$36,328,519
Operating Expenses:			
Salaries and fringe benefits	\$17,792,000	\$18,282,845	\$19,110,700
Utilities	2,735,000	2,784,130	2,799,170
Maintenance and repairs	3,706,000	3,381,350	3,233,350
Administrative	947,000	828,430	790,730
Professional services	727,000	612,500	597,500
Advertising and promotion	1,059,300	925,000	925,000
Insurance	960,000	1,150,000	1,150,000
Security and other services	4,304,000	3,627,200	3,791,200
Sanitation	991,000	1,127,000	1,066,000
City tax assessment	2,500,000	2,650,000	2,650,000
Other	<u>552,000</u>	<u>387,000</u>	<u>383,000</u>
Total Operating Expenses	<u>\$36,273,000</u>	<u>\$35,755,455</u>	<u>\$36,495,650</u>
Operating Income (Loss) Before Depreciation	<u>\$8,846,000</u>	<u>(\$1,309,318)</u>	<u>(\$167,131)</u>

The above budgeted amounts do not include federal grant funding as this is accounted for as non-operating income.

Management’s Discussion of Recent and Budgeted Financial Results

Budgeted information included in this section is hereby identified as “forward-looking statements.” The Authority cautions investors that such forward-looking statements, including, without limitation, those related to the Authority’s future revenues or financial performance, are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements.

The Authority’s operating revenues include fees and charges paid by the airlines which consist of landing fees, terminal rental fees, and certain reimbursable expenses. Such airline revenues accounted for \$9.2 million, or 26% of operating revenues in FY 2020. The major sources of nonairline revenue are parking fees and rental car fees, which accounted for \$19.2 million in FY 2020, representing 53% of operating revenues.

Total operating revenues decreased from \$40.9 million in FY 2018 to \$35.8 million in FY 2020, a 12% decrease over the two-year period. Operating revenues decreased due to the COVID-19 pandemic as well as application of federal grants which resulted in lower rates and charges on the airlines. FY 2021 projected operating revenues reflect a decrease of 40% below FY 2021 actual to approximately \$21.4 million. FY 2022 budgeted operating revenues reflect an increase of 70% over FY 2020 projections to approximately \$36 million.

Operating expenses (less depreciation) increased from \$33.4 million in FY 2018 to \$35.2 million in FY 2020, a 5% increase over the two-year period. The increase in operating expenses between FY 2018 and FY 2020 is primarily due to increases in salaries and fringe benefits, including retirement plans. See “Retirement Plans,” above.

Fiscal Year 2021 Nine Months Through March 31, 2021. Based on interim and unaudited data through March 31, 2021, the Authority has produced operating losses before depreciation approximately \$2.6 million greater than was budgeted for the nine-month period ended March 31, 2021. This higher than budgeted loss is primarily a result of the full effects of the COVID-19 pandemic being uncertain when the budget was developed in April 2020.

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Historical Debt Service Coverage

The following table presents the calculation of historical debt service coverage in Fiscal Years 2016 through 2020, with coverage calculated in accordance with the Authority's continuing disclosure undertakings.

CALCULATION OF HISTORICAL DEBT SERVICE COVERAGE

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Operating Revenue	\$40,417,389	\$41,721,066	\$40,865,061	\$41,221,034	\$35,813,276
Nonoperating Revenue					
Federal and state grants and interest	2,232,003	2,163,128	2,317,035	2,319,703	7,277,168
Customer facility charge	1,021,106	1,031,792	1,432,100	2,739,307	2,377,861
Investment income	200,182	188,538	441,259	873,150	2,021,389
Other income	202,223	158,530	337,694	281,822	239,859
General Revenues	\$44,072,903	\$45,263,054	\$45,393,149	\$47,435,016	\$47,729,553
Operating Expenses	41,287,153	44,670,372	44,343,800	46,157,903	47,683,342
Depreciation and Amortization	(10,355,409)	(10,029,660)	(10,951,169)	(12,673,096)	(12,509,605)
Net Operating Expenses	\$30,931,744	\$34,640,712	\$33,392,631	\$33,484,807	\$35,173,737
Net Revenue	13,141,159	10,622,342	12,000,518	13,950,209	12,555,816
Debt Service	6,947,675	4,212,775	4,219,075	4,223,719	4,215,625
PFC Revenues for Debt Service	(2,733,230)	(40,231)	-	-	-
Line of Credit Amortization	-	-	-	-	49,158
Debt Service Requirement	\$4,214,445	\$4,172,544	\$4,219,075	\$4,223,719	\$4,264,783
Debt Service Coverage	312%	255%	284%	330%	294%

There can be no assurances that the Authority will meet the debt service coverage tests in future years. See "AVIATION AND OTHER INVESTMENT CONSIDERATIONS."

Parking

Parking revenues have historically been the Authority's largest non-airline revenue source, representing 38% of total operating revenues and 53% of non-airline revenues in FY 2020. Parking revenues are derived from the public garages and surface lots. Parking revenues are expected to comprise approximately \$7.4 million in FY 2021 and are budgeted to increase to approximately \$13.4 million in FY 2022. The Authority manages the Airport's parking operations. Parking rates were last increased in FY 2020, with long term rates increasing by \$1.00 to \$10.00 per day. The Authority plans on reviewing its parking rate structure annually to determine if further increases are warranted.

Passenger Facility Charges

The authority for airport operators to impose a PFC was granted by Congress in the Aviation Safety and Expansion Act of 1990 and the Wendell H. Ford Aviation Investment and Reform Act of 2000. An airport must apply to the FAA for the authority to impose a PFC and for the authority to use the PFC Revenues collected for specific FAA-approved projects. If a medium or large hub airport collects PFCs, federal entitlement grant moneys which would otherwise be received under the Airport Improvement Program are reduced by up to 50%. Due to its classification as a small hub, the federal entitlement grant moneys for the Airport currently are not subject to any such reduction.

Unless specifically designated, PFC Revenues are not included in the definition of General Revenues under the Indenture and are not pledged to secure Bonds, and PFCs have not been designated or pledged to secure the Series 2021 Bonds.

See “AVIATION AND OTHER INVESTMENT CONSIDERATIONS – Availability of Funding” and “ – Considerations Regarding Passenger Facility Charges.”

CERTAIN AGREEMENTS FOR USE OF THE AUTHORITY’S FACILITIES

General Revenues are derived primarily from landing fees and terminal rentals paid by airlines (“Airline Revenues”), parking fees and rental car concession revenues, and terminal concession revenues (“Nonairline Revenues”).

Airline Agreements

Airline Revenues are determined in accordance with the formulae and procedures set forth in the Airline Agreements between the Authority and the Signatory Airlines, presently consisting of American, Delta, Southwest and United. Although Federal Express Corporation (“FedEx”) and UPS Airlines (“UPS”) are not signatory to the Airline Agreement, these cargo airlines meet the minimum number of flights required to pay signatory rates and therefore pay signatory landing fees. Allegiant and Frontier are the only non-signatory airlines operating at the Airport.

The Airline Agreements became effective July 1, 2013, and, upon reaching their stated expiration date of June 30, 2018, have been amended to extend their stated term through June 30, 2021, subject to automatic renewal for two additional terms of one year each unless either party gives notice of its intent to terminate 90 days prior to the end of the then current term. As neither party has given such termination notice, the current expiration date is thus June 30, 2022, subject to one additional one-year extension term as aforesaid. The Airline Agreements provide for a calculation methodology for the calculation of the rents, fees and charges of the Signatory Airlines for the use of facilities, rights, licenses, and privileges to operate at the Airport, which is a compensatory rate-setting methodology with a revenue-sharing mechanism. Non-signatory airlines pay a fee that is 1.25 times higher than the rates paid by the Signatory Airlines.

The Airline Agreements provide for the rental of space and the use of certain facilities by the Signatory Airlines, the establishment of cost accounting centers and the periodic adjustment of the rentals, charges and fees to be paid by the Signatory Airlines as determined by the costs and expenses associated with certain direct cost centers (including airfield, terminal, passenger loading bridges, ground transportation, and other) and Indirect Cost Centers (administrative, maintenance, janitorial, police, and fire).

The Airline Agreements permit the Authority to undertake capital expenditures to preserve, protect, enhance, expand or otherwise improve the Airport, or any part thereof and include such costs in the airlines' rates, fees, and charges without Signatory Airline approval.

Expiration of Airline Agreement. Each Airline Agreement expires June 30, 2021, and is automatically renewed for two additional terms of one year each unless either party gives notice of its intent to terminate 90 days prior to the end of the then current term. At such time, the Authority can give no assurances that it and the airlines then servicing the Airport will enter into new airline agreements that will permit the Authority to recover from the airlines, through rates, fees and charges, amounts sufficient to pay debt service on Bonds or to otherwise meet its obligations under the Indenture. The Authority expects to extend its contractual relationships with the Signatory Airlines. Even without written agreements with the Airlines, the Authority's enabling legislation authorizes the Authority to set rates, fees and charges for the use of its facilities. The ability of the Authority to set such rates, fees and charges, however, is limited to some extent by federal law and FAA policies. See "AVIATION AND OTHER INVESTMENT CONSIDERATIONS."

See "AVIATION AND OTHER INVESTMENT CONSIDERATIONS – Effect of Bankruptcy of Air Carriers" for a description of the effect of an airline bankruptcy on an airline's Airline Agreement.

For a further description of the Airline Agreement, see APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF AIRLINE USE AND LEASE AGREEMENT."

Airline landing fees comprised 16% of total operating revenues in FY 2020, while airline terminal rental revenues comprised 12% of total operating revenues in FY 2020.

Concession Agreements

The Authority has entered into concession agreements for rental car services with Alamo, Avis, Budget, Dollar, Enterprise, Hertz, and National. The initial term of such agreements expires on July 31, 2023 but can be extended for up to five years. Under these agreements, each company pays rent, a CFC, and a concession fee equal to 10% of gross revenues. An agreement with Thrifty was discharged in bankruptcy effective December 1, 2020. The Authority intends to replace Thrifty with another national rental car brand.

Rental car concession revenues represented 15% of total operating revenues and 21% of non-airline revenues in FY 2020.

Retail, and food and beverage concessions are located throughout the main terminal building and in both airline concourses. Hudson-NIA Norfolk manages all Airport retail operations. HMS Host Corporation manages food and beverage operations at the Airport, including restaurants and lounges throughout the facility.

Terminal concession revenues represented 8% of total operating revenues and 11% of non-airline revenues in FY 2020.

FBO concession revenues (described below) represented 1% of total operating revenues and 2% of nonairline revenue in FY 2020.

The sharp reductions in passengers due to the COVID-19 pandemic triggered a clause within rental car contracts which abated minimum annual guarantees ("MAGs") beginning in March 2020. These MAGs will remain abated until passenger traffic is greater than 75% of a prior year's comparative month.

While MAGs are abated, payments are made to the Authority as a percentage of sales without a minimum value. The Authority voluntarily offered MAG relief for several other concession operators, including retail, food, and advertising concessions for the period of April – June 2020.

Building Rentals

Building rent comprised 7% of total operating revenue and 9% of non-airline revenue in FY 2020. In June 2009, the Authority entered into a concession agreement with Landmark Aviation, which was later bought by Signature Flight Support (“Signature”) to conduct FBO operations at the Airport. Signature’s lease expires on June 30, 2024 and has one option year. This revenue category includes the rent that Signature pays the Authority based on a fixed schedule detailed in the lease. Signature also pays a fuel flowage fee and a gross receipts fee based on services and sales, which revenue is included in concession revenue.

THE AUTHORITY’S CAPITAL IMPROVEMENT PROGRAM

Over the next several years, the Authority expects to undertake Airport capital projects, including, refurbishing and improving terminal facilities, acquiring equipment, environmental studies and pavement rehabilitation. In the long term, the Authority expects to construct a new parallel runway 5R-23L, which would require a significant capital investment. These near and long term projects comprise the capital improvement program (the “CIP”).

In March 2021, the Authority submitted the 2021 through 2029 CIP to the FAA. While most projects are demand-based, others are dictated by design standards, safety, federal requirements, or rehabilitation needs. There is a higher level of uncertainty as to the estimated cost and schedule of projects in the later years of the CIP, as compared to those scheduled to be undertaken within the next few years. In January 2021, the Authority completed an update to its Master Plan (originally adopted in 2005) pursuant to which a new planning forecast was developed to determine future needs beyond the next five years and the options to accommodate the projected long-term growth. Among the expected airfield projects are improvements to Runway 5/23 (such as pavement extension and the grading of safety areas) and improvements to Runway 14/32 (such as the addition of a 25-foot shoulder before its expected decommissioning). Among the expected terminal and other projects are the consolidation of passenger screening into one checkpoint and the re-purposing of the employee lot as a consolidated quick turnaround facility.

The estimated cost of the Authority’s CIP through 2029 is approximately \$156 million. The CIP will be funded through various sources, including PFCs (\$52 million), AIP grants (\$81 million combined entitlement and discretionary), and state grants (\$23 million combined entitlement and discretionary).

The CIP is subject to change from time to time as capital improvement priorities change as a result of airport activity, airline industry requirements and national or local economic conditions. The estimated costs of, and the projected schedule for, and the funding plan for the CIP are also subject to uncertainties. Such future projects will only be undertaken in response to identified demand and as economically justified. The near-term projects are expected to be funded with federal and state grants. The long-term CIP is anticipated to be funded by net revenues of the Airport, bond proceeds, federal grants, state grants, and PFC Revenues. The Authority has not committed to issuing any Additional Bonds to finance the CIP, but may do so if conditions warrant. The funding plan for the CIP assumes that various grants from the FAA will be received in amounts and at times necessary to pay a portion of the costs of the CIP. See “AVIATION AND OTHER INVESTMENT CONSIDERATIONS – CIP Costs and Schedule.”

LETTER OF THE AIRPORT CONSULTANT

The Authority retained the Airport Consultant to prepare the Airport Consultant Letter attached as APPENDIX A which describes, among other matters, a summary of historical and projected air traffic at the Airport, a financial analysis, including estimates of Revenues, operation and maintenance expenses and annual debt service coverage and cost per enplaned passenger following the issuance of the Series 2021 Bonds and the Authority's capital plans for the Airport. The Airport Consultant Letter is limited in scope to evaluation of the following matters: (i) the Authority's ability to comply with the Rate Covenant established in the Indenture on a *pro forma* basis for fiscal year 2022 through fiscal year 2026, and (ii) the reasonableness of the resulting projected user fees, including Signatory Airline cost per enplaned passenger. The Airport Consultant Letter should be read in its entirety for an explanation of the assumptions and forecasts used therein.

In the context of the widespread economic disruption, public health restrictions, and reductions in airline travel that have resulted from the COVID-19 pandemic beginning in early 2020, making meaningful projections of air traffic demand for the Airport is not possible at this time. For purposes of preparing the financial projections described in the Airport Consultant Letter set forth in APPENDIX A, the Airport Consultant prepared the enplaned passenger and landed weight forecast by projecting the remainder of FY 2021 and then by using a hypothetical recovery to FY 2019 levels by FY 2024.

The projected financial results of the Airport presented in the Airport Consultant Letter are based upon certain assumptions and estimates concerning future events and circumstances described in the review, which the Authority believes to be reasonable. However, any projection is subject to uncertainties and some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material. The achievement of any financial forecast is dependent upon future events which cannot be assured.

These projections were prepared by the Airport Consultant. The Authority retained the Airport Consultant as recognized experts in their field to prepare the Airport Consultant Letter. The Consultant has consented to the inclusion of the Airport Consultant Letter herein. No assurance can be given that the projected Revenues and Operating Expenses for the period covered by the forecast will match actual results. The following table presents the projected debt service coverage per the Airport Consultant Letter.

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	Estimated (in 000s)			Forecast (in 000s)		
	2021	2022	2023	2024	2025	2026
Operating revenues	\$27,022	\$34,908	\$44,465	\$50,945	\$51,909	\$52,887
Non-operating revenues						
Unrestricted State grants	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Customer facility charge	1,946	2,104	2,384	2,805	2,841	2,880
Other income	787	790	793	796	799	802
COVID-19 Relief Grants (a)	13,791	12,669	7,100	0	0	0
General Revenues	\$45,545	\$52,470	\$56,742	\$56,546	\$57,549	\$58,569
Less: operating expenses	(\$35,755)	(\$36,931)	(\$38,150)	(\$39,414)	(\$40,724)	(\$42,230)
Net Revenues	\$9,790	\$15,539	\$18,592	\$17,132	\$16,825	\$16,339
Debt Service Requirement						
Outstanding debt service	\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
2020 line of credit amortization	63	63	63	63	63	63
Total Debt Service Requirement	\$4,278	\$5,610	\$7,819	\$8,014	\$8,003	\$7,729
Debt service coverage ratio	228.8%	277.0%	237.8%	213.8%	210.2%	211.4%
(b)						

AVIATION AND OTHER INVESTMENT CONSIDERATIONS

Effect of COVID-19 Pandemic

The COVID-19 pandemic has had and likely will continue to have substantial adverse effects on passenger traffic and Airport operations and financial performance. The dynamic nature of the COVID-19 pandemic leads to many uncertainties, so the Authority cannot predict: (i) the scope, duration or extent of the current COVID-19 pandemic, or another outbreak or pandemic, (ii) any additional restrictions or warnings related to air travel, gatherings or any other activities, or the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down, in response to such restrictions or warnings; (iii) what additional short or long-term effects the restrictions and warnings imposed as a result of the COVID-19 pandemic may have on air travel (including to and from the Airport), the retail and services provided by Airport concessionaires, Airport costs or Airport revenues, including PFC Revenues and CFC Revenues; (iv) to what extent the COVID-19 pandemic, another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, and if any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Airport's CIP, or other Airport operations; (v) the extent to which the COVID-19 pandemic, or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Airport may amend, adjust, or make other changes to the Airport's arrangements with its tenants and concessionaires; (vii) whether any of the foregoing will have a material adverse effect on the finances and operations of the Airport; or (viii) the extent or duration of

telecommuting and the possibility of increased utilization of video conferencing by businesses and others after the COVID-19 pandemic which may reduce demand for business travel.

The Authority cannot predict the extent and duration of changes in air traffic volume as a result of the COVID-19 pandemic and its associated economic impacts. It is possible that air travel behavior and patterns may be permanently altered, once the various guidelines and orders implemented in response to the COVID-19 pandemic have been lifted, as a result of residents' and businesses' telecommuting experiences during the outbreak. In particular, such experiences may result in a permanent decline in business travel, the extent of which is currently unknown.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, and that recovery may be prolonged, adversely impacting Airport revenues. Future outbreaks, pandemics or other events outside the Airport's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Airport revenues. See "IMPACTS OF THE COVID-19 PANDEMIC ON THE AUTHORITY."

General Factors Affecting the Airline Industry

Historically, the financial performance of the airline industry generally has correlated with the strength of the national and global economy. Certain factors that may materially affect the Airport and the airlines include, but are not limited to: (i) growth of population and the economic health of the region and the nation, (ii) airline service and route networks, (iii) national and international economic and political conditions, (iv) changes in demand for air travel, (v) service and cost competition, (vi) mergers and bankruptcy of any airlines, (vii) the availability and cost of aviation fuel and other necessary supplies, (viii) levels of air fares, fixed costs and capital requirements, (ix) the cost and availability of financing, (x) the capacity of the national air traffic control system, (xi) national and international disasters and hostilities, (xii) public health concerns, such as pandemics (COVID-19 and others), the spread of influenza and severe acute respiratory syndrome, (xiii) the cost and availability of employees and labor relations within the airline industry, (xiv) regulation by the federal government, (xv) environmental risks, noise abatement concerns and regulation, (xvi) acts of war or terrorism, (xvii) aviation accidents, and (xviii) other risks. As a result of these and other factors, many airlines have operated at a loss in the past and many (including some that served the Airport) have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the so-called legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, reducing routes served, consolidating connecting activity and replacing mainline jets with regional jets.

General Factors Affecting the Level of Airline Traffic

The Authority's ability to collect General Revenues and PFC Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Key factors affecting airline traffic at the Airport include, among others, population growth and the economic and political conditions of the region and the nation, national and international disasters and hostilities, safety concerns arising from international conflicts, the possibilities of terrorist or other attacks, the financial health of the airline industry and of individual airlines, airline service, and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel, capacity of the national air traffic control system and various other local, regional, national and international factors. If aviation activity at the Airport does not meet forecast levels, a corresponding reduction is likely to occur both in forecast General Revenues (absent an increase in the Authority's rentals, rates, fees and charges).

Pilot Shortage

A thinning supply of pilots and an upturn in pilot retirements has led to a growing shortage of airline pilots. Other factors contributing to the shortage are limited training opportunities and continued growth in military aviation. This has led to higher pilot salaries, which cuts into profits as labor costs are the number one expense for the airlines. Unions are also pushing for more benefits. Pilot demand was boosted by new pilot duty and rest rules (FAR117) that went into effect in January 2014. If economic growth and aviation traffic continue to grow, it may be difficult for the air carriers to meet the demand for pilots.

Conversely, large pilot pay rate increases and the recent uptick in hiring at legacy airlines has resulted in a sharp increase in enrollments at flight schools. Moreover, higher fuel prices cause U.S. airlines to moderate growth, and while the number of available pilots will likely not meet the demand in the near-term, the pilot shortage is expected to be less of a problem after the next several years.

Growth of Low-Cost Carriers

A low-cost carrier or ultra-low-cost carrier (each an “LCC” or “ULCC”) is an airline that generally has lower fares for customers and which is able to take advantage of an operating cost structure that is significantly lower than the cost structures of the network carriers. These lower costs can include lower labor costs, a streamlined aircraft fleet and more efficient operations. Because of these lower cost structures, LCCs/ULCCs can conceivably remain profitable while offering lower fares to the traveling public.

Over the last decade, as larger U.S. carriers consolidated and became more focused on capacity discipline, the ticket prices for their flights began to increase. LCCs/ULCCs emerged in markets where passenger levels were significant enough that the LCCs/ULCCs could overcome any barrier to entry. The low-cost structure of the LCCs/ULCCs stimulated traffic and budget conscious travelers to emerge as an underserved segment of the traveling public.

There can be no assurance that the LCCs/ULCCs will continue to maintain such levels in the future. The continued presence of the LCCs/ULCCs serving at the Airport, and the levels at which such airlines might provide service at the Airport, are a function of a variety of factors, including: airline fares and competition; airline industry economics, including labor costs and the price of aviation fuel; capacity of the Airport and competition from other airports; and the strength of the O&D market at the Airport. Most of these factors are beyond the control of the Authority. Accordingly, no assurance can be given as to the levels of aviation activity that the LCCs/ULCCs will provide at the Airport.

Airline Mergers, Acquisitions, and Alliance

In response to competitive pressures and increased cost, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta Air Lines merged with Northwest Airlines. In 2009, Republic Airways Holdings, a regional airline, acquired Frontier and Midwest Airlines but, in 2013, sold Frontier to Indigo Partners LLC, a private equity firm. In 2010, United Airlines and Continental Airlines completed the merger of two airlines, now operating as United Airlines, and in 2011, Southwest announced the closing of its acquisition of AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc. (“AirTran”). The acquisition extended Southwest’s route network and added new markets, such as Atlanta (the largest domestic market Southwest did not previously serve) and Reagan National Airport in Washington, D.C. It also provided Southwest with access to international leisure

markets in the Caribbean and Mexico. The FAA granted Southwest a single operating certificate on March 1, 2012, allowing Southwest to complete full integration of AirTran in 2014. In April 2015, American and US Airways completed their merger which created the largest airline in the world in terms of operating revenue and revenue passenger miles. In 2016, Alaska Air Group acquired Virgin America and became the fifth largest airline in the United States.

In addition, all of the large U.S. airlines are members of alliances with foreign-flag airlines. These alliances and other marketing arrangements provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between airlines. Any further airline consolidation could change airline service patterns. At this time, it is not possible to predict the effect of any future airline consolidation at the Airport.

Aviation Security Concerns

With enactment of the Aviation and Transportation Security Act (“ATSA”) in November 2001, the TSA was created and established different and improved security processes and procedures. ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. ATSA also permits the deployment of air marshals on all flights and requires air marshals on all “high-risk” flights. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Additional security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

Cost of Aviation Fuel

Airline profitability is significantly affected by the price of aviation fuel. According to Airlines for America, fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier’s operating economics. 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, Organization of Petroleum Exporting Countries’ policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Public Health Risks

In addition to the effect of the COVID-19 pandemic, other public health concerns have 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, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. Following an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of the virus adversely affected travel to and from certain regions of Africa. More recently, in January 2016, the Centers for Disease

Control and Prevention issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus has spread, a list that included more than 50 countries and territories. See “IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY”

Effect of Bankruptcy of Air Carriers

Treatment of Airline Agreements in Airline Bankruptcies. If a bankruptcy case is filed with respect to an airline operating at the Airport, the Airline Agreement to which the debtor airline is a party will be treated as an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code (the “Bankruptcy Code”). Under Section 365, a trustee in bankruptcy or the airline as debtor-in-possession might reject the Airline Agreement to which such airline is a party, in which case, among other things, the rights of that airline to continued possession of the facilities subject to the Airline Agreement (including gates and boarding areas) would terminate. Such facilities could ultimately be leased by the Authority to other airlines. The Authority’s ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline’s bankruptcy, and on the need for such facilities by other airlines. The rejection of the Airline Agreement in connection with the bankruptcy of an airline operating at the Airport may result in the loss of General Revenues to the Authority and a resulting increase in the costs per enplaned passenger for the other airlines at the Airport. In addition, in any airline bankruptcy the Authority may be required to repay landing fees, terminal rentals and other amounts paid by the airline to the Authority during the 90-day period prior to the date of the bankruptcy filing. Such payments are considered “preferential” and are avoidable in a bankruptcy case pursuant to Section 547 of the Bankruptcy Code. The Authority would, however, likely have defenses to any claim brought under Section 547 of the Bankruptcy Code, including that the subject payments were made in the ordinary course of business or that the Authority provided subsequent new value to the airline.

Also, under the Bankruptcy Code, any rejection of the Airline Agreement could result in the Authority holding a claim for rents and other items that would have accrued in the future, which claim would rank as that of a general unsecured creditor of an airline, in addition to pre-bankruptcy amounts owed.

Treatment of PFCs in Airline Bankruptcies. The PFC Act provides that PFCs collected by the Collecting Carriers constitute a trust fund held for the beneficial interest of the eligible public agency (e.g., the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the Collecting Carriers are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In the event of a bankruptcy, the PFC Act, as amended in December 2003 by Vision 100 (as hereinafter defined) provides certain statutory protections to eligible public agencies imposing PFCs, including the Authority, with respect to PFC collections. It is unclear, however, whether the Authority would be able to recover the full amount of PFC trust funds collected or accrued with respect to a Collecting Carrier in the event of its liquidation or cessation of business. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate PFC revenue in a separate account for the benefit of the eligible public agencies entitled to such revenue. Prior to the amendments made by Vision 100 allowing PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that PFC Revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general

claims of the unsecured creditors of such airline. In connection with another bankruptcy proceeding prior to Vision 100, a different bankruptcy court entered a stipulated order establishing a PFC trust fund for the benefit of various airports to which the bankrupt airline was not current on PFC payments. Although Vision 100 should provide some protection for eligible public agencies in connection with PFC Revenues collected by an airline in bankruptcy, no assurances can be given as to the approach bankruptcy courts will follow in the future.

The Authority also cannot predict whether a Collecting Carrier operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for PFCs owed by such Collecting Carrier. Based on Vision 100, it is expected, although no assurance is given, that the Authority would be treated as a secured creditor with respect to PFCs held by a Collecting Carrier which becomes involved in a bankruptcy proceeding.

The cessation of operations by a Signatory Airline with significant operations at the Airport would have a material adverse effect on operations, General Revenues (with the resultant effect on repayment of the Series 2021 Bonds), PFC Revenues and the cost to the other airlines of operating at the Airport. Currently, domestic gates and related facilities at the Airport are preferentially leased by the Authority to the Signatory Airlines pursuant to the Airline Agreements. In the event of a Signatory Airline default, the Authority has the power to terminate the Airline Agreement and exclude such Signatory Airline from its leased premises and assigned aircraft parking positions. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF AIRLINE USE AND LEASE AGREEMENT.”

Impact of Regional and National Economic Conditions on the Airport

The demographic and economic characteristics of the Air Trade Area comprise the underlying components of air transportation demand for passengers and commercial goods. This relationship is particularly true for the O&D passenger traffic, which is an important component of demand at the Airport. Although the economic base of the Air Trade Area is considered capable of supporting increased demand for air travel at the Airport, employment and other economic indices of the Air Trade Area may negatively impact forecasted results. While the Air Trade Area projects a gross regional product (“GRP”) annual growth rate to be positive during the forecast period, it remains lower than the Commonwealth of Virginia and U.S. annual growth rate projections. Most of these factors are beyond the control of the Authority. Accordingly, no assurance can be given as to the impact of regional and national economic conditions at the Airport.

Climate Change Issues and Possible New Regulations

Climate change concerns are shaping laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at the Airport and could also affect ground operations at the Airport. Studies report that airplane emissions equal approximately 12% of all U.S. transportation and more than 3% of total U.S. greenhouse gas emissions. While the United States Environmental Protection Agency (the “EPA”) does not currently regulate greenhouse gas (“GHG”) emissions from aircrafts, it could do so in the future. When drafting aircraft emission regulations, the EPA must consult with the Administrator of the FAA and the Secretary of Transportation, and such regulations must not significantly increase noise or adversely affect safety. The President may also disapprove if the Secretary of Transportation advises that the regulations create a hazard to aircraft safety. The Authority can provide no assurance as to the likelihood or potential impact of any such future proposed or enacted regulations.

Hurricanes, Flooding, Sea-Level Rise and Other Natural Risks

The Airport is located in the Mid-Atlantic region of the east coast of the United States. The Mid-Atlantic region is an area that is periodically susceptible to damaging storms, storm surge, and flooding. The risk of hurricanes, tropical storms or other major weather events affecting the Air Trade Area and interrupting commerce and military activities within Hampton Roads is a material risk that could negatively affect the regional economy and the overall aviation activity level at the Airport to pay debt service on the Series 2021 Bonds. Further, storm and flooding-related risks are likely to intensify over time if scientific projections about climate change and sea-level rise are correct. In addition, the Airport is located within a seismic zone that has experienced earthquakes in the past 15 years, and there can be no assurance that Airport facilities would not be damaged in any future earthquakes.

Environmental Regulations

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules, stormwater permitting requirements, and the like) which are enforced by the Federal Environmental Protection Agency and the Virginia Department of Environmental Quality, not FAA, apply to the Airport; compliance with those requirements may impose costs from time to time.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at the Airport will depend on the provision of increased capacity at the Airport itself. No significant capacity constraints now exist at the Airport and none are foreseen for many years. Planned additions to terminal, parking, and other facilities are also intended to ensure that Airport capacity will be available to accommodate forecast passenger demand.

In the long term, the Authority has plans to construct a second parallel runway, and in the nearer term intends to rehabilitate significant portions of its primary air carrier runway. See the section “THE AUTHORITY’S CAPITAL IMPROVEMENT PLAN.” The runway pavement rehabilitation project is expected to be conducted in phases, with construction occurring in the overnight hours outside of scheduled airline service.

CIP Costs and Schedule

The estimated costs of, and the projected schedule for, the projects in the CIP for the Airport depend on various sources of funding and are subject to a number of uncertainties. The ability of the Authority to complete these projects within the current budgets and on the current schedules may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, (4) delays in contract awards, (5) material and/or labor shortages, (6) delays due to airline operational needs, (7) unforeseen site conditions, (8) adverse weather conditions, (9) contractor defaults, (10) labor disputes, (11) unanticipated levels of inflation, (12) litigation, and (13) environmental issues.

No assurance can be given that the costs of these projects will not exceed the current budget for these projects or that the completion will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue Additional Bonds. The issuance of Additional Bonds may result in increased costs per enplaned passenger to the airlines. At present, the

Authority is unable to estimate the costs associated with each of the risks identified above and the total impact of these risks if such events were to occur. In addition, the Authority may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule.

Cybersecurity

Similar to other large organizations, the Authority and other airlines rely on electronic systems and technologies to conduct operations. Computer networks and data transmission and collection are vital to the safe and efficient operations of the Airport, the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of the Airport, any of the airlines serving the Airport or any other tenants at the Airport may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the Airport and/or the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the Airport to generate revenue. The Authority maintains a security posture designed to deter cyber-attacks and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations. However, no assurances can be given that the Authority's security measures will prevent cyber-attacks, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Authority.

Growth of Transportation Network Companies

A significant source of non-airline revenues is generated from ground transportation activity, including use of on-Airport parking facilities, rental car transactions, trip fees paid by taxi, limousine, and transportation network companies such as Uber and Lyft ("TNCs") that connect paying passengers with drivers who provide the transportation using their own commercial and non-commercial vehicles. The relative market share of these sources of revenue is shifting – as an example, the popularity of TNCs has increased because of the increasing number of cities where TNCs operate, the other technological innovations in ground transportation, convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver and competitive pricing.

The Authority has ongoing leases with Uber and Lyft which provide for a \$2.50 per trip fee through June 30, 2021. The Authority reserves the right to adjust the fee after June 30, 2021. TNCs accounted for 99,891 total trips in the nine-month period ended March 31, 2021, which constitutes a 66% decrease from the 292,603 total trips in the nine-month period ended March 31, 2018. During the same period, the total passengers at the Airport decreased by 52%. Although it currently does not appear that TNCs have had a significant effect on revenues generated through ground transportation, it is possible that further growth in and use of TNCs may have a material adverse impact on the Authority's parking revenues which may or may not be replaced by revenues from the Authority's agreements with TNCs. Such risks may have an effect on the assumption in the Airport Consultant Letter that parking revenues increase with the growth in enplaned passengers.

Technological Innovations in Ground Transportation

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the Authority makes every effort to anticipate demand shifts, there may be times when the

Authority's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Authority cannot predict with certainty what impact such new technologies, innovations in ground transportation or new business strategies will have over time on revenues from non-airline sources such as parking, rental cars and other ground transportation services.

Availability of Funding

The Authority's plan of finance for many of the completed capital improvement plan projects at the Airport assumed that PFC Revenues would be available in certain amounts and at certain times for the payment of debt service on related PFC obligations issued to pay the costs of several of such projects. In addition, the Authority's plan of finance for its five-year capital improvement plan assumes that federal grants will be received in certain amounts and at certain times to pay certain capital project costs. See "THE AUTHORITY'S CAPITAL IMPROVEMENT PROGRAM" above. No assurance can be given that these sources of funds actually will be available in the amounts or on the schedule assumed.

Also, as discussed above, the assumptions with respect to entitlement and discretionary funding, although considered reasonable by the Authority, are inherently subject to certain uncertainties and contingencies. Actual entitlement and/or discretionary funding levels and timing may vary and such differences may be material.

To the extent that any portion of the funding assumed in the plan of finance for capital projects at the Airport is not available as anticipated, the Authority may be required to issue Additional Bonds to pay the costs of such capital projects and to increase airline rates and charges to pay debt service on the Bonds and to fund the required coverage thereon. As an alternative to issuing Additional Bonds, the Authority may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule.

The amount of PFC revenue collected for the Airport in past years has varied, and in future years will vary, based upon the actual number of passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. The adverse impact of decreased enplanements could be direct or indirect. For example, PFC shortfalls could result in increases in terminal rentals or other rates and charges at the Airport, thereby negatively impacting the airlines' desire to operate at the Airport. Furthermore, under the terms of the PFC Acts (as defined below), the FAA may terminate the Authority's authority to impose a PFC as described in the following subsection.

Passenger Facility Charge Background. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and the 2003 FAA Reauthorization Act (collectively, the "PFC Acts"), the FAA has approved the Authority's applications to require airlines to collect and remit to the Authority a \$4.50 PFC on each enplaning revenue passenger at the Airport. **PFCs are an important element of the Authority's funding for its capital improvement program but PFC Revenues are not part of the security pledged to support payment of the Series 2021 Bonds.** See "THE AUTHORITY'S CAPITAL IMPROVEMENT PROGRAM."

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted, however, to commingle PFC

collections with other revenues and also are entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In 2003, the Vision 100 – Century of Aviation Reauthorization Act (“Vision 100”) became effective. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate passenger facility revenue in a separate account for the benefit of the eligible agencies entitled to such revenue. Prior to the amendments made by Vision 100 to allow PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that the PFC Revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of the unsecured creditors of such airline.

The Authority cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. *PFCs are not pledged to the repayment of the Series 2021 Bonds.*

Under the terms of the PFC Acts, the FAA may terminate the Authority’s authority to impose a PFC if the Authority’s PFC Revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Acts or the regulations promulgated thereunder, or if the Authority otherwise violates the PFC Acts or regulations. The FAA may also terminate the Authority’s authority to impose a PFC for a violation by the Authority of the Airport Noise and Capacity Act. The PFC termination provisions contained in the regulations provide both informal and formal procedural safeguards. In addition, although the FAA’s PFC regulations require Collecting Carriers (as defined in the PFC Acts) to account for PFC collections separately, and indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC, recent bankruptcy court decisions indicate that in a bankruptcy proceeding involving a Collecting Carrier, it is likely that PFCs will not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds.

Considerations Regarding Passenger Facility Charges

The amount of PFC Revenues collected by the Authority in future years will vary based upon (i) continuing authorization of the FAA to impose PFCs, and (ii) the actual number of passenger enplanements at the Airport. No assurance can be given that the authority to impose PFCs will continue beyond the current PFC authority or that passenger enplanement will increase or be maintained at their current levels. The Authority’s authority to impose the PFC and use PFC Revenues is subject to certain terms and conditions provided in the PFC Acts, the federal regulations relating to PFCs and each specific authorization to impose PFCs (the “PFC Authority”). If the Authority fails to comply with these requirements, the FAA may take action to terminate or to reduce the Authority’s authority to impose or to use PFCs. Some of the events that could cause the Authority to violate these provisions are not within the Authority’s control. In addition, failure to comply with the provisions of federal law relating to airport noise may lead to termination of the Authority’s authority to impose PFCs. The PFC termination provisions contained in the regulations provide both informal and formal procedural safeguards, including a process that must last a minimum of 180 days before the FAA could terminate the Authority’s authority to impose a PFC for a violation of the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC regulations or any PFC Authority will not be amended in a manner that would adversely affect the Authority’s ability to collect and use PFC Revenues. The Authority believes that it is in compliance with all applicable requirements of the PFC Act, the PFC regulations and the PFC Authority.

Federal Funding; Impact of Federal Sequestration

On October 3, 2018, Congress passed a five-year reauthorization bill for the FAA, known as the “FAA Reauthorization Act of 2018,” which was signed into law on October 5, 2018 by the President. The FAA Reauthorization Act of 2018, among other things, authorizes the FAA’s programs for five federal fiscal years, and increases funding for the AIP. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set asides and the national priority ranking system). Between 2007 and the prior reauthorization bill in 2012, there were 23 short-term extensions of the FAA’s authority and a two-week partial shutdown of the FAA in summer 2011. There can be no assurance that Congress will enact and the President will sign future FAA reauthorization acts or provide for additional extensions before the current authorization expires. Failure to adopt such legislation may have a material adverse impact on the AIP grant program and the Airport. In addition, the AIP could be affected by the automatic across-the-board spending cuts known as sequestration, described in more detail below. The Authority is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Authority for the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues, Additional Bonds, or Additional PFC Bonds), (ii) result in decreases to the CIP, or (iii) extend the timing for completion of certain projects. See “THE AUTHORITY’S CAPITAL IMPROVEMENT PROGRAM.”

Federal funding received by the Airport also could be adversely affected by implementation of certain provisions of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA operations, TSA budgets, and the availability of certain federal grant funds typically received annually by the Airport. This may cause the FAA or TSA to implement furloughs of their employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations. The full impact of such sequestration measures on the Airport is unknown at this time, and hence the Authority cannot predict future sequestration funding cuts or furloughs of federal employees responsible for federal airport security screening, air traffic control or the impact of such actions on airline traffic at the Airport or the Authority’s revenues.

Sequestration measures affecting Department of Defense spending would also have an adverse effect on the Authority. According to Department of Defense’s spending by state report, the Commonwealth of Virginia ranked second in the nation in defense spending with \$60.3 billion in the federal Fiscal Year ended September 30, 2019, making defense spending the largest contributor to the Commonwealth of Virginia’s GRP. Specifically, the Air Trade Area was estimated to have received \$16.5 billion in direct Department of Defense spending in 2019.

Rate Covenant Implications

The Authority has covenanted in its Resolution that it will impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of the facilities and commodities furnished by the Airport and will revise the same from time to time whenever necessary; and will collect the income, receipts and other moneys derived therefrom, so as to produce General Revenues which will be sufficient to pay all operation and maintenance costs; to pay the principal of and interest and premium, if any, on any General Revenue Bonds when due, to pay the City all amounts required to be paid to them by reason of the payment by them of the principal of and interest on bonds, notes or other evidences of indebtedness (including general obligation bonds) issued by them to finance all or any portion of the Airport; to pay all claims, charges or obligations payable from General Revenues; and to carry out all provisions and covenants of the Indenture. At all times when General Revenue Bonds are Outstanding and in any and all events, such rates, rentals, fees and charges shall be imposed,

prescribed, adjusted, enforced and collected which will yield General Revenues in an amount at least equal to 125% of the Debt Service Requirement on all General Revenue Bonds. See APPENDIX D – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Implementation of an increase in the schedule of rates, rentals, fees and charges for the use of the Airport could have a detrimental impact on the operations of the Airport by making the cost of operating therein unattractive to airlines, concessionaires and others, and/or by reducing the operating efficiency of the Airport.

Enforceability of Remedies

The rights of the owners of the Series 2021 Bonds and the enforceability of the Authority’s obligation to make payments on the Series 2021 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinion of Bond Counsel delivered at the time of the initial issuance of the Series 2021 Bonds will provide that the rights of the holders of the Series 2021 Bonds under the Indenture and under the Series 2021 Bonds and the enforceability of such rights may be subject to the valid exercise of judicial discretion, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. See APPENDIX F— “FORM OF OPINION OF BOND COUNSEL.”

Ratings on the Series 2021 Bonds

The ratings of the Series 2021 Bonds may be lowered or withdrawn depending on various factors, including the ratings agencies’ assessment of the Authority’s financial strength.

Two credit rating agencies have assigned preliminary credit ratings to the Series 2021 Bonds. The ratings of the Series 2021 Bonds are not a recommendation to purchase, hold or sell the Series 2021 Bonds, and the ratings do not comment on the market price or suitability of the Series 2021 Bonds for a particular investor. The ratings of the Series 2021 Bonds may not remain for a given period of time and may be lowered or withdrawn depending on, among other things, each ratings agency’s assessment of the Authority’s financial strength and changes in each rating agency’s methodology in assigning a credit rating to the Series 2021 Bonds. The Authority is not required to maintain a specified rating in respect to the Series 2021 Bonds. See “RATINGS.”

Risk of Future Legislative and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Virginia General Assembly. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2021 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2021 Bonds will not have an adverse effect on the tax status of the interest on the Series 2021 Bonds or the market value or marketability of the Series 2021 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2021 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, investors in the Series 2021 Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2021 Bonds for federal income tax purposes for all or certain taxpayers. In all such

events, the market value of the Series 2021 Bonds may be affected and the ability of holders to sell their Series 2021 Bonds in the secondary market may be reduced. The Series 2021 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2021 Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2021 Bonds.

Assumptions in the Letter of the Airport Consultant

The Airport Consultant Letter should be read in its entirety for an understanding of the forecasts and the underlying assumptions. As noted in the Airport Consultant Letter, any financial forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. The actual financial results achieved by the Authority over time may vary from the forecasts in the Airport Consultant Letter, and the variations may be material. Further, the Airport Consultant Letter does not cover the entire period through maturity of the Series 2021 Bonds, so bondholders must consider any current or future commitment to purchase and hold bonds over periods for which no forecast is provided. See APPENDIX A – “LETTER OF THE AIRPORT CONSULTANT.”

AIRLINE INDUSTRY INFORMATION

The Authority’s ability to generate General Revenues will depend on the ability of the Signatory Airlines, individually and collectively, to meet their obligations under the Airline Agreements. Many of the Signatory Airlines or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file periodic reports and other information with the Securities and Exchange Commission (SEC). Such reports may be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website containing reports, proxy statements, and other information statements regarding registrants that file electronically with the SEC. Information filed by airlines with the SEC is also typically available at the websites of the individual airlines. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation (“DOT”). These reports may be inspected at the DOT’s Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C 20590, and copies of the reports may be obtained from the DOT at prescribed rates.

Neither the Authority nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of any reports and statements filed with the SEC or DOT as described in this section, including, but not limited to updated information contained on the SEC’s website as described in this section, and including, but not limited to updated information on the SEC website or links to other Internet sites accessed through the SEC’s website. Any such information is not part of this Official Statement nor has such information been incorporated by reference in this Official Statement, and such information should not be relied upon in deciding whether to invest in the Series 2021 Bonds.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2021 Bonds will be subject to the approving opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Authority upon delivery of the Series 2021 Bonds, in substantially the form set forth as APPENDIX F (the “Bond Opinion”). The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2021 Bonds and to the tax-exempt status of interest thereon as described in the section “TAX MATTERS”. Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Series 2021 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2021 Bonds.

Certain legal matters will be passed on for the Authority by Vandeventer Black LLP, Norfolk, Virginia, and for the Underwriters by their counsel, Butler Snow LLP, Richmond, Virginia.

TAX MATTERS

Federal Tax Matters – Series 2021A Bonds and Series 2021B Bonds

In the opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, under existing law, interest on the Series 2021A Bonds (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax.

Further, in the opinion of Bond Counsel, under existing law, interest on the Series 2021B Bonds (a) is not included in gross income for federal income tax purposes, except when held by a “substantial user” of the facilities to be financed by the Series 2021B Bonds or a “related person” within the meaning of Section 147(a) of the Code, and (b) is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

Except as set forth below under “Virginia Tax Matters,” no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of, or the receipt or accrual of interest on, the Series 2021A Bonds or the Series 2021B Bonds (collectively, the “Tax-Exempt Bonds”).

Bond Counsel’s opinion will be given in reliance upon certifications by representatives of the Authority as to certain facts relevant to both the opinion and requirements of the Code, and Bond Counsel’s opinion is also subject to the condition that there is compliance subsequent to the issuance of the Tax-Exempt Bonds with all requirements of the Code that must be satisfied in order for interest income to remain excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure, and investment of proceeds of the Tax-Exempt Bonds and the timely payment of any arbitrage rebate amounts in respect to the Tax-Exempt Bonds to the United States Treasury. Failure of the Authority to comply with such covenants could cause interest, on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

APPENDIX F to this Official Statement contains the proposed forms of the approving opinions of Bond Counsel. Prospective purchasers of the Tax-Exempt Bonds should review such forms to determine the assumptions relevant to such opinion and the relevant qualifications thereto. Bond Counsel’s opinions represent its legal judgment based in part upon the representations and covenants referenced therein and

its review of existing law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

In addition to the matters addressed above, prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the applicability and impact of such consequences. Bond Counsel will not render any opinion as to these collateral federal income tax matters.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal or state income taxation, or otherwise prevent owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Additionally, investors in the Tax-Exempt Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Tax-Exempt Bonds for federal income tax purposes for all or certain taxpayers. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulation or litigation as to which Bond Counsel expresses no opinion.

Many events could affect the value and liquidity or marketability of the Tax-Exempt Bonds after their issuance, including but not limited to public knowledge of an audit of the Tax-Exempt Bonds by the Service, a general change in interest rates for comparable securities, a change in Federal or state income tax rates, legislative or regulatory proposals as described above and changes in the judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Tax-Exempt Bonds who purchase Tax-Exempt Bonds after their issuance may be different from those relevant to purchase upon issuance. Neither the opinion of Bond Counsel nor this Official Statement addresses the likelihood or effect of any such potential events or such other tax considerations.

Further, the Service has a program to audit obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service does audit the Tax-Exempt Bonds, under current Service procedures, the Service would likely treat the Authority as the taxpayer and the owners of the Tax-Exempt Bonds would have limited rights, if any, to participate.

Original Issue Discount. The Tax-Exempt Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “OID Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such OID Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a OID Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity).

Amounts received on disposition of such OID Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual OID Bond, on days that are determined by reference to the maturity date of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such OID Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such OID Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of OID Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a OID Bond. Subsequent purchasers of OID Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Tax-Exempt Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Market Discount. A purchaser (other than a person who purchases a Tax-Exempt Bond upon issuance at the issue price) who buys a Tax-Exempt Bond at a discount from its principal amount will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Tax-Exempt Bonds.

Information Reporting and Backup Withholding. Interest paid on the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to

beneficial owners who (i) are not “exempt recipients,” and (ii) fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Service.

Federal Tax Matters – Series 2021C Bonds

General. Bond Counsel is of the opinion that interest on the Series 2021C Bonds (the “Taxable Bonds”) is includable in gross income for federal tax purposes. Except as set forth below under “Virginia Tax Matters,” no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership or disposition of, or the receipt or accrual of interest on, the Taxable Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of Taxable Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold Taxable Bonds as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the Taxable Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, as amended, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Service and no assurance can be given that the Service will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the Taxable Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest on, the Taxable Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner’s particular tax status or other items of income or deduction and prospective purchasers of the Taxable Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding Taxable Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the Taxable Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the Taxable Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the Taxable Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of Taxable Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered

owner of the Taxable Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the Taxable Bonds for federal income tax reporting purposes.

Market Discount. The resale of any Taxable Bond by any owner of such Taxable Bond may be affected by the “market discount” provisions of the Code. For such purpose, the market discount on any Taxable Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such Taxable Bond immediately after its acquisition by such owner exceeds such owner’s adjusted tax basis in such Taxable Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a Taxable Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such Taxable Bond as ordinary income to the extent of any “accrued market discount” on such Taxable Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on a Taxable Bond will be treated as accruing on a straight-line basis over the term of such Taxable Bond, or, at the election of the owner of such Taxable Bond, under a constant yield method. Prospective purchasers of Taxable Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, Taxable Bonds acquired at a market discount.

Premium. If a Taxable Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner’s basis) under a constant yield method over the term of the Taxable Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of Taxable Bonds. If a Taxable Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller’s adjusted basis in the Taxable Bond. Such adjusted basis generally will equal the cost of the Taxable Bond to the seller, increased by any market discount included in the seller’s gross income and decreased by any payments on the Taxable Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a Taxable Bond will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the Taxable Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisors on this subject.

Defeasance. Defeasance of any Taxable Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder’s adjusted tax basis in the Taxable Bond.

Foreign Investors. Generally, payments of interest on the Taxable Bonds to an owner of Taxable Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a “foreign person”) not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the Taxable Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

Backup Withholding. Payments made to an owner with respect to the Taxable Bonds and proceeds from the sale of the Taxable Bonds will ordinarily not be subject to withholding of federal income tax if such owner is a United States person. However, even a United States person will be subject to withholding of such tax at a rate of 24% under certain circumstances. Except in the case of certain “exempt payees” as defined in the Code, such backup withholding will generally be applicable if an owner (1) fails to furnish to the Trustee such owner’s social security number or other taxpayer identification number (collectively, “TIN”), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other “reportable payments” as defined in the Code, or (4) under certain circumstances, fails to provide the Trustee with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that such owner is not subject to backup withholding.

Any federal tax advice contained in this Official Statement respecting the Taxable Bonds was written to support the marketing of the Taxable Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayers’ particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Virginia Tax Matters

In the opinion of Bond Counsel, under existing law, the Series 2021 Bonds are exempt from taxation within the Commonwealth of Virginia. Each prospective purchaser of the Series 2021 Bonds should consult his own tax advisor as to the tax status of interest in the Series 2021 Bonds under the tax laws of any state other than the Commonwealth of Virginia.

LITIGATION

The Authority is involved from time to time in various legal actions. In the opinion of Vandeventer Black LLP, General Counsel to the Authority, no legal proceedings of which the Authority has received written notice are pending or threatened that contest or affect the issuance, sale, execution or delivery of the Series 2021 Bonds, or in any way contest or affect the validity of the Series 2021 Bonds or the operation of the Airport, including the Authority’s ability to collect and apply Revenues as set forth in the Indenture, or which affects or relates to any of the transactions described in or contemplated by this Official Statement.

RATINGS

Moody’s Investor’s Service (“Moody’s”) and S&P Global Ratings (“S&P”) have assigned long-term ratings of “A3 (Stable Outlook)” and “A- (Stable Outlook),” respectively, to the Series 2021 Bonds.

The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody’s and S&P, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal or ratings on the Bonds may have an effect on the market price thereof.

UNDERWRITING

The Series 2021 Bonds are being purchased by Raymond James & Associates, Inc. (“RJA”) and Siebert Williams Shank & Co., LLC (“SWS,” and together with RJA, the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2021 Bonds from the Authority at a price of \$31,109,340.93, which is net of an underwriting discount of \$101,917.37 (0.394264% of the principal amount of its Series 2021 Bonds). The Underwriters’ obligation is subject to certain conditions precedent to closing, and they will be obligated to purchase all of the Series 2021 Bonds if any Series 2021 Bonds are purchased. The Series 2021 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Series 2021 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

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

In the ordinary course of its business, RJA and its affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Authority and its affiliates for which they received or will receive customary fees and expenses.

An SWS affiliate (“Affiliate”), which is a registered investment advisor, has sub-advisory agreements relating to two clients with PFM Asset Management LLC, which is an investment advisor affiliate of PFM Financial Advisors LLC. Affiliate’s business is separate from SWS’ and the SWS employees who cover the Authority are not involved in the activities of Affiliate.

CONTINUING DISCLOSURE

The offering of the Series 2021 Bonds is subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) issued by the Securities and Exchange Commission. Pursuant to the Rule, the Authority has undertaken for the benefit of the owners to make public certain annual financial information and operating data and notice of certain events by furnishing such information to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as required by MSRB, for posting on its Electronic Municipal Marketplace Access (“EMMA”).

See APPENDIX G - “FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a more detailed description of the Authority’s continuing disclosure undertakings.

Except as noted below, there have been no instances in the previous five years in which the Authority has failed to comply with its prior continuing disclosure undertakings. The Authority previously entered into its continuing disclosure undertakings for the benefit of the owners of the Authority’s Series 2011 Bonds. In making its annual financial and operating information filings required by such continuing disclosure undertakings prior to FY 2018, the Authority (i) included debt service

requirements for each immediately preceding Fiscal Year, but omitted the required calculation of debt service coverage ratio for such Fiscal Year, and (ii) did not specifically identify revenues from concessions at the Airport for each such Fiscal Year. All such required information was included in the annual financial and operating information filing for FY 2018, and the Authority has taken steps to ensure that all required information will be included in future years' filings.

A failure by the Authority to comply with its continuing disclosure undertaking will not constitute an Event of Default under the Indenture (although the owners will have any available remedy at law or in equity to enforce the undertaking). However, a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2021 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2021 Bonds and their market price.

As noted in "AIRLINE INDUSTRY INFORMATION" certain Signatory Airlines (or their respective parent corporations) are subject to the information reporting requirements of the Exchange Act and, in accordance therewith, certain information, including financial information, concerning such domestic airlines or their parent corporations, is disclosed in certain reports and statements filed with the SEC and the United States Department of Transportation (the "DOT"). In providing or causing to be provided information to EMMA, the Authority shall state that information regarding Signatory Airlines is contained in reports filed with the SEC and the DOT. Furthermore, in the event that a Signatory Airline that is an Obligated Person (as defined below) is no longer required to file reports with the SEC or the DOT, the Authority agrees to use its best efforts to obtain from such Signatory Airlines an agreement to provide to the MSRB the same financial information as that currently contained in the filings with the SEC and DOT if, at any time during the continuation of the Continuing Disclosure Certificate, such filings are no longer being made. At this time, no Signatory Airline is an Obligated Person for such purposes.

For the purposes of the Continuing Disclosure Certificate, "Obligated Person" means the Authority and each airline or other entity using the Airport 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 (or both combined) such airline or other entity has paid amounts equal to 20% of the gross revenues of the Airport for the prior two Fiscal Years of the Authority. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" for the detailed provisions of the Authority's obligation to provide continuing disclosure.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2019 and 2020, and for the years then ended, included in APPENDIX B to this Official Statement, have been audited by Cherry Bekaert LLP, the Authority's independent accountants, as stated in their report appearing herein. The auditors have not been requested to consent, nor have they rendered any consent, to the inclusion of the financial statements in this Official Statement, nor have the auditors been engaged to perform and have not performed, since the date of their report included herein, any procedures on the financial statements addressed in that report. Cherry Bekaert LLP also has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

The Authority has retained PFM Financial Advisors LLC (the “Financial Advisor”), as financial advisor in connection with the issuance and sale of the Series 2021 Bonds. Although the Financial Advisor assisted in the preparation of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RELATIONSHIPS OF PARTIES

Kaufman & Canoles, a Professional Corporation, Bond Counsel, serves from time to time as counsel to the Trustee and various of the Underwriters in transactions unrelated to this financing. Butler Snow LLP, counsel to the Underwriters, serves from time to time as counsel to the Trustee in transactions unrelated to this financing. Haneberg Hurlbert PLC (Richmond, Virginia), counsel to the Trustee, serves from time to time as counsel to various of the Underwriters in transactions unrelated to this financing.

MISCELLANEOUS

This Official Statement and any advertisement of the Series 2021 Bonds are not to be construed as a contract with the purchasers of the Series 2021 Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Financial statements of the Authority are prepared annually and are available to interested persons on the Authority’s website.

The Authority has furnished all information in this Official Statement relating to it and the Airport.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The Authority has authorized the distribution of this Official Statement. For purposes of compliance with Rule 15c2-12, this Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date.

NORFOLK AIRPORT AUTHORITY

By: /s/ Robert S. Bowen
Executive Director

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APPENDIX A

LETTER OF THE AIRPORT CONSULTANT

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Appendix A
Letter of the Airport Consultant

Norfolk Airport Authority
Airport Revenue Refunding Bonds, Series 2021A (Non-AMT)
Airport Revenue Refunding Bonds, Series 2021B (AMT)
Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)

June 1, 2021

Prepared by:



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June 1, 2021

Mr. Robert S. Bowen
Executive Director and Secretary
Norfolk Airport Authority
Norfolk International Airport
2200 Norview Avenue
Norfolk, Virginia 23518

**RE: Appendix A: Letter of the Airport Consultant
Norfolk Airport Authority
Airport Revenue Refunding Bonds, Series 2021A (Non-AMT)
Airport Revenue Refunding Bonds, Series 2021B (AMT)**

Dear Mr. Bowen:

DKMG Consulting LLC (DKMG) is pleased to submit this Letter of the Airport Consultant in connection with the proposed issuance by the Norfolk Airport Authority (the Authority) of its Airport Revenue Refunding Bonds, Series 2021A (Non-AMT), Airport Revenue Refunding Bonds, Series 2021B (AMT), and Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (collectively, the Series 2021 Bonds). This letter is intended for inclusion in the Official Statement for the Series 2021 Bonds as Appendix A: Letter of the Airport Consultant (the Letter).

Since the Series 2021 Bonds are all Refunding Bonds, the Additional Bonds Test is not required under the provisions of the Master Indenture (as defined herein). Therefore, we did not prepare a full Report of the Airport Consultant to support the calculation of the Additional Bonds Test. However, since the worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19) starting in late 2019 caused significant disruptions to domestic and international passenger travel as well as to the conduct of day-to-day business of the Authority, the Authority requested we prepare this Letter to disclose the impacts of COVID-19 on aviation activity at Norfolk International Airport (ORF) and on the Authority's financials.

1 Background Information

The Authority was established in 1948 as a political subdivision of the Commonwealth of Virginia. Its original name was Norfolk Port Authority, which was later changed to Norfolk Port and Industrial Authority and then to the current name of Norfolk Airport Authority. The Authority was originally responsible for the supervision of the operation and maintenance of

what was then known as the Norfolk Municipal Airport. The Authority subsequently received ownership of Norfolk Municipal Airport, now known as ORF and has the full responsibility for ORF's operation, maintenance, and development. The Authority is governed by a Board of Commissioners (the Board) of at least seven but not more than nine members appointed for four-year terms by the City Council of the City of Norfolk (the City). The Authority has a management staff headed by the Executive Director who is appointed by the Board.

ORF is classified as a small hub airport and, according to Airports Council International's (ACI) 2019 North American Traffic Report, ranked as the 79th busiest airport nationwide in terms of total passengers. ORF occupies approximately 1,088 acres and is located eight miles northeast of downtown Norfolk. Access to ORF is provided via Interstate 64 and Norview Avenue.

The borders of an air trade area are determined by the relative location of other metropolitan areas and their associated commercial airport facilities. For purposes of these analyses, ORF's primary air trade area (Air Trade Area) is defined as the Virginia Beach-Norfolk, VA-NC Combined Statistical Area, which includes Gloucester, Isle of Wight, James City, Mathews, and York counties in Virginia; Camden, Currituck, Dare, Gates, Pasquotank, Perquimans, and Tyrrell counties in northeastern North Carolina; and the independent Virginia cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Air Trade Area encompasses approximately 7,000 square-miles. The population and economic strength of the Air Trade Area provides the primary base for supporting air transportation demand at ORF. **Figure A-1** graphically presents the Air Trade Area.

Figure A-1 – Air Trade Area



2 COVID-19

Table A-1 presents the decline in the number of people screened through TSA checkpoints that resulted from the travel restrictions related to COVID-19 from March 2020 through April 2021. As shown in the table, the TSA reported that, beginning in March 2020, the number of people screened at all U.S. airports decreased relative to the same months in 2019, with the largest decrease to date of 95.4% occurring in April 2020. ORF’s largest decrease to date of 93.3% also occurred in April 2020. ORF’s total number of people screened in CY 2020 decreased 54.6% over CY 2019, which was better than the overall U.S. aviation system decrease of 61.8% for the same time period. ORF has continued to show stronger recovery than the U.S. into 2021 as evidenced by a decrease of 8.2% for January 2021 to April 2021 over January 2020 to April 2020 compared to a 19.4% decrease for the U.S.

Table A-1 – Monthly Number of People Screened by TSA (in 000s)

Month	U.S.						ORF					
	2019	2020	Monthly % change	2021	% change		2019	2020	Monthly % change	2021	% change	
					over 2019	over 2020					over 2019	over 2020
January	59,406	61,930	4.2%	23,598	-60.3%	-61.9%	142	155	9.0%	68	-52.3%	-56.2%
February	57,346	60,429	5.4%	24,446	-57.4%	-59.5%	135	148	9.8%	68	-49.6%	-54.1%
March	72,530	32,995	-54.5%	38,050	-47.5%	15.3%	171	87	-49.4%	102	-40.7%	17.3%
April	70,519	3,323	-95.3%	41,826	-40.7%	1158.9%	179	12	-93.3%	131	-26.5%	995.0%
May	74,499	7,166	-90.4%	n/a	n/a	n/a	199	27	-86.5%	n/a	n/a	n/a
June	76,620	14,482	-81.1%	n/a	n/a	n/a	216	54	-74.9%	n/a	n/a	n/a
July	79,512	20,741	-73.9%	n/a	n/a	n/a	224	79	-64.7%	n/a	n/a	n/a
August	74,776	21,708	-71.0%	n/a	n/a	n/a	218	92	-57.8%	n/a	n/a	n/a
September	66,531	21,488	-67.7%	n/a	n/a	n/a	173	82	-52.8%	n/a	n/a	n/a
October	72,096	25,636	-64.4%	n/a	n/a	n/a	188	89	-52.6%	n/a	n/a	n/a
November	68,788	25,513	-62.9%	n/a	n/a	n/a	178	88	-50.4%	n/a	n/a	n/a
December	70,219	26,392	-62.4%	n/a	n/a	n/a	196	95	-51.4%	n/a	n/a	n/a
Total	842,843	321,803	-61.8%				2,220	1,009	-54.6%			
Jan-Apr	259,801	158,677	-38.9%	127,921	-50.8%	-19.4%	627	402	-35.9%	369	-41.2%	-8.2%

Sources:

Transportation Security Administration
 Authority records

Columns may not add to totals shown due to rounding.

2.1 Authority's Response to COVID-19

As the negative effects on airline travel caused by COVID-19 became more apparent, the Authority took a series of operational, commercial, and financial actions to prioritize strong cash liquidity and maintain debt service coverage, and also assist airline and non-airline partners serving ORF. These actions include, but are not limited to reducing Operating Expenses and waiving the minimum annual guarantee (MAG) payments for the terminal concessionaires from April 2020 through June 2020. Pursuant to their agreement, the rental car companies only pay the percent rent when enplaned passengers fall below 75% of the previous year and are not required to pay the MAG.

Despite the reductions in non-airline revenues due to COVID-19, the Authority has not used nor does it currently expect to use any of its restricted cash reserves to pay operating expenses or meet its Rate Covenant.

2.2 COVID-19 Relief Grants

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which included, among other things, the award of certain grants to the operators of all U.S. airports, including ORF. Airport operators can use their awarded CARES Act grants for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of Operating Expenses on or after January 20, 2020, and the payment of Annual Debt Service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the grant agreement between the airport operator and the Federal Aviation Administration (FAA) was executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020. On April 14, 2020, the FAA provided the CARES Act grant amounts by airport and ORF was awarded \$19,847,270. The CARES Act grants are provided to the Authority on a reimbursement basis. In addition to this funding, the CARES Act also provided for all FY 2020 Airport Improvement Program (AIP) grants to be 100% funded by the federal government. These grants usually provide for a 10% local match. This resulted in an additional \$1,059,384 in federal funding for capital projects.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was signed into law providing airports with an additional \$2 billion in general fund revenues as further economic relief to assist eligible airports as they continue to respond to COVID-19. A total of \$1.75 billion was set aside for primary airports, which includes ORF, and certain cargo airports, for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. The FAA distributed the funds first using AIP passenger and cargo entitlement formulas and then based on CY 2019 enplanements. An additional \$200 million is available to airports to provide rent or MAG relief to its on-airport concessionaires. As a condition of accepting these funds under the CRRSAA, airports would be required to continue to retain at least 90% of the number of individuals employed as of March 27, 2020 through September 30, 2021. On February 12, 2021, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to distribute the CRRSAA funds, of which \$6,195,216 was allocated to ORF.

On March 11, 2021, the \$1.9 trillion American Rescue Plan Act of 2021 (ARPA) was signed into law providing airports an additional \$8 billion in emergency relief as they continue to respond to COVID-19. Approximately \$6.492 billion is set aside for primary airports, which includes ORF, and certain cargo airports, for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. The FAA will distribute the funds based on CY 2019 enplanements. The FAA has not provided the ARPA grant amounts by airport as of the date of this Letter; however, based on the ARPA grants being distributed using CY 2019 enplanements, it is estimated that the Authority may receive approximately \$13 million.

The Authority’s CARES Act grants, ACRGP grants, and ARPA grants are collectively defined as the COVID-19 Relief Grants and are presented in **Table A-2**. As shown in the table, the Authority has been awarded approximately \$26.0 million in CARES Act and ACRGP grants to date and is estimated to receive an additional \$13.0 million in ARPA grants. The Authority has used approximately \$5.0 million of these funds to reimburse itself for Operating Expenses in FY 2020 and intends on using \$14.2 million to reimburse itself for FY 2021 Operating Expenses and Debt Service Requirement, \$12.7 million to reimburse itself for FY 2022 Operating Expenses and Debt Service Requirement, and \$7.1 million to reimburse itself for the FY 2023 Debt Service Requirement. Under the Master Indenture, funds such as the COVID-19 Relief Grants are included in the definition of Revenues.

Table A-2 – Application of COVID-19 Relief Grants

	Total	FY 2020	FY 2021			FY 2022		FY 2023
		Operating Expenses	Operating Expenses	Debt Service Requirement	Concession Relief	Operating Expenses	Debt Service Requirement	Debt Service Requirement
CARES Act grants	\$19,847,270	\$5,056,595	\$9,575,050	\$4,215,625	\$0	\$1,000,000	\$0	\$0
ACRGP grants	6,195,216	0	0	0	426,391	220,982	5,547,843	0
ARPA grants (a)	13,000,000	0	0	0	n/a	5,900,000	0	7,100,000
Total COVID-19 Relief Grants	\$39,042,486	\$5,056,595	\$9,575,050	\$4,215,625	\$426,391	\$7,120,982	\$5,547,843	\$7,100,000
Annual totals		\$5,056,595	\$14,217,066			\$12,668,825		\$7,100,000

(a) The FAA has not provided the ARPA grant amounts by airport as of the date of this Letter; however, based on the ARPA grants being distributed using CY 2019 enplanements, it is estimated that the Authority may receive approximately \$13 million.

Columns may not add to totals shown due to rounding.

3 Air Traffic

This section presents information regarding the impacts of COVID-19 on ORF, recovery of alternative airport facilities, historical trends in activity at ORF and factors affecting those trends, and the forecast of aviation activity at ORF through FY 2026.

3.1 Air Service

The distribution of an O&D market is a function of air travel demand and available services and facilities. This is particularly true for ORF, as O&D passenger traffic constituted approximately 98% of its passengers in CY 2020. As of April 2021, ORF had service provided by six U.S. passenger carriers (Allegiant Airlines (Allegiant), American Airlines (American), Delta Air Lines (Delta), Frontier Airlines (Frontier), Southwest Airlines (Southwest), and United Airlines (United)) and two all-cargo carriers (Federal Express Corporation (FedEx) and UPS Airlines (UPS)). **Table A-3** presents the markets served by ORF as well as the number of average nonstop flights to those markets as of February 2020, which is prior to the travel restrictions due to COVID-19, and as of May 2021.

Table A-3 – Nonstop Markets Served at ORF

Market	February 2020		May 2021	
	Average Nonstop Flights (a)	Airline	Average Nonstop Flights (a)	Airline
Atlanta	7.7	Delta	6.6	Delta
Charlotte	8.9	American	7.6	American
Chicago	4.9	American, Southwest, United	7.0	American, Southwest, United
New York	14.9	American, Delta, United	4.0	Delta, United
Washington, D.C.	6.6	American, United	4.9	American, United
Baltimore	3.6	Southwest	3.0	Southwest
Detroit	2.7	Delta	2.9	Delta
Orlando	2.0	Allegiant, Frontier, Southwest	1.9	Allegiant, Frontier, Southwest
Philadelphia	5.0	American	3.0	American
Dallas	1.9	American	2.0	American
Miami	3.0	American	2.0	American
Denver	1.3	Frontier, United	1.3	Frontier, United
Ft. Lauderdale	0.3	Allegiant	1.0	United
Houston	1.9	United	1.0	Southwest
Jacksonville	0.3	Allegiant	0.3	Allegiant
Nashville	0.1	Southwest	0.3	Allegiant
St. Petersburg	0.3	Allegiant	0.3	Allegiant
Boston	0.0		0.1	Delta
Las Vegas	0.4	Frontier		
Punta Gorda	0.3	Allegiant		
Total	66		49	
% change			-25.6%	
Markets served	19		18	
% change			-5.3%	

(a) Decimals reflect routes that airlines do not fly daily.

Source: Official Airline Guide via PlaneStats.com

As of February 2020, which is prior to the travel restrictions due to COVID-19, ORF served 19 markets and an average of 66 nonstop flights. In May 2021, ORF served 18 markets and an average of 49 nonstop flights. Primary O&D markets with a significant number of nonstop flights include Atlanta, Charlotte, Chicago, New York, and Washington, D.C. Specific airline changes in service that could positively impact capacity at ORF in FY 2021 include:

- Delta has resumed infrequent daily service to Boston in May 2021, with daily service expected to begin in June 2021.
- Allegiant has announced it plans on beginning twice weekly seasonal service to Boston, Cincinnati, and Cleveland and twice weekly summer seasonal service to Columbus and Pittsburgh in June 2021.

- Southwest has announced it plans on beginning in June 2021 daily service to Denver and Nashville, Sunday-only service to Dallas, and Thursday and Friday service to San Diego.
- On May 21, 2021, Breeze Airways (Breeze) announced that it would begin serving ORF with nonstop service to Charleston, SC (June 10); Tampa, FL (June 10); New Orleans, LA (July 15); Columbus, OH (July 22); Hartford, CT (July 22); Pittsburgh, PA (July 22); and Providence, RI (July 29). Six of these seven destinations are currently not included in ORF's 18 nonstop market destinations, increasing that number to 24.

3.2 Historical Activity

Primarily as a result of COVID-19, enplaned passengers at ORF and the U.S. declined in 2020. As shown in **Table A-4**, ORF's enplaned passengers decreased 23.7% from FY 2019 to FY 2020, which is composed of a 6.4% increase in the first eight months year-over-year and a 77.8% decrease in the last four months, as a result of COVID-19 travel restrictions beginning in March 2020. For July 2020 through April 2021 (which is FY 2021), enplaned passengers decreased 49.2% compared to July 2018 through April 2019 (which is FY 2019). Enplaned passengers began to return to ORF in May 2020, which continued into FY 2021 as evidenced by the declining rate of the decrease in the FY 2021 numbers over FY 2020.

Table A-4 – Monthly Enplaned Passengers

Month	FY 2019	FY 2020		FY 2021		
	Enplaned Passengers	Enplaned Passengers	% Change from FY 2019	Enplaned Passengers	% Change from FY 2020	% Change from FY 2019
July	182,757	199,670	9.3%	71,312	-64.3%	-61.0%
August	181,399	194,373	7.2%	81,760	-57.9%	-54.9%
September	139,150	155,387	11.7%	71,886	-53.7%	-48.3%
October	164,052	167,824	2.3%	78,615	-53.2%	-52.1%
November	162,584	159,898	-1.7%	76,894	-51.9%	-52.7%
December	161,617	173,430	7.3%	83,939	-51.6%	-48.1%
January	127,844	137,098	7.2%	58,467	-57.4%	-54.3%
February	121,199	131,727	8.7%	59,117	-55.1%	-51.2%
March	156,578	74,955	-52.1%	90,355	20.5%	-42.3%
April	159,096	8,894	-94.4%	117,681	1223.2%	-26.0%
May	179,001	22,248	-87.6%	n/a	n/a	n/a
June	192,852	46,414	-75.9%	n/a	n/a	n/a
Total	1,928,129	1,471,918	-23.7%			
July-February	1,240,602	1,319,407	6.4%	581,990	-55.9%	-53.1%
March-June	687,527	152,511	-77.8%			
July-April	1,556,276	1,403,256	-9.8%	790,026	-43.7%	-49.2%

Source: Authority records

Columns may not add to totals shown due to rounding.

Portions of the Air Trade Area are also served by the Newport News/Williamsburg International Airport (PHF), which is located approximately 25 miles northwest of ORF, and Richmond International Airport (RIC), which is located approximately 90 miles northwest of ORF. The closest alternative airport is PHF at approximately 25 miles from ORF; however, ORF offers more daily flights to more airports with lower average domestic fares than PHF. Also in 2020, Delta discontinued service at PHF consolidating operations to ORF. As shown in **Table A-5**, all of the airports in the Air Trade Area experienced a downturn in total passengers; however, ORF had the lowest decrease for CY 2020 over CY 2019 compared to RIC and PHF.

Table A-5 – Alternative Facilities Total Passenger Recovery

	CY 2019	CY 2020	% change
RIC	4,379,663	1,702,372	-61.1%
ORF	3,981,139	1,785,135	-55.2%
PHF	430,761	150,493	-65.1%
Total	8,791,563	3,638,000	-58.6%

Sources:

Airports historical records

Columns may not add to totals shown due to rounding.

Table A-6 presents the historical share of enplaned passengers by airline at ORF for FY 2016 through FY 2020. As shown, enplaned passengers are distributed across a number of carriers; however, American, in combination with its code-sharing partners, accounted for the greatest enplaned passenger market share in each of the last five years and accounted for 31.8% of total enplaned passengers in FY 2020. When combined with their code-sharing partners, Delta, Southwest, and United accounted for a combined share of 61.2% in FY 2020 a trend which continued through April of FY 2021. As also shown in the table, total enplaned passengers increased at a 7.5% compound annual growth rate (CAGR) from FY 2016 through FY 2019, however, decreased 23.7% in FY 2020 primarily as a result of COVID-19 travel restrictions.

Table A-6 – Historical Enplaned Passengers by Airline

Airline	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		10 months ending April			
	Enplaned Passengers	Market Share	FY 2020		FY 2021									
American (a)	503,843	32.4%	532,112	32.7%	580,461	33.3%	607,965	31.5%	468,356	31.8%	442,653	31.5%	289,990	36.7%
Delta (b)	495,500	31.9%	504,382	31.0%	513,143	29.5%	571,554	29.6%	439,740	29.9%	426,841	30.4%	179,834	22.8%
Southwest	312,139	20.1%	331,289	20.3%	339,297	19.5%	305,281	15.8%	229,441	15.6%	213,809	15.2%	139,047	17.6%
United (c)	242,123	15.6%	260,570	16.0%	278,868	16.0%	332,909	17.3%	231,192	15.7%	224,530	16.0%	130,206	16.5%
Allegiant	0	0.0%	0	0.0%	29,356	1.7%	49,780	2.6%	55,328	3.8%	50,019	3.6%	30,612	3.9%
Frontier	0	0.0%	0	0.0%	0	0.0%	59,593	3.1%	46,301	3.1%	43,884	3.1%	19,213	2.4%
Other (d)	0	0.0%	0	0.0%	0	0.0%	1,047	0.1%	1,560	0.1%	1,520	0.1%	1,124	0.1%
Total	1,553,605	100.0%	1,628,353	100.0%	1,741,125	100.0%	1,928,129	100.0%	1,471,918	100.0%	1,403,256	100.0%	790,026	100.0%
Percent change		7.1%		4.8%		6.9%		10.7%		-23.7%				-43.7%
CAGR from FY 2016				4.8%		5.9%		7.5%		-1.3%				

(a) Includes enplaned passengers for American and its code-sharing partners. Also includes enplaned passengers on US Airways and its code-sharing partners.

(b) Includes enplaned passengers on Delta and its code-sharing partners.

(c) Includes enplaned passengers on United and its code-sharing partners.

(d) Includes enplaned passengers on Boutique Air and charter airlines.

Source: Authority records

Columns may not add to totals shown due to rounding.

Table A-7 presents the monthly total airline landed weight at ORF’s for FY 2019, FY 2020, and through April for FY 2021. As shown, total landed weight decreased 19.7% from FY 2019 to FY 2020. In addition, FY to date 2021 total landed weight decreased 35.3% from 2019 levels for the same time period.

Table A-7 – Monthly Landed Weight

Month	FY 2019	FY 2020		FY 2021		
	Landed Weight	Landed Weight	% Change from FY 2019	Landed Weight	% Change from FY 2020	% Change from FY 2019
July	230,717	246,504	6.8%	134,617	-45.4%	-41.7%
August	234,913	239,945	2.1%	141,232	-41.1%	-39.9%
September	220,491	206,021	-6.6%	124,118	-39.8%	-43.7%
October	233,526	224,608	-3.8%	132,855	-40.9%	-43.1%
November	222,478	209,482	-5.8%	138,551	-33.9%	-37.7%
December	221,763	221,851	0.0%	145,137	-34.6%	-34.6%
January	212,795	202,503	-4.8%	143,700	-29.0%	-32.5%
February	194,009	188,301	-2.9%	126,195	-33.0%	-35.0%
March	223,399	173,739	-22.2%	169,328	-2.5%	-24.2%
April	221,429	79,872	-63.9%	178,530	123.5%	-19.4%
May	236,897	72,668	-69.3%	n/a	n/a	n/a
June	236,865	93,893	-60.4%	n/a	n/a	n/a
Total	2,689,282	2,159,388	-19.7%			
July-February	1,770,692	1,739,216	-1.8%	1,086,406	-37.5%	-38.6%
March-June	918,590	420,172	-54.3%			
July-April	2,215,520	1,992,827	-10.1%	1,434,264	-28.0%	-35.3%

Source: Authority records

Columns may not add to totals shown due to rounding.

Table A-8 presents the shares of landed weight by passenger and all-cargo carriers at ORF for FY 2016 through FY 2020. Similar to enplaned passenger market share, ORF’s largest passenger carrier in terms of landed weight is American (in combination with its code-sharing partners) at 29.8%, with the next three airlines (when combined with their code-sharing partners) accounting for 52.5% of total landed weight in FY 2020. As also shown in the table, total landed weight increased at an 8.9% CAGR from FY 2016 through FY 2019, however, decreased 19.7% in FY 2020 primarily as a result of COVID-19 travel restrictions.

Table A-8 – Historical Landed Weight by Airline

	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		10 months ending April			
	Landed Weight	Market Share	FY 2020		FY 2021									
											Landed Weight	Market Share	Landed Weight	Market Share
Passenger airlines														
American (a)	671,980	32.3%	691,551	31.0%	713,076	30.9%	790,639	29.4%	643,843	29.8%	605,114	30.4%	377,441	26.3%
Delta (b)	579,319	27.8%	587,033	26.3%	605,856	26.2%	719,809	26.8%	548,749	25.4%	521,539	26.2%	335,753	23.4%
Southwest	335,544	16.1%	372,580	16.7%	368,668	16.0%	336,599	12.5%	293,504	13.6%	260,864	13.1%	219,348	15.3%
United (c)	282,219	13.6%	307,262	13.8%	337,480	14.6%	435,230	16.2%	291,904	13.5%	279,167	14.0%	200,030	13.9%
Alliegiant	0	0.0%	0	0.0%	29,307	1.3%	50,437	1.9%	63,264	2.9%	53,930	2.7%	45,406	3.2%
Frontier	0	0.0%	0	0.0%	0	0.0%	46,920	1.7%	45,445	2.1%	41,463	2.1%	21,264	1.5%
Other (d)	11,626	0.6%	39,547	1.8%	29,637	1.3%	92,713	3.4%	62,838	2.9%	55,075	2.8%	60,025	4.2%
Total	1,880,688	90.4%	1,997,974	89.5%	2,084,024	90.3%	2,472,347	91.9%	1,949,546	90.3%	1,817,153	91.2%	1,259,267	87.8%
Percent change		10.7%		6.2%		4.3%		18.6%		-21.1%				-30.7%
CAGR from FY 2016				6.2%		5.3%		9.5%		0.9%				
All-cargo airlines	200,586	9.6%	233,880	10.5%	224,774	9.7%	216,935	8.1%	209,842	9.7%	175,674	8.8%	174,997	12.2%
Percent change		2.4%		16.6%		-3.9%		-3.5%		-3.3%				-0.4%
CAGR from FY 2016				16.6%		5.9%		2.6%		1.1%				
Total	2,081,274	100.0%	2,231,853	100.0%	2,308,798	100.0%	2,689,282	100.0%	2,159,388	100.0%	1,992,827	100.0%	1,434,264	100.0%
Percent change		9.8%		7.2%		3.4%		16.5%		-19.7%				-28.0%
CAGR from FY 2016				7.2%		5.3%		8.9%		0.9%				

- (a) Includes landed weight on American and its code-sharing partners. Also includes landed weight on US Airways and its code-sharing partners.
- (b) Includes landed weight on Delta and its code-sharing partners.
- (c) Includes landed weight on United and its code-sharing partners.
- (d) Includes landed weight on Boutique Air, charter airlines, and general aviation.

Source: Authority records

Columns may not add to totals shown due to rounding.

3.3 Activity Forecast

Forecasts of air traffic activity are typically developed based on an analysis of the underlying economic conditions of the Air Trade Area and trends in historical airline traffic at ORF. However, given the recent and significant decrease in the numbers of enplaned passengers at ORF, publicly available statements by many of the airlines serving ORF about reductions in service to their other national and international markets, and uncertainty regarding herd immunity resulting from COVID-19 vaccinations, the aviation activity forecast was developed by projecting the remainder of FY 2021 and then by using a hypothetical recovery to FY 2019 levels by FY 2024. **Table A-9** presents the projection of the remainder of FY 2021 enplaned passengers and landed weight.

Table A-9 – FY 2021 Estimated Activity

Month		Source Table	Enplaned Passengers	% Change from FY 2019	Source Table	Landed Weight	% Change from FY 2019
July	actual	A-4	71,312	-61.0%	A-7	134,617	-41.7%
August	actual	A-4	81,760	-54.9%	A-7	141,232	-39.9%
September	actual	A-4	71,886	-48.3%	A-7	124,118	-43.7%
October	actual	A-4	78,615	-52.1%	A-7	132,855	-43.1%
November	actual	A-4	76,894	-52.7%	A-7	138,551	-37.7%
December	actual	A-4	83,939	-48.1%	A-7	145,137	-34.6%
January	actual	A-4	58,467	-54.3%	A-7	143,700	-32.5%
February	actual	A-4	59,117	-51.2%	A-7	126,195	-35.0%
March	actual	A-4	90,355	-42.3%	A-7	169,328	-24.2%
April	actual	A-4	117,681	-26.0%	A-7	178,530	-19.4%
May	projection		132,404	-26.0%		191,001	-19.4%
June	projection		142,650	-26.0%		190,975	-19.4%
FY 2021 Projection			1,065,080	-44.8%		1,816,239	-32.5%
July-April			790,026	-49.2%		1,434,264	-35.3%

Sources:

- Authority records, actuals
- DKMG Consulting LLC, projections

Columns may not add to totals shown due to rounding.

As shown in the table, actual enplaned passengers and landed weight are available through April 2021. May 2021 through June 2021 amounts are projected by applying the April 2021 over April 2019 decrease of 26.0% to the May 2019 and June 2019 amounts. This results in total FY 2021 estimated enplaned passengers of 1,065,080 and landed weight of 1,816,239 per 1,000 pounds.

As previously explained, Breeze will begin serving ORF on June 2021. Breeze will base at least three planes at ORF and will increase ORF’s monthly flights to 180 by August 2021, which equates to approximately 8% of ORF’s August 2019 schedule. With this additional service, ORF’s total seat capacity is expected to increase to near 2019 levels by the end of the summer. Since this does not begin until mid-June 2021, it has not been factored into the activity forecast included in **Table A-10**. However, this additional service would likely increase the aviation activity forecast.

While most economic and airline industry analysts expect eventual recovery of airline travel to pre-pandemic levels, there is a range of views as to how long such recovery will take. For the purposes of this Letter, a hypothetical scenario was developed for enplaned passenger recovery that is generally consistent with the range of estimates made recently by various airline industry and bond credit analysts, wherein enplaned passengers are forecast to return to FY 2019 levels by FY 2024. To achieve that recovery, FY 2022 and FY 2023 enplaned passengers

are assumed to recover to 75% and 85% of FY 2019 levels, respectively. After the number of enplaned passengers reach FY 2019 levels in FY 2024, it is assumed they would increase at the 2022 to 2026 CAGR included in the Terminal Area Forecast prepared for ORF by the FAA in January 2020 of approximately 1.3%. **Table A-10** presents the activity forecast for ORF. As shown in the table, enplaned passengers are forecast to be approximately 2.0 million in FY 2026, representing a CAGR of 13.2% from FY 2021 through FY 2026 and a CAGR of 1.3% from FY 2024 through FY 2026.

Table A-10 – Activity Forecast (in 000s)

Fiscal Year	% Change over 2019			% Change over 2019		
	Enplaned Passengers	% Change		Landed Weight	% Change	
Actual						
2016	1,553.6	--	n/a	2,081.3	--	n/a
2017	1,628.4	4.8%	n/a	2,231.9	7.2%	n/a
2018	1,741.1	6.9%	n/a	2,308.8	3.4%	n/a
2019	1,928.1	10.7%	n/a	2,689.3	16.5%	n/a
2020	1,471.9	-23.7%	-23.7%	2,159.4	-19.7%	-19.7%
Estimate						
2021	1,065.1	-27.6%	-44.8%	1,816.2	-15.9%	-32.5%
Forecast						
2022	1,446.0	35.8%	-25.0%	2,018.0	11.1%	-25.0%
2023	1,639.0	13.3%	-15.0%	2,286.0	13.3%	-15.0%
2024	1,928.0	17.6%	0.0%	2,689.0	17.6%	0.0%
2025	1,953.2	1.3%	1.3%	2,715.9	1.0%	1.0%
2026	1,979.9	1.4%	2.7%	2,743.0	1.0%	2.0%
CAGR						
2016-2019	7.5%			8.9%		
2016-2020	-1.3%			0.9%		
2021-2024	21.9%			14.0%		
2021-2026	13.2%			8.6%		
2024-2026	1.3%			1.0%		

Sources:

- Authority records, actuals
- DKMG Consulting, FY 2021 and forecast

Landed weight is also forecast to return to FY 2019 levels by FY 2024. Similar to enplaned passengers, FY 2022 and FY 2023 landed weight is assumed to recover to 75% and 85% of FY 2019 levels, respectively. After the landed weight reaches FY 2019 levels in FY 2024, it is assumed it would increase by 1.0% annually through FY 2026. As shown in **Table A-10**, landed weight is forecast to be approximately 2.7 million per 1,000 pounds in FY 2026, representing a CAGR of 8.6% from FY 2021 through FY 2026 and a CAGR of 1.0% from FY 2024 through FY 2026.

While not incorporated into the hypothetical forecast, aviation activity at ORF may be expected to recover quicker than the U.S. airports as-a-whole as a result of:

- ORF is primarily a domestic market; and therefore, is not materially impacted by the international travel restrictions.
- As shown on **Table A-1**, ORF has outperformed the U.S. in number of people screened through TSA.
- ORF has a sizable leisure travel market, which is recovering quicker than the business-dependent markets.
- The large military presence in the Air Trade Area. Norfolk is home to Naval Station Norfolk, the world's largest naval base in terms of population.

Due to uncertainty in the recovery period resulting from, but not limited to, the slow recovery of business travel and the ability of the airlines to return to 2019 levels by 2024 due to airline employee furloughs and the temporary and permanent retirement of aircraft sooner than expected, a sensitivity test has been prepared where enplaned passengers and landed weight does not recover to FY 2019 levels until after the forecast period. A detailed discussion of this sensitivity test can be found in the next section.

4 Financial Analyses

The financial analyses examines the reasonableness of the user fees, including Signatory Airline (as defined below) CPE, and estimates of Net Revenues, including compliance with the Rate Covenant requirement established by the Master Indenture (as defined below). The FY 2018 through FY 2020 amounts are as presented in the Authority's Basic Financial Statements for the corresponding years. The forecast period for this analysis consists of FY 2021 through FY 2026.

4.1 Indenture

The Series 2021 Bonds are being issued pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Authority's Charter, Chapter 463 of the 1948 Acts of the General Assembly and a Master Indenture of Trust dated as of April 1, 2001 (Master Indenture) by and between the Authority and U.S. Bank National Association as Trustee, as supplemented. The Master Indenture and all Supplemental Indentures are collectively referred to as the Indenture.

The Series 2021 Bonds are payable from and are secured solely by a pledge of, and lien upon, the General Revenues of the Authority. General Revenues are defined in the Indenture to

include all revenues, income, receipts and money derived from the ownership and operation of ORF, including without limitation all rentals, charges, landing fees, use charges, and concession revenues received by or on behalf of the Authority, investment earnings and all other income earned and accreted from, and deferred gain from, securities and other investments, and amounts earned on amounts deposited in funds and accounts under the Indenture or otherwise maintained with respect to ORF, computed in accordance with generally accepted accounting principles, and all gifts, grants, reimbursements, or payments received from governmental units or public agencies for the benefit of ORF. Under the Indenture, funds such as the COVID-19 Relief Grants are included in the definition of Revenues. Unless specifically designated, passenger facility charge (PFC) revenues are not included in the definition of General Revenues under the Indenture and are not pledged to secure Bonds. The term Bonds is used in this Letter to mean all Outstanding Bonds, the Series 2021 Bonds, and any Additional Bonds hereafter issued under the Indenture.

Pursuant to the Indenture, all Revenues are deposited into the Revenue Fund when received and moneys in the Revenue Fund are applied by the Authority from time to time to the following purposes and in the order of priority determined by the Authority in its sole discretion: (a) to pay Operating Expenses; (b) to deposit into the Sinking Fund; (c) to deposit into the Debt Service Reserve Account; (d) to deposit into the Rebate Fund; (e) to pay any party to a Contract the amounts due thereon; (f) to pay any amounts required to be paid with respect to any Other Airport Obligations; (g) for transfer to the Renewal and Extension Fund; (h) for transfer to the General Reserve Fund; and (i) for any other lawful purpose.

Under Section 601 of the Master Indenture, Rate Covenant, the Authority shall continuously own, control, operate, and maintain ORF in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by ORF fully sufficient at all times:

- For 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor; and
- Such Net Revenues for General Revenues in each Fiscal Year:
 - Will equal at least 125% of the Debt Service Requirement on all Revenue Obligations secured by General Revenues then Outstanding;
 - Will enable the Authority to make all required payments, if any, into the Debt Service Reserve Account and the Rebate Fund and on any Contract or Other Airport Obligation;
 - Will enable the Authority to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to

ORF, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the ORF; and

Will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Indenture from prior Fiscal Years.

4.2 Airline Agreements

The Airline Use and Lease Agreements between the Authority and the Signatory Airlines became effective July 1, 2013 and expired on June 30, 2018, and were amended on July 1, 2018, extending the term through June 30, 2021 (the Airline Agreements). The Airline Agreements shall be automatically renewed for two additional terms of one year each unless either party gives notice of its intent to terminate 90 days prior to the end of the then current term. The airlines that are signatory to the Airline Agreements (Signatory Airlines) include American, Delta, Southwest, and United. FedEx and UPS are not signatory to the Airline Agreement but pay signatory landing fees since they meet the minimum number of flights required to pay the signatory rates. Allegiant and Frontier are the only Non-Signatory Airlines operating at ORF, however, Breeze has indicated that it intends to also be a Non-Signatory Airline. Article 7 of the Airline Agreements describes the method for the calculation of the rents, fees and charges of the Signatory Airlines for the use of facilities, rights, licenses, and privileges to operate at ORF, which is a compensatory rate-setting methodology with a revenue-sharing mechanism. The Airline Agreements do not require the Authority to seek majority-in-interest approval for proposed capital improvements from the Signatory Airlines. The Airline Agreement also permits the Authority to increase the Terminal Rental Rate, Landing Fee Rate, and Apron Rental Rate to meet the requirements of the Rate Covenant. Although the Airline Agreements will expire during the forecast period, the rate-setting methodologies outlined in the current Airline Agreements are assumed to be extended throughout the forecast period.

4.3 Debt Service Requirement

As of March 31, 2021, the Authority had \$88,155,000 in Outstanding Bonds. On May 27, 2021, the Board authorized the issuance of the Series 2021 Bonds in a par amount not to exceed \$35,000,000. For this analysis, the Series 2021 Bonds are estimated to be issued in a par amount of \$25.5 million. The proceeds of the Series 2021 Bonds will be used to refund all or a portion of the Authority's Airport Revenue Refunding Bonds, Series 2011A, Series 2011B and Series 2011C, and pay costs associated with the issuance of the Series 2021 Bonds. This analysis assumes no Additional Bonds are issued during the forecast period.

Table A-11 presents historical and forecast annual Debt Service Requirements. Forecast amounts for the Series 2021 Bonds were provided by the Authority's financial advisor, PFM Financial Advisors LLC, which reflects an all-in true interest cost of 2.0% which is 75 basis points

above market rates. As shown in the table, the Series 2021 Bond Debt Service Requirement is estimated to be \$686,000 in FY 2022, increasing to \$3.9 million by FY 2024, and declining to \$3.6 million by FY 2026. The total net Debt Service Requirement is estimated to be \$4.2 million in FY 2021, increasing to \$8.0 million in 2024, and declining to \$7.7 million by 2026.

Table A-11 – Debt Service Requirement (in 000s)

				Estimate	Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Series 2011A	\$2,128	\$2,121	\$2,128	\$2,120	\$2,074	\$0	\$0	\$0	\$0
Series 2011B (a)	887	893	891	892	825	0	0	0	0
Series 2011C	1,205	1,205	1,205	1,205	602	0	0	0	0
Series 2019 Bonds (b)	0	0	0	0	1,361	4,101	4,099	4,098	4,093
Series 2021 Bonds	0	0	0	0	686	3,655	3,852	3,843	3,574
Total Debt Service	\$4,219	\$4,219	\$4,224	\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
Summary by funding source									
Summary for debt service coverage (c)									
Authority funded	\$4,219	\$3,102	\$4,224	\$4,216	\$5,368	\$7,214	\$7,409	\$7,398	\$7,125
CFC eligible	0	0	0	0	180	542	542	542	541
PFC eligible (d)	0	1,116	0	0	0	0	0	0	0
Total	\$4,219	\$4,219	\$4,224	\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
Summary for airline rates and charges (c)									
Authority funded									
Airfield	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Terminal	1,416	1,444	1,458	1,489	1,340	1,352	1,350	1,077	525
Ground transportation	2,857	1,713	2,821	2,799	6,357	6,162	6,159	6,157	6,161
CFC eligible	0	0	0	0	180	542	542	542	541
PFC eligible	0	1,116	0	0	0	0	0	0	0
Total	\$4,273	\$4,274	\$4,278	\$4,288	\$7,877	\$8,056	\$8,051	\$7,775	\$7,228

(a) A portion of the Series 2011B Bond debt service is PFC eligible and was approved in PFC Application #2.

(b) The Series 2019 Bond Debt Service is shown net of capitalized interest.

(c) For the calculation of debt service coverage, the principal and interest payments are the sum of July of the prior calendar year and January of the current calendar year. For the calculation of airline rate and charges, the principal and interest payments are the sum of January and July of the current year.

(d) Since no PFC contributions were made in FY 2018, the maximum PFC eligibility for PFC Application #2 was reached for the Series 2011B Bonds through the PFC contribution made in FY 2019.

Source: Authority records

4.4 Operating Expenses

Table A-12 presents historical and projected Operating Expenses. As shown in the table, historical Operating Expenses increased from \$33.4 million in FY 2018 to \$35.2 million in FY 2020. The FY 2021 Operating Expenses reflect the Authority’s budget of approximately \$35.8 million, which is forecast to increase at a CAGR of 3.4% to approximately \$42.2 million in FY 2026 based on the following assumptions:

- A review of historical trends and the anticipated effects of inflation, assumed at 4% annually for salaries and fringe benefits and 3% annually for the remainder.

- Increases in the City Payment of \$150,000 every five years based on the Authority's agreement with the City. This agreement expires in 2024; however, this analysis assumes that the City Payments will continue and increase per the existing agreement.

Table A-12 – Historical and Forecast Operating Expenses (in 000s)

	Actual			Budget 2021	Forecast				
	2018	2019	2020		2022	2023	2024	2025	2026
Operating expenses									
Salaries and fringe benefits	\$16,120	\$17,041	\$19,515	\$18,391	\$19,126	\$19,891	\$20,687	\$21,514	\$22,374
Communication and utilities	3,431	3,554	3,537	3,784	3,896	4,012	4,131	4,254	4,381
Supplies and materials	684	621	556						
Contractual services	9,274	8,613	7,673	9,376	9,658	9,947	10,245	10,553	10,869
Insurance	988	733	910	1,150	1,185	1,221	1,258	1,296	1,335
Other	382	424	483	403	416	429	443	457	471
Payment to City (a)	2,500	2,500	2,500	2,650	2,650	2,650	2,650	2,650	2,800
Total operating expenses	\$33,380	\$33,485	\$35,174	\$35,755	\$36,931	\$38,150	\$39,414	\$40,724	\$42,230
Summary by cost center									
Airfield	\$3,071	\$2,556	\$2,687	\$2,066	\$2,130	\$2,197	\$2,267	\$2,338	\$2,412
Terminal	4,619	4,625	4,378	4,407	4,539	4,674	4,814	4,959	5,109
Loading Bridge	0	0	0	140	144	149	153	158	162
Ground Transportation	5,868	6,105	6,020	6,000	6,216	6,440	6,672	6,913	7,163
Total direct	\$13,559	\$13,286	\$13,085	\$12,613	\$13,029	\$13,460	\$13,906	\$14,368	\$14,846
Maintenance - Field	\$1,571	\$1,510	\$918	\$1,359	\$1,412	\$1,468	\$1,526	\$1,586	\$1,648
Maintenance - Building	1,570	1,581	1,526	1,613	1,676	1,742	1,811	1,883	1,957
Janitorial	2,254	2,239	2,109	2,364	2,453	2,546	2,644	2,745	2,850
Police	5,187	5,389	5,613	5,700	5,915	6,137	6,368	6,608	6,857
Fire	2,937	3,169	3,305	3,112	3,230	3,354	3,482	3,615	3,753
Administrative	3,802	3,810	6,118	6,345	6,566	6,793	7,027	7,269	7,519
Payment to City	2,500	2,500	2,500	2,650	2,650	2,650	2,650	2,650	2,800
Total indirect	\$19,821	\$20,199	\$22,089	\$23,143	\$23,902	\$24,690	\$25,508	\$26,356	\$27,384
Total operating expenses	\$33,380	\$33,485	\$35,174	\$35,755	\$36,931	\$38,150	\$39,414	\$40,724	\$42,230
% Change	-3.6%	0.3%	5.0%	1.7%	3.3%	3.3%	3.3%	3.3%	3.7%
CAGR from 2021									3.4%
Allocation of indirect for rates & charges									
Airfield				\$5,798	\$6,045	\$6,336	\$6,559	\$6,789	\$7,051
Terminal				11,845	12,215	12,563	13,009	13,471	13,980
Loading Bridge				437	332	35	36	37	38
Ground Transportation				4,590	4,792	5,137	5,268	5,404	5,633
Other				471	517	618	636	654	682
Total indirect				\$23,143	\$23,902	\$24,690	\$25,508	\$26,356	\$27,384

(a) Increases in the City Payment of \$150,000 every five years based on the Authority's agreement with the City. This agreement expires in 2024; however, this analysis assumes that the City Payments will continue and increase per the existing agreement.

Sources: Authority's Basic Financial Statements for FY 2018-FY 2020, Authority's budget for FY 2021, DKMG Consulting, FY 2022-FY 2026

4.5 Operating Revenues

ORF operating revenues primarily consist of passenger terminal, landing fees and field operations, and parking revenue. Financing and investing activities, as well as the COVID-19 Relief Grants, State grants, and CFCs are reported as non-operating revenues.

Table A-13 presents the FY 2021 estimated operating revenues. The Authority's FY 2021 budget was approved in May 2020. At that time, the continuing impact of COVID-19 was not known. A comparison of the FY year-to-date budget to actuals shows that operating revenues through February 2021 are 25.8% below budget primarily as a result of the travel restrictions due to COVID-19. As a result, FY 2021 budgeted operating revenues have been re-estimated for purposes of this Letter as follows:

- Landing fees and terminal rentals are revised to account for the additional COVID-19 Relief Grants received after the budget was prepared.
- Parking, rental car, and terminal concession revenues have been estimated using the first eight months of actuals plus a projection from March 2021 through June 2021 based on the enplaned passenger projections as presented in **Table A-9**.
- The remainder of the operating revenues have been estimated to equal the actuals through February 2021 annualized through June 2021.

This results in total FY 2021 estimated revenue amount of \$27.0 million compared to the budgeted amount of \$34.4 million. This amount is then used as the base for the FY 2022 through FY 2026 forecast.

Table A-13 – FY 2021 Estimated Operating Revenues (in 000s)

	2021				
	FY Budget	8 month Budget	Actual thru Feb	Projected Mar-Jun	Revised FY 2021
Parking & ground transportation	\$13,652	\$9,101	\$4,720	\$3,320	\$8,040
Landing fees	6,491	4,327	3,579	2,001	5,579
Rent	6,546	4,364	4,483	1,740	6,223
Rental car	4,969	3,312	2,950	2,077	5,028
Concessions					
Food services	1,100	733	224	159	383
Newsstand	1,119	746	726	515	1,241
Fixed base operator	350	233	246	123	370
Catering	115	77	28	20	48
Other	105	70	74	37	111
Total operating revenue	\$34,446	\$22,964	\$17,031	\$9,992	\$27,022
% change over budget			-25.8%		-21.6%

Sources:

Authority records, budget and year-to-date actuals
DKMG Consulting, revised FY 2021

Table A-14 presents historical and forecast operating revenues for ORF. As shown in the table, total operating revenues were approximately \$41.2 million in FY 2019 and decreased to \$35.8 million in FY 2020 primarily as a result of the continued impact of COVID-19. Total operating revenues are forecast to increase to approximately \$52.9 million in FY 2026, reflecting a CAGR rate of 14.4% from FY 2021 to FY 2026. Operating revenues were forecast as follows:

- Historical trends including allowances for unit price inflation at 2.0% per year.
- The provisions of the Airline Agreements and other leases and agreements with tenants and users of ORF.
- Revenues from sources related to passengers, such as parking, rental car commissions, and terminal concessions were forecast to change in part as a function of the activity forecasts shown in **Table A-10** of this Letter. This forecast reflects the recovery of FY 2019 enplaned passengers by FY 2024.
- Parking rates are assumed to increase \$1.00 in short and long term parking in 2023.
- The Authority intends on instituting premium parking programs, which is forecast to increase parking revenues beginning in FY 2022.
- If a lease expires during the forecast period, similar lease terms are assumed to be in place throughout the forecast period.

Table A-14 – Historical and Forecast Operating Revenues (in 000s)

	Actual			Estimate 2021	Forecast				
	2018	2019	2020		2022	2023	2024	2025	2026
Parking & ground transportation									
Public parking	\$15,238	\$16,689	\$13,356	\$7,454	\$12,516	\$14,187	\$16,689	\$16,907	\$17,138
Ground transportation revenues	575	941	821	396	679	767	900	911	923
Employee & limo parking	228	238	235	190	194	198	202	206	210
Additional parking revenues									
Due to enhanced parking amenities (a)	0	0	0	0	157	178	209	212	215
Due to rate increase (b)	0	0	0	0	0	3,254	3,828	3,878	3,931
Total parking & ground transportation	\$16,040	\$17,868	\$14,412	\$8,040	\$13,546	\$18,584	\$21,828	\$22,114	\$22,417
% Change		11.4%	-19.3%	-44.2%	68.5%	37.2%	17.5%	1.3%	1.4%
Landing fees									
Signatory-passenger	\$6,742	\$5,235	\$4,940	\$4,311	\$5,434	\$7,411	\$8,360	\$8,697	\$9,058
Signatory-cargo	717	648	614	666	517	703	795	827	861
Other	241	293	200	603	567	774	870	905	943
Total landing fees	\$7,700	\$6,176	\$5,754	\$5,579	\$6,519	\$8,887	\$10,025	\$10,429	\$10,862
% Change		-19.8%	-6.8%	-3.0%	16.8%	36.3%	12.8%	4.0%	4.2%
Rent									
Airline space rent	\$4,329	\$3,768	\$3,991	\$3,297	\$3,705	\$4,791	\$5,320	\$5,411	\$5,463
Building rent	1,094	1,134	1,155	1,059	1,059	1,059	1,059	1,059	1,059
Fuel farm rent	254	278	291	334	340	347	354	361	368
Air cargo terminal	221	232	244	232	237	242	247	252	257
Passenger loading bridge loan	148	106	101	112	116	119	123	127	130
Common use gates	0	0	260	128	128	128	128	128	128
Other	898	787	659	1,061	1,083	1,104	1,125	1,148	1,172
Total rent	\$6,943	\$6,305	\$6,702	\$6,223	\$6,668	\$7,790	\$8,356	\$8,486	\$8,578
% Change		-9.2%	6.3%	-7.1%	7.1%	16.8%	7.3%	1.6%	1.1%
Rental car	\$6,860	\$7,319	\$5,639	\$5,028	\$5,459	\$6,179	\$7,258	\$7,353	\$7,453
% Change		6.7%	-23.0%	-10.8%	8.6%	13.2%	17.5%	1.3%	1.4%
Concessions									
Food services	\$1,638	\$1,469	\$1,590	\$383	\$1,101	\$1,248	\$1,468	\$1,488	\$1,508
Newsstand	1,127	1,397	1,130	1,241	1,047	1,187	1,396	1,414	1,433
Fixed base operator	330	361	405	370	377	385	393	401	409
Catering	155	104	106	48	78	88	104	105	106
Total concessions	\$3,250	\$3,330	\$3,231	\$2,042	\$2,603	\$2,909	\$3,362	\$3,408	\$3,456
% Change		2.5%	-3.0%	-36.8%	27.5%	11.7%	15.6%	1.4%	1.4%
Other									
Reimbursements - telephones	\$35	\$39	\$11	\$12	\$12	\$12	\$12	\$12	\$12
Other	37	184	64	99	101	103	105	107	109
Total other	\$72	\$223	\$75	\$111	\$113	\$115	\$117	\$119	\$121
% Change		209.0%	-66.5%	48.1%	2.1%	1.8%	1.7%	1.7%	1.7%
Total operating revenue	\$40,865	\$41,221	\$35,813	\$27,022	\$34,908	\$44,465	\$50,945	\$51,909	\$52,887
% Change		0.9%	-13.1%	-24.5%	29.2%	27.4%	14.6%	1.9%	1.9%
CAGR from 2021									14.4%

(a) Once the Parking Garage D is complete, the Authority intends on instituting premium parking programs, which is assumed to increase parking revenues. Also, there will be a slight increase in available parking spaces that may increase revenues. After 2022, additional parking revenues are forecasted to grow with enplaned passengers.

(b) Assumes a \$1.00 rate increase in FY 2023.

Sources: Authority's Basic Financial Statements for FY 2018-FY 2020, DKMG Consulting, FY 2021-FY 2026

Article 7 of the Airline Agreements describes the method for the calculation of the rents, fees and charges of the Signatory Airlines for the use of facilities, rights, licenses, and privileges to operate at ORF, which is a compensatory rate-setting methodology with a revenue-sharing mechanism. Although the Airline Agreements will expire during the forecast period, the rate-setting methodologies outlined in the current Airline Agreements are assumed to be extended throughout the forecast period. **Table A-15** presents the landing fee and terminal rental rate calculations.

In response to the significant decline in aviation activity resulting from COVID-19 and shown in **Table A-2**, the Authority used approximately \$5.0 million of the COVID-19 Relief Grants to reimburse itself for Operating Expenses in FY 2020 and intends on using \$14.2 million to reimburse itself for FY 2021 Operating Expenses and Debt Service Requirement, \$12.7 million to reimburse itself for FY 2022 Operating Expenses and Debt Service Requirement, and \$7.1 million to reimburse itself for the FY 2023 Debt Service Requirement. The COVID-19 Relief Grants reduced airline rates and charges by approximately \$1.9 million in FY 2020, \$8.2 million in FY 2021, \$6.3 million FY 2022, and \$1.4 million in FY 2023.

As shown in the table, total landing fee revenues are estimated to be approximately \$5.6 million in FY 2021 and are forecast to increase to approximately \$10.9 million by FY 2026. As shown in the table, the landing fee rate is estimated to be \$3.01 per 1,000 pounds of landed weight in FY 2021, which is lower than the budgeted amount of \$3.33 per 1,000 pounds primarily as a result of the additional COVID-19 Relief Grants. The landing fee is forecast to increase to \$3.89 per 1,000 pounds of landed weight in FY 2026.

As also shown in the table, terminal rental revenues are estimated to be approximately \$3.3 million in FY 2021 and are forecast to increase to approximately \$5.5 million by FY 2026. As shown in the table, the terminal rental rate is estimated to be \$26.27 per square foot in FY 2021, which is lower than the budgeted amount of \$29.60 per square foot primarily as a result of the additional COVID-19 Relief Grants. The terminal rental rate is forecast to increase to \$43.52 per square foot in FY 2026.

Table A-15 – Airline Rates and Charges

	Source Table	Estimate 2021	Forecast				
			2022	2023	2024	2025	2026
Landing Fee Rate							
Operating Expenses							
Direct	A-12	\$2,066	\$2,130	\$2,197	\$2,267	\$2,338	\$2,412
Indirect	A-12	5,798	6,044	6,336	6,559	6,789	7,051
Less: COVID-19 Relief Grants (a)		(2,509)	(1,871)	0	0	0	0
Debt Service Requirement	A-11	0	0	0	0	0	0
Amortization		104	102	199	1,025	1,121	1,210
Total requirement		\$5,459	\$6,405	\$8,732	\$9,851	\$10,248	\$10,673
Landed weight	A-10	1,816	2,018	2,286	2,689	2,716	2,743
Signatory landing fee rate		\$3.01	\$3.17	\$3.82	\$3.66	\$3.77	\$3.89
Non-signatory landing fee rate		\$3.76	\$3.97	\$4.77	\$4.58	\$4.72	\$4.86
Landing fee revenue							
Signatory		\$4,311	\$5,434	\$7,411	\$8,360	\$8,697	\$9,058
Cargo		666	517	703	795	827	861
Non-signatory		603	567	774	870	905	943
Total landing fee revenue		\$5,579	\$6,519	\$8,887	\$10,025	\$10,429	\$10,862
Terminal Rental Rate							
Operating Expenses							
Direct	A-12	\$4,407	\$4,539	\$4,674	\$4,814	\$4,959	\$5,109
Indirect	A-12	11,845	12,216	12,563	13,009	13,471	13,980
Less: COVID-19 Relief Grants (a)		(4,174)	(3,098)	0	0	0	0
Debt Service Requirement	A-11	1,489	1,340	1,352	1,350	1,077	525
Less: COVID-19 Relief Grants (b)		(1,489)	(1,340)	(1,352)	0	0	0
Amortization		696	696	1,320	1,432	1,450	1,545
Less telephone reimbursements	A-14	(12)	(12)	(12)	(12)	(12)	(12)
Net requirement		\$12,762	\$14,340	\$18,545	\$20,593	\$20,946	\$21,148
Total useable terminal space		486	486	486	486	486	486
Terminal Rental Rate		\$26.27	\$29.51	\$38.17	\$42.38	\$43.11	\$43.52
Airline leased space		126	126	126	126	126	126
Terminal rental revenue		\$3,297	\$3,705	\$4,791	\$5,320	\$5,411	\$5,463

(a) COVID-19 Relief Grants are used to reimburse the Authority for salary and benefit costs; therefore, those costs are deducted from the rates and charges calculation.

(b) COVID-19 Relief Grants are used to reimburse the Authority for debt service; therefore, those costs are deducted from the rates and charges calculation.

The Signatory CPE was \$6.30 per enplaned passenger in FY 2020. **Table A-16** presents the detailed Signatory Airline CPE calculation for ORF for FY 2021 through FY 2026. As shown in the table, the Signatory Airline CPE is estimated to be \$7.82 per enplaned passenger in FY 2021. The primary changes to the CPE are as follows:

- The FY 2022 CPE decreases to \$6.80 per enplaned passenger primarily as a result of the inclusion of the estimated ARPA grants.
- The FY 2023 CPE increases to \$8.00 per enplaned passenger primarily as a result of lower COVID-19 Relief Grants while enplaned passengers are still recovering.
- The FY 2024 CPE decreases to \$7.62 per enplaned passenger primarily as a result of the recovery of enplaned passengers.

Table A-16 – Airline Cost per Enplaned Passenger

	Source Table	Estimate 2021	Forecast				
			2022	2023	2024	2025	2026
Landing fee revenue							
Signatory	A-15	\$4,311	\$5,434	\$7,411	\$8,360	\$8,697	\$9,058
Non-signatory	A-15	603	567	774	870	905	943
Terminal rental revenue	A-15	3,297	3,705	4,791	5,320	5,411	5,463
Passenger loading bridge loan	A-14	112	116	119	123	127	130
Telephone reimbursement	A-14	12	12	12	12	12	12
Total		\$8,334	\$9,834	\$13,107	\$14,685	\$15,151	\$15,606
Enplaned passengers	A-10	1,065	1,446	1,639	1,928	1,953	1,980
Airline cost per enplaned passenger		\$7.82	\$6.80	\$8.00	\$7.62	\$7.76	\$7.88

As previously explained, Breeze will not begin service to ORF until mid-June 2021; and therefore, it has not been factored into the activity forecast included in **Table A-10**. However, this additional service would likely increase the aviation activity forecast, decrease the Signatory Airline’s CPE, and improve the Authority’s financial performance.

4.6 Debt Service Coverage

Table A-17 presents the debt service coverage calculation as defined in Section 5.2 of the Master Indenture. Historically, the Authority has exceeded the requirement that Net revenues be equal to at least 125% of the Debt Service Requirement. As shown in the table, Net revenues are forecast to continue to exceed 125% of the Debt Service Requirement.

Table A-17 – Debt Service Coverage (in 000s)

	Source Table	Actual			Estimate 2021	Forecast				
		2018	2019	2020		2022	2023	2024	2025	2026
Operating revenues	A-14	\$40,865	\$41,221	\$35,813	\$27,022	\$34,908	\$44,465	\$50,945	\$51,909	\$52,887
Non-operating revenues										
Unrestricted State grants		\$2,002	\$2,000	\$2,001	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Customer facility charge		1,432	2,739	2,378	1,946	2,104	2,384	2,805	2,841	2,880
Other income		1,097	1,475	2,480	787	790	793	796	799	802
COVID-19 Relief Grants (a)		0	0	5,057	13,791	12,669	7,100	0	0	0
General Revenues		\$45,396	\$47,435	\$47,730	\$45,545	\$52,470	\$56,742	\$56,546	\$57,549	\$58,569
Less: operating expenses	A-12	(\$33,380)	(\$33,485)	(\$35,174)	(\$35,755)	(\$36,931)	(\$38,150)	(\$39,414)	(\$40,724)	(\$42,230)
Net Revenues		\$12,016	\$13,950	\$12,556	\$9,790	\$15,539	\$18,592	\$17,132	\$16,825	\$16,339
Debt Service Requirement										
Outstanding debt service	A-11	\$4,219	\$4,219	\$4,224	\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
Plus: PFC-eligible debt service		0	(1,116)	0	0	0	0	0	0	0
2020 line of credit amortization		0	0	49	63	63	63	63	63	63
Total Debt Service Requirement		\$4,219	\$3,102	\$4,273	\$4,278	\$5,610	\$7,819	\$8,014	\$8,003	\$7,729
Debt service coverage ratio (b)		284.8%	449.6%	293.9%	228.8%	277.0%	237.8%	213.8%	210.2%	211.4%
Debt service coverage per										
Continuing Disclosure										
Net Revenues			\$13,950	\$12,556						
Debt Service Requirement										
Next year's Debt Service Requirement			\$4,224	\$4,216						
2020 line of credit amortization			0	49						
Adjusted Debt Service Requirement			\$4,224	\$4,265						
Debt service coverage per										
Continuing Disclosure		284.8%	330.3%	294.4%						

(a) Does not include the concession relief grants.

(b) The debt service coverage calculation included in the Continuing Disclosure documents use next years debt service to calculate current year debt service coverage and includes amortization on the line of credit. According to the rate covenant, the current year's debt service should be used and amortization is subordinate to the Bonds, therefore, the debt service coverage has been restated.

4.7 Sensitivity Test

The assumptions and estimates underlying the forecasts are inherently subject to change and, though considered reasonable when taken as a whole as of this date, are subject to a wide variety of business, economic, and competitive risks and uncertainties that could cause actual results to vary materially from projected results. Accordingly, there can be no assurance that assumptions will be realized, that unanticipated events and circumstances will not occur, and that actual results will not be materially higher or lower than projected results. Therefore, a sensitivity test was prepared. The base case and the sensitivity test are presented in **Table A-18** and are defined as follows:

-
- **Base Case** – The Base Case represents the results as determined in **Table A-11** through **Table A-17** of this Letter.
 - **Sensitivity Test: Enplaned Passenger Recovery** – The activity forecast presented in the base case assumes ORF will return to FY 2019 levels by FY 2024. However, due to uncertainty in the recovery period resulting from, but not limited to, the slow recovery of business travel and the ability of the airlines to return to 2019 levels by 2024 due to airline employee furloughs and the temporary and permanent retirement of aircraft sooner than expected, a sensitivity test has been prepared where enplaned passengers and landed weight do not recover to FY 2019 levels until after the forecast period or FY 2027. As shown in **Table A-18**, the Signatory Airline CPE increases from the base case of \$7.88 per enplaned passenger in FY 2026 to \$8.71 per enplaned passenger and debt service coverage decreases from the base case of 211.4% in FY 2026 to 185.2%.

Table A-18 – Sensitivity Test

	Source Table	Estimate 2021	Forecast				
			2022	2023	2024	2025	2026
Base Case							
Enplaned Passengers	A-10	1,065	1,446	1,639	1,928	1,953	1,980
% change to 2019		-44.8%	-25.0%	-15.0%	0.0%	1.3%	2.7%
Landed Weight	A-10	1,816	2,018	2,286	2,689	2,716	2,743
Debt Service Requirement	A-11	\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
Operating expenses	A-12	\$35,755	\$36,931	\$38,150	\$39,414	\$40,724	\$42,230
Operating revenues	A-14	\$27,022	\$34,908	\$44,465	\$50,945	\$51,909	\$52,887
Concession revenues							
Parking & ground transportation	A-14	\$8,040	\$13,546	\$18,584	\$21,828	\$22,114	\$22,417
Rental car	A-14	\$5,028	\$5,459	\$6,179	\$7,258	\$7,353	\$7,453
Food services	A-14	\$383	\$1,101	\$1,248	\$1,468	\$1,488	\$1,508
Newsstand	A-14	\$1,241	\$1,047	\$1,187	\$1,396	\$1,414	\$1,433
Landing fees	A-15	\$3.01	\$3.17	\$3.82	\$3.66	\$3.77	\$3.89
Terminal rentals	A-15	\$26.27	\$29.51	\$38.17	\$42.38	\$43.11	\$43.52
CPE	A-16	\$7.82	\$6.80	\$8.00	\$7.62	\$7.76	\$7.88
Debt service coverage ratio	A-17	228.8%	277.0%	237.8%	213.8%	210.2%	211.4%
Sensitivity Test							
Enplaned Passengers		1,065	1,176	1,298	1,433	1,582	1,747
% change to 2019		-44.8%	-39.0%	-32.7%	-25.7%	-17.9%	-9.4%
Landed Weight		1,816	1,939	2,070	2,210	2,359	2,519
Debt Service Requirement		\$4,216	\$5,548	\$7,756	\$7,951	\$7,941	\$7,666
Operating expenses		\$35,755	\$36,931	\$38,150	\$39,414	\$40,724	\$42,230
Operating revenues		\$27,022	\$32,441	\$40,455	\$44,566	\$47,752	\$51,203
Concession revenues							
Parking & ground transportation		\$8,040	\$11,381	\$15,124	\$16,678	\$18,394	\$20,288
Rental car		\$5,028	\$5,545	\$6,116	\$6,746	\$7,441	\$8,208
Food services		\$383	\$896	\$989	\$1,092	\$1,206	\$1,331
Newsstand		\$1,241	\$852	\$940	\$1,038	\$1,146	\$1,265
Landing fees		\$3.01	\$3.30	\$4.22	\$4.46	\$4.34	\$4.24
Terminal rentals		\$26.27	\$29.51	\$38.17	\$42.38	\$43.11	\$43.52
CPE		\$7.82	\$8.16	\$9.85	\$9.99	\$9.34	\$8.71
Debt service coverage ratio		228.8%	226.0%	180.2%	125.2%	151.5%	185.2%
Variance							
Enplaned Passengers		0	(270)	(341)	(495)	(371)	(233)
Landed Weight		0	(79)	(216)	(479)	(356)	(224)
Debt Service Requirement		\$0	\$0	\$0	\$0	\$0	\$0
Operating expenses		\$0	\$0	\$0	\$0	\$0	\$0
Operating revenues		\$0	(\$2,467)	(\$4,010)	(\$6,380)	(\$4,157)	(\$1,684)
Concession revenues							
Parking & ground transportation		\$0	(\$2,165)	(\$3,460)	(\$5,150)	(\$3,720)	(\$2,129)
Rental car		\$0	\$86	(\$63)	(\$512)	\$88	\$755
Food services		\$0	(\$206)	(\$259)	(\$376)	(\$282)	(\$177)
Newsstand		\$0	(\$196)	(\$247)	(\$358)	(\$268)	(\$168)
Landing fees		\$0.00	\$0.13	\$0.40	\$0.79	\$0.57	\$0.35
Terminal rentals		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CPE		\$0.00	\$1.36	\$1.85	\$2.38	\$1.58	\$0.83
Debt service coverage ratio		0.0%	-51.0%	-57.6%	-88.6%	-58.7%	-26.2%

* * * * *

The forecasts are based on information and assumptions reflecting expected conditions and the course of action that management expects to take during the forecast period. DKMG has relied upon the Authority and other Authority consultants for representations about its plans and expectations, and for disclosure of significant information that might affect the realization of projected results. Representatives of the Authority have reviewed the forecasts and assumptions and concur that they provide a reasonable and appropriate basis for the forecasts.

While this Letter makes certain assumptions on the impacts of COVID-19 on the aviation activity and financial forecasts, the impacts of this on ORF are unknown at this time due to the uncertainty of future restrictions on the travel industry. The assumptions and estimates underlying the forecasts are inherently subject to change and, though considered reasonable when taken as a whole as of the date of the Letter, are subject to a wide variety of business, economic, and competitive risks and uncertainties that could cause actual results to vary materially from projected results. Accordingly, there can be no assurance that assumptions will be realized, that unanticipated events and circumstances will not occur, and that actual results will not be materially higher or lower than projected results.

DKMG is not registered with the U.S. Securities & Exchange Commission as a municipal advisor, is not acting as a municipal advisor, and does not assume any fiduciary duties or provide advisory services as described in Section 15B of the Securities Exchange Act of 1934 or otherwise. DKMG does not make recommendations or advice regarding any action to be taken by our clients with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities including with respect to the structure, timing, terms or other similar matters concerning municipal financial products or the issuance of municipal securities.

DKMG has no responsibility to update the Letter for events and circumstances occurring after the date of the Letter.

Sincerely,



DKMG Consulting LLC

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE NORFOLK AIRPORT AUTHORITY AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2020

The outbreak of the novel coronavirus (“COVID-19”) is a significant event that has had and will have ongoing, material effects on the Norfolk Airport Authority’s finances and operations. Certain historic information in this *Appendix B* about the Norfolk Airport Authority’s finances and operations predates the COVID-19 outbreak and should be considered in light of the possible or probable negative effects that the COVID-19 pandemic may have on the current and future finances and operations of the Norfolk Airport Authority. See “*IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY*” in this Official Statement for a discussion of the effects of COVID-19 on the Norfolk Airport Authority.

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NORFOLK AIRPORT AUTHORITY

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTAL SCHEDULES, AND AUDIT OF
FEDERAL AWARDS PERFORMED IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

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NORFOLK AIRPORT AUTHORITY
BOARD OF COMMISSIONERS AND ADMINISTRATIVE OFFICIALS

Board of Commissioners

Malcolm P. Branch, Chairman
Deborah H. Painter, Vice Chairman
Mekbib Gemedo, Treasurer
Peter G. Decker, III
Paul D. Fraim

William L. Nusbaum
Blythe A. Scott
Bruce B. Smith
Chris G. Stephanitsis
Harold J. Cobb (Emeritus Commissioner)

Administrative Officials

Robert S. Bowen
Steven C. Sterling
Anthony E. Rondeau
Jeffrey J. Bass
Jarred M. Roenker
Sheila M. Balli
Charles W. Braden
Shelia D. Ward

Executive Director
Deputy Executive Director Administration & Operations
Deputy Executive Director Engineering & Facilities
Director of Facilities
Director of Finance
Director of Human Resources
Director of Market Development
Director of Operations

Report of Independent Auditor

To the Board of Commissioners
Norfolk Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Norfolk Airport Authority (the "Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 Norfolk Airport Authority, as of June 30, 2020 and 2019, and the respective changes in its financial position and its cash flows thereof 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, the pension and other postemployment benefits trend information, and the notes to the Required Supplemental Information, 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Passenger Facility Charge Revenues and Expenditures as required by the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charge Revenues and Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charge Revenues and Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Virginia Beach, Virginia
October 22, 2020

NORFOLK AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The management of the Norfolk Airport Authority (the "Authority") offers readers of its basic financial statements the following narrative overview and analysis of financial activities as of and for the years ended June 30, 2020 and 2019. The following should be read in conjunction with the basic financial statements and notes thereto.

Basic Financial Statements

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is a similar basis of accounting as employed by most private-sector enterprises.

The following components are included in the Authority's financial statements:

The Statements of Net Position present information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority, with the resulting differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position report revenues and expenses, classified as operating and nonoperating, for the period. The resulting change in net position for the period is combined with the beginning of the year total net position balance in order to reconcile to the end of the year total net position.

The Statements of Cash Flows report the cash flows experienced by the Authority from operating activities, capital and related financing activities, and investing activities. The net result of the cash provided by or used in these activities for the period, added to the beginning of the year cash balance, is reconciled to the cash balance presented on the statements of net position.

The notes to the basic financial statements explain and provide additional information on the data presented in the basic financial statements as of and for the years ended June 30, 2020 and 2019.

The Authority and Airport Activity Highlights

The Authority was formed in 1988 to account for the operations of the Norfolk International Airport (the "Airport"). The Airport is the primary origination and destination airport serving the Virginia Beach-Norfolk, VA-NC Combined Statistical Area. Revenues generated by Airport operations are used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority. The Authority is authorized to finance projects by issuing bonds or obtaining loans in its own name.

The Authority leases space to various airlines on a long term basis and shares a percentage of net revenues or deficits with these airlines at the end of each year. Throughout this report, these airlines are referred to as signatory airlines. Other airlines operate on a per use basis at the Airport and are referred to as non-signatory airlines.

Fiscal year 2020 began on a high note, with total passengers increasing by 6.4% for the period of July through February. In March, the effects from COVID-19 began to impact passenger activity and as a result, the period of March through June experienced a 77.0% decline in total passengers. In total, 2,958,727 passengers used the Airport during 2020, which was a decrease of 23.4% from 2019. During 2020, the total number of destinations from the Airport was 30, including new destinations during the year of Punta Gorda/Fort Myers with Allegiant and Raleigh Durham with Frontier.

NORFOLK AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

In response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act in March 2020. Within the CARES Act were several provisions which provided federal funding assistance to airports, including the Authority. Through the CARES Act, the Authority was granted \$19,847,270 in funding which can be used for any legal purpose of the Authority. The Authority is using this grant to pay all debt service in FY21, with the remainder being allocated to fund salaries and benefits of Authority employees. As of June 30, 2020, the Authority had drawn down \$5,056,595 of this grant. In addition to this funding, the CARES Act also provided for all FY20 Airport Improvement Program (AIP) grants to be 100% funded by the federal government. These grants usually provide for a 10% local match. This resulted in an additional \$1,059,384 in federal funding for capital projects.

A summary of the market share by enplanements of each of the scheduled air carriers operating at the Airport for the years ended June 30, 2020, 2019, and 2018 is shown below:

<u>2020</u>		<u>2019</u>		<u>2018</u>	
American	31.8%	American	31.5%	American	33.3%
Delta	29.9%	Delta	29.7%	Delta	29.5%
United	15.7%	United	17.3%	Southwest	19.5%
Southwest	15.6%	Southwest	15.8%	United	16.0%
Allegiant	3.8%	Frontier	3.1%	Allegiant	1.7%
Frontier	3.2%	Allegiant	2.6%		
Total	<u>100%</u>	Total	<u>100%</u>	Total	<u>100%</u>

Revenues

A summary of the major revenues for the years ended June 30, 2020, 2019, and 2018 are shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Parking	\$ 13,591,153	\$ 16,927,094	\$ 15,465,667
Landing fees	5,754,222	6,175,569	7,699,906
Rent	6,775,095	6,377,792	7,010,567
Rental cars	5,565,567	7,246,770	6,792,428
Concessions	3,231,350	3,329,957	3,249,504
Other	895,889	1,163,852	646,989
Total Operating Revenues	<u>35,813,276</u>	<u>41,221,034</u>	<u>40,865,061</u>
Nonoperating revenues, net:			
Federal and state grants and interest	17,958,845	4,813,239	11,465,136
Passenger facility charges and interest	6,135,410	8,198,961	7,280,020
Customer facility charges	2,377,861	2,739,307	1,432,100
Interest income	2,021,389	873,150	441,259
Other income	239,859	281,822	337,694
Total Nonoperating Revenues	<u>28,733,364</u>	<u>16,906,479</u>	<u>20,956,209</u>
Total Revenues	<u>\$ 64,546,640</u>	<u>\$ 58,127,513</u>	<u>\$ 61,821,270</u>

NORFOLK AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

2020 versus 2019 Financial Highlights

Operating revenues during fiscal year 2020 decreased by \$5,407,758 to \$35,813,276, as the effects of the COVID-19 pandemic severely depressed air travel in the last four months of the fiscal year. Parking revenue decreased \$3,335,941 to \$13,591,153 due to lower passenger activity. Landing fees decreased by \$421,347 to \$5,754,222 due to application of CARES Act funding to the signatory airlines rental rates. Under the terms of the signatory airlines lease agreements, CARES Act funding serves as a reduction of the Authority's expenses. This in turn reduces airlines rates. Rent increased by \$397,303 to \$6,775,095 due to more usage of common use facilities by non-signatory airlines. Rental car revenue decreased \$1,681,203 to \$5,565,567, concessions revenue decreased \$98,607 to \$3,231,350, and other operating revenue decreased \$267,963 to \$895,889. Rental car revenue, concessions revenue, and other operating revenue decreased due to lower passenger activity.

The sharp reductions in passengers triggered a clause within rental car contracts which abated minimum annual guarantees ("MAGs") beginning in March 2020. These MAGs will remain abated until passenger traffic is greater than 75% of a prior year's comparative month. While MAGs are abated, payments are made to the Authority as a percentage of sales without a minimum value. The Authority voluntarily offered MAG relief for several other concession operators, including retail, food, and advertising concessions for the period of April – June 2020. No changes to the airlines' rent have been made aside from allocation of CARES Act funding as discussed above.

Nonoperating revenues during fiscal year 2020 increased by \$11,826,885 compared to the previous year to \$28,733,364, primarily driven by an increase in federal grants. Federal and state grants and interest increased by \$13,145,606 to \$17,958,845 as a result of CARES Act funding as well as an increase in grants reimbursing the Authority for capital projects. Passenger facility charges ("PFCs") decreased by \$2,063,551 to \$6,135,410 and Customer Facility Charges ("CFCs") decreased by \$361,446 to \$2,377,861, due to lower passenger activity. Interest income increased by \$1,148,239 to \$2,021,389 due to investment of the Series 2019 bond proceeds. Other income decreased by \$41,963 to \$239,859 as no auction was held during FY20.

2019 versus 2018 Financial Highlights

Operating revenues during fiscal year 2019 increased by \$355,973 from the previous year to \$41,221,034, as the Authority experienced higher passenger generated revenues, which were partially offset by lower rates and charges to the airlines for landing fees and rent. Parking revenue increased \$1,461,427 to \$16,927,094 due to higher passenger activity. Landing fees decreased by \$1,524,337 to \$6,175,569 and rent decreased by \$632,775 to \$6,377,792 as a result of lower rates charged to the airlines. Rental car revenue increased \$454,342 to \$7,246,770 due to increases in rental car activity. Concessions revenue increased \$80,453 to \$3,329,957 due to higher passenger activity and other operating revenue increased \$516,863 to \$1,163,852 primarily due to increased usage of transportation network companies ("TNCs") in addition to rate increases on TNCs.

Nonoperating revenues during fiscal year 2019 decreased by \$4,049,730 compared to the previous year to \$16,906,479, primarily driven by a decrease in federal grants. Federal and state grants and interest decreased by \$6,651,897 as a result of a decrease in grants reimbursing the Authority for capital projects. PFCs increased by \$918,941 to \$8,198,961 due to higher passenger activity and CFCs increased by \$1,307,207 to \$2,739,307 due to an increase in the CFC rate and higher rental car activity. Interest income increased by \$431,891 to \$873,150 due to higher interest rates and other income decreased by \$55,872 to \$281,822.

NORFOLK AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Expenses

A summary of the major expenses for the years ended June 30, 2020, 2019, and 2018 are shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Expenses:			
Salaries and fringe benefits	\$ 19,515,257	\$ 17,041,382	\$ 16,119,948
City tax assessment	2,500,000	2,500,000	2,500,000
Maintenance and repairs	2,976,372	2,993,527	3,662,659
Depreciation	12,509,605	12,673,096	10,951,169
Other expenses	10,182,108	10,949,898	11,097,024
Total Operating Expenses	<u>47,683,342</u>	<u>46,157,903</u>	<u>44,330,800</u>
Nonoperating Expenses:			
Bond issuance costs	-	591,587	-
Interest expense	3,645,398	1,668,332	1,746,874
Total Nonoperating Expenses	<u>3,645,398</u>	<u>2,259,919</u>	<u>1,746,874</u>
Total Expenses	<u>\$ 51,328,740</u>	<u>\$ 48,417,822</u>	<u>\$ 46,077,674</u>

2020 versus 2019 Financial Highlights

Operating expenses during fiscal year 2020 increased by \$1,525,439 from the previous year to \$47,683,342. Salaries and fringe benefits increased by \$2,473,875 to \$19,515,257 due to actuarially calculated pension expenses and pay rate increases. Maintenance and repairs decreased by \$17,155 to \$2,976,372. Depreciation decreased by \$163,491 to \$12,509,605 due to several capital assets reaching the end of their depreciation schedules. Other expenses decreased by \$767,790 to \$10,182,108, primarily due to lower advertising expenses.

In response to the reductions in passenger numbers, the Authority has taken several steps to reduce expenses. These steps include:

- Moving employee parking from the off-site lot to onsite parking and ending the shuttle bus contract.
- Closing unutilized parking facilities and reducing contract security hours.
- Instituting a mandatory furlough program within the parking department and a voluntary furlough program Authority wide.

If these expense reductions were held for an entire year, the Authority would experience cost savings of approximately \$1,700,000.

Nonoperating expenses during fiscal year 2020 increased by \$1,385,479 compared to the previous year to \$3,645,398, as fiscal year 2020 was the first full year of interest on the Series 2019 debt.

2019 versus 2018 Financial Highlights

Operating expenses during fiscal year 2019 increased by \$1,827,103 from the previous year to \$46,157,903. Salaries and fringe benefits increased by \$921,434 due to pay rate increases. Maintenance and repairs decreased by \$669,132 to \$2,993,527. Depreciation increased by \$1,721,927 to \$12,673,096 due to new capital asset acquisitions. Other expenses decreased by \$147,126 to \$10,949,898.

NORFOLK AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Nonoperating expenses during fiscal year 2019 increased by \$513,045 compared to the previous year to \$2,259,919, due to the debt issuance costs attributable to the Series 2019 debt issuance. This was partially offset by lower interest expense due to normal debt service payments.

Net Position

A summary of the major components of the statements of net position as of June 30, 2020, 2019, and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 50,190,666	\$ 46,763,512	\$ 45,482,174
Restricted assets	59,600,533	89,828,848	31,069,080
Capital assets, net	244,404,824	199,623,748	185,716,491
Other noncurrent assets	1,193,781	1,156,844	949,687
Total Assets	<u>355,389,804</u>	<u>337,372,952</u>	<u>263,217,432</u>
Deferred Outflows of Resources	<u>4,460,899</u>	<u>3,012,030</u>	<u>1,572,687</u>
Current liabilities	12,569,885	7,829,836	7,290,216
Amounts payable from restricted assets	5,659,661	3,464,789	3,406,677
Long-term liabilities	110,908,027	111,380,480	45,658,185
Total Liabilities	<u>129,137,573</u>	<u>122,675,105</u>	<u>56,355,078</u>
Deferred Inflows of Resources	<u>617,228</u>	<u>831,875</u>	<u>1,266,730</u>
Net investment in capital assets	177,177,505	154,275,070	142,841,719
Restricted net position	21,849,941	28,069,339	31,069,081
Unrestricted net position	31,068,456	34,533,593	33,257,511
Total Net Position	<u>\$ 230,095,902</u>	<u>\$ 216,878,002</u>	<u>\$ 207,168,311</u>

2020 Versus 2019 Results

Current assets as of June 30, 2020 were \$50,190,666, an increase of \$3,427,154, which was driven by an increase in operating capital due to operations. Restricted assets of \$59,600,533 decreased by \$30,228,315 due to capital assets additions drawing funds out of restricted accounts.

Deferred outflows of resources as of June 30, 2020 were \$4,460,899, an increase of \$1,448,869. Deferred inflows of resources as of June 30, 2020 were \$617,228, a decrease of \$214,647. The primary driver of these changes was actuarial adjustments related to the Authority’s pension and other postemployment benefits (“OPEB”) plans.

Current liabilities as of June 30, 2020 were \$12,569,885, an increase of \$4,740,049. This increase was primarily due to construction activity. Amounts payable from restricted assets as of June 30, 2020 were \$5,659,661, an increase of \$2,194,872, due to the timing of debt service payments. Long-term liabilities as of June 30, 2020 of \$110,908,027 decreased by \$472,453 due to debt service payments partially offset by increases in actuarially calculated pension and OPEB liabilities.

Net position as of June 30, 2020 was \$230,095,902, an increase of \$13,217,900. This increase was primarily driven by the grants, PFCs and CFCs received by the Authority during the year, partially offset by the year’s operating loss.

NORFOLK AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

2019 Versus 2018 Results

Current assets as of June 30, 2019 were \$46,763,512, an increase of \$1,281,338, which was driven by an increase in operating capital due to operations. Restricted assets of \$89,828,848 increased by \$58,759,768 as a result of the issuance of the Series 2019 debt.

Deferred outflows of resources as of June 30, 2019 were \$3,012,030, an increase of \$1,439,343. Deferred inflows of resources as of June 30, 2019 were \$831,875, a decrease of \$434,855. The primary driver of these changes was actuarial adjustments related to the Authority’s pension and OPEB plans.

Current liabilities as of June 30, 2019 were \$7,829,836, an increase of \$539,620. This increase was primarily due to timing of payables. Long-term liabilities as of June 30, 2019 of \$111,380,480 increased by \$65,722,295 as a result of the issuance of the Series 2019 debt.

Net position as of June 30, 2019 was \$216,878,002, an increase of \$9,709,691. This increase was primarily driven by the capital grants, PFCs and CFCs received by the Authority during the year, partially offset by the year’s operating loss.

Capital Assets

Capital assets include land, construction in progress, buildings, structures, improvements, roads and runways, equipment, and capitalized interest during construction periods before adoption of GASB Statement 89 in Fiscal Year 2018. Capital assets are net of related accumulated depreciation. Significant capital asset additions in the current period include ongoing construction of Parking Garage D and continuing the replacement of all passenger loading bridges. A summary of capital assets by category and the associated accumulated depreciation as of June 30, 2020, 2019, and 2018, as well as a schedule of additions and retirements for the years ended June 30, 2020, 2019, and 2018, are included as follows:

	June 30		
	2020	2019	2018
Summary of Capital Assets:			
Land	\$ 14,722,494	\$ 14,722,494	\$ 14,722,494
Buildings, structures, and improvements	283,510,200	281,956,415	275,431,417
Roads and runways	82,205,192	82,205,192	67,095,173
Equipment	45,553,290	45,210,166	45,175,179
Construction in progress	68,119,602	13,900,580	10,030,730
	<u>494,110,778</u>	<u>437,994,847</u>	<u>412,454,993</u>
Accumulated depreciation	(249,705,954)	(238,371,099)	(226,738,502)
Total	<u>\$ 244,404,824</u>	<u>\$ 199,623,748</u>	<u>\$ 185,716,491</u>

Schedule of additions and retirements:

	June 30		
	2020	2019	2018
Capital assets, beginning of year	\$ 199,623,748	\$ 185,716,491	\$ 181,313,276
Additions	57,377,708	26,580,353	15,354,384
Retirements	(87,027)	-	-
Depreciation	(12,509,605)	(12,673,096)	(10,951,169)
Capital assets, end of year	<u>\$ 244,404,824</u>	<u>\$ 199,623,748</u>	<u>\$ 185,716,491</u>

NORFOLK AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Major projects underway as of June 30, 2020 include construction of Garage D, replacement of most passenger loading bridges, and the rehabilitation of Taxiway C. Garage D construction is being funded by proceeds from the Series 2019 debt issuance and cash that has been set aside for this project. The passenger loading bridge replacements are being funded by PFCs. Taxiway C rehabilitation is being funded via AIP and State grants. Approval was granted within the fiscal year 2021 budget for capital expenditures worth approximately \$24,665,000. Most of the funding for these projects will come from a mix of federal grants and state grants. Proceeding with projects that are primarily funded by Authority funds will happen on a case by case basis and will consider the current financial situation of the Authority. See footnote four within the notes to basic financial statements section for further information.

Capital Financing and Debt Management

The Authority finances capital projects through a combination of revenues, federal and state grants, PFCs, CFCs, and revenue bonds. During 2020, the Authority issued a revolving line of credit with STI Institutional & Government, Inc. (a subsidiary of Truist Financial Corp.). This line of credit has a maximum outstanding principal amount of \$30,000,000 and was issued to provide interim financing for capital projects.

The Authority's Series 2019 bonds are rated A3 (stable outlook) by Moody's and A- (negative outlook) by Standard & Poor's. The Authority's Series 2011 bonds are rated A3 by Moody's with a stable outlook.

The Authority, through its Master Indenture of Trust, has agreed to maintain debt service coverage of not less than 1.25. Debt service coverage is calculated as defined in the Master Indenture of Trust. Historically, the Authority has maintained a coverage ratio significantly higher than its requirement. For 2020, 2019, and 2018, the Authority's debt service coverage was 2.94, 3.30, and 2.84, respectively. See footnote six within the notes to basic financial statements section for further information.

Economic Factors

The Virginia Beach-Norfolk CSA contains a dynamic mix of economic activity. Included within its boundaries are the Port of Virginia, tourism destinations in Virginia Beach and the North Carolina Outer Banks, and a significant military presence anchored by Naval Station Norfolk – the largest naval base in the world. Additionally, the region is the headquarters for three Fortune 500 companies.

The outlook for fiscal year 2021 appears to be one of slow but steady recovery. The first quarter of FY21 saw passenger counts that were 59.2% lower than FY20. However, each successive month of FY21 has seen a higher percentage of travelers as compared to FY20. July 2020 saw 35.8% of passengers as compared to July 2019, August 2020 saw 41.0% of passengers as compared to August 2019, and September 2020 saw 47.1% of passengers as compared to September 2019. The number of airlines operating at the Airport has held steady from the prior year, with six passenger airlines and two cargo airlines operating at the Airport.

Air travel is particularly sensitive to regulatory changes and operating costs changes (especially fuel costs), which can cause significant fluctuations in passenger counts. Other economic risks to the Authority include federal government spending or tourism declines along with the unknown long term effects of the COVID-19 pandemic.

Contacting the Authority's Financial Management

This financial report is designed to provide interested parties with a general overview of the Authority finances. Should you have any questions about this report or need additional information, please contact the Norfolk Airport Authority, Attention: Jarred M. Roenker, Director of Finance, 2200 Norview Avenue, Norfolk, VA 23518-5807. Alternatively, information about the operation of the Authority can be obtained via the internet at www.norfolkairport.com.

NORFOLK AIRPORT AUTHORITY
STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 32,649,894	\$ 28,466,576
Investments	12,669,990	12,850,283
Accounts receivable, net	1,747,451	2,793,650
Grants receivable	2,968,493	54,614
Prepaid expenses	154,838	2,598,389
Total Current Assets	<u>50,190,666</u>	<u>46,763,512</u>
Restricted Assets:		
Cash and cash equivalents	25,708,222	83,975,907
Investments	33,637,048	4,510,000
Passenger facility charges receivable	255,263	1,342,941
Total Restricted Assets	<u>59,600,533</u>	<u>89,828,848</u>
Capital Assets:		
Land	14,722,494	14,722,494
Buildings, structures, and improvements	283,510,200	281,956,415
Roads and runways	82,205,192	82,205,192
Equipment	45,553,290	45,210,166
Construction in progress	68,119,602	13,900,580
	494,110,778	437,994,847
Less accumulated depreciation	<u>(249,705,954)</u>	<u>(238,371,099)</u>
Total Capital Assets, Net	<u>244,404,824</u>	<u>199,623,748</u>
Bond insurance costs, net	16,101	25,755
Other assets	1,177,680	1,131,089
Total Assets	<u>\$ 355,389,804</u>	<u>\$ 337,372,952</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	56,249	79,134
Deferred outflows related to pensions	3,877,916	2,571,896
Deferred outflows related to OPEB plans	526,734	361,000
Total Deferred Outflows of Resources	<u>\$ 4,460,899</u>	<u>\$ 3,012,030</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

NORFOLK AIRPORT AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 8,062,556	\$ 2,267,984
Accrued leave and wages	2,517,620	2,156,275
Other accrued expenses	480,095	618,510
Surplus payable to airlines	1,509,614	2,787,067
Total Current Liabilities	<u>12,569,885</u>	<u>7,829,836</u>
Amounts Payable from Restricted Assets:		
Accrued interest	2,210,068	899,525
Current portion of bonds payable	3,449,593	2,565,264
Total Amounts Payable from Restricted Assets	<u>5,659,661</u>	<u>3,464,789</u>
Long-Term Liabilities:		
Bonds payable, less current portion	100,147,804	103,748,289
Net pension liability	7,847,977	5,066,725
Net OPEB liability	2,164,293	1,968,000
Other long-term liabilities	747,953	597,466
Total Long-Term Liabilities	<u>110,908,027</u>	<u>111,380,480</u>
Total Liabilities	<u>\$ 129,137,573</u>	<u>\$ 122,675,105</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 418,694	\$ 615,875
Deferred inflows related to OPEB plans	198,534	216,000
Total Deferred Inflows of Resources	<u>\$ 617,228</u>	<u>\$ 831,875</u>
NET POSITION		
Net investment in capital assets	\$ 177,177,505	\$ 154,275,070
Restricted for:		
Capital projects	13,937,073	20,268,230
Debt service	7,912,868	7,801,109
Unrestricted	31,068,456	34,533,593
Total Net Position	<u>\$ 230,095,902</u>	<u>\$ 216,878,002</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

NORFOLK AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenues:		
Parking	\$ 13,591,153	\$ 16,927,094
Landing fees	5,754,222	6,175,569
Rent	6,775,095	6,377,792
Rental cars	5,565,567	7,246,770
Concessions	3,231,350	3,329,957
Other	895,889	1,163,852
Total operating revenues	<u>35,813,276</u>	<u>41,221,034</u>
Operating expenses:		
Salaries and fringe benefits	19,515,257	17,041,382
Depreciation	12,509,605	12,673,096
Utilities	2,426,925	2,780,341
Maintenance and repairs	2,976,372	2,993,527
Administrative	696,070	761,721
Professional services	455,675	547,797
Advertising and promotion	329,042	972,555
Insurance	909,811	732,597
Security and other services	3,772,184	3,957,952
Sanitation	1,109,669	773,408
City tax assessment	2,500,000	2,500,000
Other	482,732	423,527
Total operating expenses	<u>47,683,342</u>	<u>46,157,903</u>
Operating loss	<u>(11,870,066)</u>	<u>(4,936,869)</u>
Nonoperating revenues (expenses):		
Federal grant revenues	15,814,021	2,645,036
State grant revenues	2,071,479	2,000,000
Passenger facility charges	5,926,222	7,934,573
Customer facility charges	2,377,861	2,739,307
State grant interest income	73,345	168,203
Passenger facility charges interest income	209,188	264,388
Interest income	2,021,389	873,150
Other income	239,859	281,822
Bond issuance costs	-	(591,587)
Interest expense	(3,645,398)	(1,668,332)
Net nonoperating revenues	<u>25,087,966</u>	<u>14,646,560</u>
Change in net position	13,217,900	9,709,691
Total net position, beginning of the year	<u>216,878,002</u>	<u>207,168,311</u>
Total net position, end of the year	<u>\$ 230,095,902</u>	<u>\$ 216,878,002</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

NORFOLK AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Collections from customers	\$ 36,859,475	\$ 41,448,490
Payments to employees for services	(18,001,183)	(16,665,231)
Payments for city tax assessment	(2,500,000)	(2,500,000)
Payments to suppliers	(11,896,725)	(15,293,238)
Net cash provided by operating activities	<u>4,461,567</u>	<u>6,990,021</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds	(2,580,605)	(2,452,461)
Issuance of bonds	757,003	66,876,110
Acquisition of capital assets	(51,487,870)	(25,689,266)
Proceeds from the sale of equipment	-	31,050
Interest paid on debt	(3,194,870)	(1,858,564)
Passenger facility charges	7,013,900	7,819,038
Customer facility charges	2,377,861	2,739,307
Federal and state grants received	14,971,621	4,669,362
Bond issuance costs	-	(591,587)
Net cash (used in) provided by capital and related financing activities	<u>(32,142,960)</u>	<u>51,542,989</u>
Cash flows from investing activities:		
Investment income	2,543,781	1,610,897
Purchases of investments	(140,280,970)	(63,012,257)
Proceeds from maturities of investments	111,334,215	62,299,218
Net cash (used in) provided by investing activities	<u>(26,402,974)</u>	<u>897,858</u>
Net (decrease) increase in cash and restricted cash	(54,084,367)	59,430,868
Cash and restricted cash, beginning of year	112,442,483	53,011,615
Cash and restricted cash, end of year	<u>\$ 58,358,116</u>	<u>\$ 112,442,483</u>
Cash and cash equivalents are presented in the accompanying statements of net position as follows:		
Cash	\$ 32,649,894	\$ 28,466,576
Restricted cash	25,708,222	83,975,907
	<u>\$ 58,358,116</u>	<u>\$ 112,442,483</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

NORFOLK AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (11,870,066)	\$ (4,936,869)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	12,509,605	12,673,096
Loss (gain) on disposal of capital assets	87,027	(31,050)
Decrease (increase) in operating assets:		
Accounts receivable	1,046,199	227,456
Prepaid expenses	2,443,551	(56,780)
Other assets	(46,591)	(219,088)
Increase (decrease) in operating liabilities:		
Accounts payable	(95,266)	(576,245)
Accrued leave and wages	361,345	93,174
Other accrued expenses	(138,415)	502,376
Surplus payable to airlines	(1,277,453)	(370,772)
Net pension liability	1,278,051	(212,399)
Net OPEB liability	13,093	(7,000)
Other liabilities	150,487	(95,878)
Net cash provided by operating activities	<u>\$ 4,461,567</u>	<u>\$ 6,990,021</u>

Supplemental disclosure of noncash capital and related financing activities:

The Authority incurred noncash capital expenditures related to construction in progress in the amount of \$7,780,979 and \$1,891,141 that are included in accounts payable as of June 30, 2020 and 2019, respectively.

The accompanying notes to the basic financial statements are an integral part of these statements.

NORFOLK AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(1) Summary of Significant Accounting Policies

(a) Organization and Purpose

The Norfolk Airport Authority (the "Authority") was formed on April 4, 1988 from the Norfolk Port and Industrial Authority to account for the operations of the Norfolk International Airport (the "Airport"). The Authority is an independent subdivision of the Commonwealth of Virginia. Revenues generated by Airport operations are used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority. The Authority is authorized to finance projects by issuing bonds or obtaining loans in its own name.

(b) Basis of Accounting

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets. The Authority generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

(c) Revenue Recognition

Rentals and concession fees are generated from airlines, parking structures and lots, food service, rental cars, fixed-base operators, and other commercial operators and are included in the applicable operating revenue accounts. Leases are accounted for as operating leases and generally require rentals based on the volume of business, with specified minimum rentals. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.

(d) Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(e) Accounts Receivable

Accounts receivable are reported when earned, net of estimated uncollectible amounts. An allowance for doubtful accounts is established based on management estimates of uncollectible revenue billings, if any. As a customer's balance is deemed uncollectible, the receivable is offset against this allowance. Subsequent receipt of a receivable previously written off is applied to this allowance. The allowance for doubtful accounts as of June 30, 2020 was \$32,868. There was no allowance for doubtful accounts as of June 30, 2019.

NORFOLK AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(f) Capital Assets

Capital assets with an initial individual cost of \$10,000 or more are capitalized at cost. The Authority provides for depreciation of all capital assets by the straight-line method over estimated useful lives as follows:

Buildings and structures	20 to 50 years
Improvements	5 to 30 years
Roads and runways	10 to 40 years
Equipment	3 to 50 years

Major renewals and improvements that extend a capital asset's useful life are capitalized; maintenance and repairs are expensed when incurred.

When a capital asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operating revenues or expenses.

(g) Bond Premiums, Discounts and Issuance Costs

Bond premiums and discounts incurred to issue debt are capitalized and amortized as interest expense over the related bond issue period using the effective interest method. With the exception of prepaid bond insurance costs discussed in item (i) below, bond issuance costs are expensed in the period incurred.

(h) Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position contains a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and will be recognized as an outflow of resources in a future period. The Authority recognizes deferred outflows for debt refundings, pension plans, and other postemployment benefits ("OPEB") plans.

In addition to liabilities, the Statements of Net Position contains a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period and will be recognized as an inflow of resources in a future period. The Authority recognizes deferred inflows for pension, and OPEB plans. Deferred outflows of resources for debt refundings are amortized over the shorter maturity of the refunded or refunding debt. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience, changes in assumptions, and changes in proportion are recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to the difference between projected and actual earnings are recognized using a systematic and rational method over a closed five-year period. The pension and OPEB deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension and OPEB liabilities in the subsequent fiscal year.

(i) Bond Insurance Costs

Bond insurance costs are amortized on the effective-interest method over the life of the debt to which it relates.

NORFOLK AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(j) Operating Revenues and Expenses

Operating revenues and expenses consist of all revenue and expenses not related to capital and related financing or investing transactions.

(k) Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions related to reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and changes in net position during the reporting period. Significant items subject to such estimates include the valuation allowance for receivables; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(l) Pensions

The Authority participates in the Virginia Retirement System (“VRS”), an agent multiple-employer public employee retirement system with separate agent multiple pools for each locality, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority’s Retirement Plan and the additions to/deductions from the Authority’s Retirement Plan’s fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when paid in accordance with the benefit terms. Investments are reported at fair value.

(m) OPEB Plans

(i) Group Life Insurance

The VRS Group Life Insurance (“GLI”) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

(ii) Line of Duty Act Program

The VRS Line of Duty Act Program (“LODA”) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

NORFOLK AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(iii) *Political Subdivision Employee Virginia Local Disability Program*

The VRS Political Subdivision Employee Virginia Local Disability Program (“VLDP”) is a multiple-employer, cost-sharing plan. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VLDP. This plan is administered by the VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

For purposes of measuring the net GLI, LODA and VLDP Programs’ corresponding OPEB liability, each individual plan’s deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the OPEB and the additions to/deductions from the OPEB’s net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) **Fair Value**

The Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Authority determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The level in the fair value hierarchy within which a fair value measurement, in its entirety falls in, is based on the lowest level input that is significant to the fair value measurement in its entirety.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

NORFOLK AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(2) Deposits and Investments

The Authority maintains several restricted cash and investment funds in addition to its operating funds. These funds are disclosed on the accompanying Statements of Net Position as cash and cash equivalents and investments.

The Code of Virginia authorizes the Authority to invest in certificates of deposit with national banks located within the Commonwealth of Virginia, obligations of the United States or its agencies, obligations of the Commonwealth of Virginia or its political subdivisions, and certain other investments.

(a) Deposits

The carrying values of the Authority's deposits with banks were \$58,358,116 and \$112,442,483 and the bank balances were \$58,686,923 and \$115,304,535 at June 30, 2020 and 2019, respectively. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). In accordance with the Act, the depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the Authority's deposits with a third-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it and reimburse the Authority up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

(b) Investments

The Authority's investment policy (the "Policy") permits investments and investment practices that meet or exceed all statutes governing the investment of public funds in Virginia and any investment restrictions imposed by bond covenants. The Policy establishes limitations on the investment options to include U.S. government obligations, Commonwealth of Virginia Local Government Investment Pool ("LGIP"), prime quality commercial paper, and certain corporate notes, banker's, acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, and mutual funds that invest exclusively in securities specifically permitted by the Code of Virginia.

(c) Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Ratings, and Duff & Phelps. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

As of June 30, 2020, the Standard & Poor's ratings on the Authority's rated securities included 37.7% of AAAm, 1.2% of AAA, 41.7% of AA+, 1.6% of AA, 1.2% of AA-, 7.8% of A-1+, and 8.8% of A-1.

NORFOLK AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(d) Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum
LGIP	75% maximum
Registered investments (mutual funds)	75% maximum

As of June 30, 2020, the Authority's portfolio was invested as follows:

<u>Issuer</u>	<u>Percentage of portfolio</u>
U.S. Treasury	62.6 %
Commercial paper	22.8
Corporate notes	14.6
	<u>100.0 %</u>

(e) Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy limits the investment of funds as a means of limiting exposure to fair value losses arising from permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of investments, a duration target not to exceed three years is determined for the core portfolio.

Proceeds from the sale of bonds issued by the Authority shall be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term of securities purchased.

As of June 30, 2020, the carrying values and weighted average maturity of the Authority's investments were as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity in years</u>
U.S. Treasury securities	\$ 28,990,269	0.49
Commercial paper	10,552,106	0.17
Corporate notes	6,764,663	0.46
Total investments	<u>\$ 46,307,038</u>	

NORFOLK AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(f) Custodial Credit Risk

Custodial credit risk for deposits is defined as the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the outside party. The custodial credit risk for investments is defined as the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held in third-party safekeeping at a qualified public depository that may not otherwise be a counterparty to the investment transaction.

As of June 30, 2020, all the Authority's investments were held in a bank's trust department in the Authority's name.

(g) Summary of Deposits and Investments

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the statements of net position at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Deposits	\$ 58,358,116	\$ 112,442,483
Investments	46,307,038	17,360,283
	<u>\$ 104,665,154</u>	<u>\$ 129,802,766</u>
Current Assets:		
Cash and cash equivalents	\$ 32,649,894	\$ 28,466,576
Investments	12,669,990	12,850,283
Restricted Assets:		
Cash and cash equivalents	25,708,222	83,975,907
Investments	33,637,048	4,510,000
	<u>\$ 104,665,154</u>	<u>\$ 129,802,766</u>

(h) Fair Value Measurements

The Authority has the following recurring fair value measurements as of June 30, 2020:

U.S. Treasury securities, commercial paper, and corporate notes of \$46,307,038 are valued using a matrix pricing model (Level 2 inputs).

(3) Restricted Assets

The Authority received \$2,000,000 during both fiscal years 2020 and 2019 from the Commonwealth Airport Fund (State block grant) for the Authority's use in financing capital asset additions. These funds are provided in advance of actual expenditure or specific project approval based on the relative size of each of the Commonwealth's air carrier airports and are restricted for expenditures on qualifying projects.

NORFOLK AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

The trust indenture securing the Series 2011 and Series 2019 Bonds Payable requires segregation of certain assets into restricted accounts. These restricted accounts include a construction account holding funds for the design and construction of capital improvements, a capitalized interest account, a debt service reserve account, and a cost of issuance account. The passenger facility charge cash and receivable accounts are also restricted assets as there are federal restrictions on how these funds may be disposed. All cash and investments are held by the following financial institutions: US Bank, SunTrust Bank, and the Virginia Department of the Treasury's LGIP. Restricted assets consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
State block grant account	\$ 4,968,729	\$ 4,527,348
Bond ordinance related	45,663,660	69,560,618
Passenger facility charges account	8,655,857	14,359,290
Passenger facility charges receivable	255,263	1,342,941
Other restricted assets	<u>57,024</u>	<u>38,651</u>
Restricted assets	<u>\$ 59,600,533</u>	<u>\$ 89,828,848</u>

The current authorization from the Federal Aviation Administration ("FAA") permits the Authority to collect Passenger Facility Charges ("PFC") of \$4.50 per eligible enplaned passenger up to an aggregate amount of \$150,029,994 with an estimated final collection date of January 1, 2023. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA-approved projects. Unexpended PFC and related interest are included as restricted net position for projects that are approved by the FAA.

(4) Capital Assets

The following is a summary of the changes in capital assets for the years ended June 30, 2020 and 2019:

	<u>Balances, June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances, June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 14,722,494	\$ -	\$ -	\$ 14,722,494
Construction in progress	13,900,580	57,198,160	(2,979,138)	68,119,602
	<u>28,623,074</u>	<u>57,198,160</u>	<u>(2,979,138)</u>	<u>82,842,096</u>
Capital assets being depreciated:				
Building, structures, and improvements	281,956,415	1,553,785	-	283,510,200
Roads and runways	82,205,192	-	-	82,205,192
Equipment	45,210,166	1,604,901	(1,261,777)	45,553,290
Less accumulated depreciation for:				
Building, structures, and improvements	(145,975,682)	(8,926,116)	-	(154,901,798)
Roads and runways	(59,567,408)	(1,689,440)	-	(61,256,848)
Equipment	(32,828,009)	(1,894,049)	1,174,750	(33,547,308)
	<u>171,000,674</u>	<u>(9,350,919)</u>	<u>(87,027)</u>	<u>161,562,728</u>
Capital assets, net	<u>\$ 199,623,748</u>	<u>\$ 47,847,241</u>	<u>\$ (3,066,165)</u>	<u>\$ 244,404,824</u>

NORFOLK AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	Balances, June 30, 2018	Increases	Decreases	Balances, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 14,722,494	\$ -	\$ -	\$ 14,722,494
Construction in progress	10,030,730	26,275,614	(22,405,764)	13,900,580
	<u>24,753,224</u>	<u>26,275,614</u>	<u>(22,405,764)</u>	<u>28,623,074</u>
Capital assets being depreciated:				
Building, structures, and improvements	275,431,417	7,117,370	(592,372)	281,956,415
Roads and runways	67,095,173	15,110,019	-	82,205,192
Equipment	45,175,179	483,114	(448,127)	45,210,166
Less accumulated depreciation for:				
Building, structures, and improvements	(137,728,035)	(8,840,019)	592,372	(145,975,682)
Roads and runways	(57,720,641)	(1,846,767)	-	(59,567,408)
Equipment	(31,289,826)	(1,986,310)	448,127	(32,828,009)
	<u>160,963,267</u>	<u>10,037,407</u>	<u>-</u>	<u>171,000,674</u>
Capital assets, net	<u>\$185,716,491</u>	<u>\$ 36,313,021</u>	<u>\$ (22,405,764)</u>	<u>\$199,623,748</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$12,509,605 and \$12,673,096, respectively.

(5) Bond Insurance Costs

At June 30, 2020, the gross carrying amount and accumulated amortization of bond insurance costs was \$678,110 and \$662,009, respectively. At June 30, 2019, the gross carrying amount and accumulated amortization of bond insurance costs was \$678,110 and \$652,355, respectively. Amortization expense for the years ended June 30, 2020 and 2019 was \$9,654 and \$11,931, respectively, and is included in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

(6) Bonds Payable

Bonds payable comprise the following at June 30, 2020 and 2019:

	2020	2019
Series 2011 Bonds payable	\$ 36,300,000	\$ 38,775,000
Series 2019 Bonds payable	54,435,000	54,435,000
Line of Credit payable	757,003	-
VRA Bonds payable	-	105,605
	<u>91,492,003</u>	<u>93,315,605</u>
Unamortized premium	12,105,394	12,997,948
	<u>\$ 103,597,397</u>	<u>\$ 106,313,553</u>

NORFOLK AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

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In June 2020, the Authority entered into a Subordinate Lien Revolving Line of Credit with STI Institutional & Government, Inc. (a subsidiary of Truist Financial Corporation). This Line of Credit has a maximum principal sum outstanding of \$30,000,000 and a term of five years. The proceeds from the Line of Credit are being used as short-term financing for capital projects. The Line of Credit is secured by a Lien on General Revenues on a subordinate basis from general revenues and CFC revenues of the Authority and certain funds and accounts established under the indenture. Under the terms of the Line of Credit, interest payments are due monthly and principal payments are due at the maturity date of June 2025. Interest is variable and is calculated each month as 79% of the sum of LIBOR plus 69 basis points. The interest rate is subject to a minimum rate of 1.14%.

In June 2019, the Authority completed the sale of \$54,435,000 Airport Revenue Bonds Series 2019 (Non-AMT). Proceeds of the Series 2019 Bonds are being used to construct the Authority's new parking garage D. The Series 2019 Bonds are payable from general revenues and CFC revenues of the Authority and certain funds and accounts established under the indenture. Principal payments on the Series 2019 Bonds are due on July 1 of each year beginning on July 1, 2022 through July 1, 2043. Interest is payable on the bonds on January 1 and July 1 of each year, beginning on January 1, 2020, with an interest rate of 5.00% during the term of the bonds. The bond resolutions include reserve requirements, including the requirement that total revenues provide for 100% of operating expenses and net revenues provide at least 125% of the debt service requirement for the following year.

In June 2011, the Authority completed the sale of \$18,300,000 Airport Revenue Bonds Series 2011A (Non-AMT) and \$25,025,000 Airport Revenue Bonds Series 2011B (AMT). In October 2011, the Authority completed the sale of \$25,960,000 Airport Revenue Bonds Series 2011C (Non-AMT). Proceeds of the Series 2011 Bonds were used to defease and refund its previously outstanding Series 2001 Bonds. The Series 2011 Bonds are payable from general revenues and PFC revenues of the Authority and certain funds and accounts established under the indenture. Principal payments on the Series 2011 Bonds are due on July 1 of each year through July 1, 2031. Interest is payable on the bonds on January 1 and July 1 of each year, with interest rates ranging from 3.00% to 5.25% during the term of the bonds. The bond resolutions include reserve requirements, including the requirement that total revenues provide for 100% of operating expenses and net revenues provide at least 125% of the debt service requirement for the following year.

In January 2001, the Authority entered into a financing agreement with Virginia Resources Authority ("VRA") in which VRA agreed to use a portion of the proceeds from the issuance of its Airport Revolving Fund Revenue Bonds, Series 2001B to acquire from the Authority the Airport Fixed-Base Operations Revenue Bond, Series 2001 ("VRA Bonds") in the principal amount of \$1,273,267. The VRA Bonds are payable from construction fund reserves established under the agreement.

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Maturities of bond principal and interest to be provided for all bonds outstanding at June 30, 2020 were as follows:

Years ending June 30:	Principal	Interest
2021	\$ 2,580,000	\$ 4,357,375
2022	2,715,000	4,228,575
2023	4,265,000	4,064,675
2024	4,645,000	3,850,688
2025	5,627,003	3,612,813
2026–2030	24,025,000	14,591,844
2031–2035	18,245,000	9,150,988
2036–2040	14,730,000	5,578,000
2041–2045	14,660,000	1,511,000
	<u>\$ 91,492,003</u>	<u>\$ 50,945,958</u>

Revenue bond activity for the years ended June 30, 2020 and 2019 is as follows:

	Balance, June 30, 2019	Issuance of bonds	Amortization of premium	Bond payments	Balance, June 30, 2020	Current portion
Series 2019	\$ 66,855,070	\$ -	\$ (760,707)	\$ -	\$ 66,094,363	\$ 760,707
Series 2011	39,352,878	-	(131,847)	(2,475,000)	36,746,031	2,688,886
Line of Credit	-	757,003	-	-	757,003	-
VRA Bonds	105,605	-	-	(105,605)	-	-
	<u>\$ 106,313,553</u>	<u>\$ 757,003</u>	<u>\$ (892,554)</u>	<u>\$ (2,580,605)</u>	<u>\$ 103,597,397</u>	<u>\$ 3,449,593</u>

	Balance, June 30, 2018	Issuance of bonds	Amortization of premium	Bond payments	Balance, June 30, 2019	Current portion
Series 2019	\$ -	\$ 66,876,110	\$ (21,040)	\$ -	\$ 66,855,070	\$ -
Series 2011	41,871,755	-	(153,877)	(2,365,000)	39,352,878	2,475,000
VRA Bonds	193,066	-	-	(87,461)	105,605	90,264
	<u>\$ 42,064,821</u>	<u>\$ 66,876,110</u>	<u>\$ (174,917)</u>	<u>\$ (2,452,461)</u>	<u>\$ 106,313,553</u>	<u>\$ 2,565,264</u>

Bond Covenant

The bond indenture states that the Authority will provide general revenues at least 125% of the debt service requirement on all related bonds secured by general revenues then outstanding for the sinking fund year ending on the next June 30. At June 30, 2020 and 2019, the rate covenant was met. The indenture further provides that the Authority (in the event that the coverage is not met for a single year) hire a consultant to study revenues, expenses, and debt coverage for the following year and to provide guidance on rates and charges and meeting the rate coverage calculation. A noncompliance with the covenant is not a default until it is not met for two consecutive years.

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(7) Airport Use Agreement

Effective July 1, 2013, the Authority entered into an Airline Use and Lease Agreement (the "Agreement") with the signatory airlines operating scheduled passenger service at the Airport, which was renewed effective August 28, 2018. The current term of the Agreement for all signatory carriers is through June 30, 2021. The Agreement automatically renews for two one-year periods thereafter, unless cancelled by either party. The Agreement provides for airlines to pay rates and charges calculated based on established cost centers. The Agreement provides for the Authority to share surplus revenues with the signatory airlines (the "Airlines") after all operating and maintenance expenses, debt service (including coverage), and required deposits to various reserve funds have been made. Surplus revenues are accrued at the end of the year and refunded to the Airlines and a deficit in revenues may be billed to the Airlines. At June 30, 2020 and 2019, there was a surplus of \$1,509,614 and \$2,787,067, respectively, payable to the Airlines, which is reflected as a reduction of operating revenues in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019.

(8) Defined Benefit Pension Plan

(a) Plan Description

The Authority participates in the VRS, an agent and multiple-employer public employee retirement system, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time, salaried permanent (professional) employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the "System" or "VRS") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public services, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set forth below:

VRS Plan 1 is a defined benefit plan. Members hired before July 1, 2010 and who were vested as of January 1, 2013 and they have not taken a refund, are eligible for Plan 1. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service for participating employers. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of service credit or age 55 with at least five years of service credit. Active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

VRS Plan 2 is a defined benefit plan. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 and are not vested as of January 1, 2013 are covered under Plan 2. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Plan 2 members as early as age 60 with at least five years of service credit. Active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

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The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are eligible for the Hybrid Plan. The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. The benefit payment payable from the defined contribution plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available as early as age 60 with at least five years of service credit. Under the defined benefit plan, active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. The retirement multiplier for Authority's employees is 1.7% for Plan 1 members, 1.85% for hazardous duty Plan 1 members, 1.65% for Plan 2 members, and 1.0% for Hybrid Plan members. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment ("PLOP"), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment ("COLA") effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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(b) Employees Covered by Benefit Terms

As of the June 30, 2019 and 2018 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	Number	
	2019	2018
Inactive members or their beneficiaries currently receiving benefits	159	153
Inactive members:		
Vested inactive members	22	21
Nonvested inactive members	55	54
Inactive members active elsewhere in VRS	41	38
Total inactive members	118	113
Active members	201	202
Total covered employees	478	468

(c) Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's actuarially required contribution rate for the years ended June 30, 2020 and 2019 was 11.21% of covered employee compensation. These rates were based on an actuarially determined rate from actuarial valuations as of June 30, 2017. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$1,368,135 and \$1,338,260 for the years ended June 30, 2020 and 2019, respectively.

(d) Net Pension Liability

The Authority's net pension liability as of June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and 2017, and rolled forward to the measurement dates of June 30, 2019 and 2018.

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Actuarial Assumptions

The total pension liability for general employees and public safety employees in the Authority's Retirement Plan was based on an actuarial valuations as of June 30, 2018 and 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement dates of June 30, 2019 and 2018.

	<u>General employees</u>	<u>Public safety employees</u>
Inflation	2.50 %	2.50 %
Salary increases, including inflation	3.50%-5.35%	3.50%-4.75%
Investment rate of return, net of pension plan investment expense, including inflation*	6.75 %	6.75 %

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

	<u>Mortality assumptions</u>	
	<u>General employees</u>	<u>Public safety employees</u>
Deaths assumed to be service related:	15.0 %	45.0 %
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of Rates; females 105% of rates	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of Rates; females set forward 1 year
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years

	<u>Mortality assumptions</u>	
	<u>General employees</u>	<u>Public safety employees</u>
Post-disablement:	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

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The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates (General Employees)	Lowered rates at older ages and changed final retirement from 70 to 75
Retirement Rates (Public Safety Employees)	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates (General Employees)	Lowered rates
Disability Rates (Public Safety Employees)	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability (General Employees)	Increase rate from 14% to 15%
Line of Duty Disability (Public Safety Employees)	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.0% to 6.75%

(e) Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summaries in the following table:

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	34.00%	5.61%	1.91%
Fixed income	15.00	0.88	0.13
Credit strategies	14.00	5.13	0.72
Real assets	14.00	5.27	0.74
Private equity	14.00	8.77	1.23
MAPS - Multi-Asset Public Strategies	6.00	3.52	0.21
PIP - Private Investment Partnership	3.00	6.29	0.19
Total	<u>100.00%</u>		5.13
		Inflation	<u>2.50</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic

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conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(f) Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(g) Changes in Net Pension Liability

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2018	\$ 50,167,705	\$ 45,100,980	\$ 5,066,725
Changes for the year:			
Service cost	1,420,679	-	1,420,679
Interest	3,419,644	-	3,419,644
Differences between expected and actual experience	1,367,730	-	1,367,730
Contributions – employer	-	1,335,367	(1,335,367)
Contributions – employee	-	593,189	(593,189)
Net investment income	-	2,992,190	(2,992,190)
Changes of Assumptions	1,462,450		1,462,450
Benefit payments, including refunds of employee contributions	(2,615,193)	(2,615,193)	-
Administrative expenses	-	(29,605)	29,605
Refunds of Contributions	(16,096)	(16,096)	-
Other Changes	-	(1,890)	1,890
Net changes	5,039,214	2,257,962	2,781,252
Balances at June 30, 2019	\$ 55,206,919	\$ 47,358,942	\$ 7,847,977

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	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2017	\$ 46,259,817	\$ 42,672,320	\$ 3,587,497
Changes for the year:			
Service cost	1,414,966	-	1,414,966
Interest	3,151,550	-	3,151,550
Differences between expected and actual experience	1,816,734	-	1,816,734
Contributions – employer	-	1,208,422	(1,208,422)
Contributions – employee	-	577,112	(577,112)
Net investment income	-	3,148,504	(3,148,504)
Benefit payments, including refunds of employee contributions	(2,475,362)	(2,475,362)	-
Administrative expenses	-	(27,217)	27,217
Other Changes	-	(2,799)	2,799
Net changes	3,907,888	2,428,660	1,479,228
Balances at June 30, 2018	\$ 50,167,705	\$ 45,100,980	\$ 5,066,725

(h) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority as of June 30, 2019 and 2018 using the discount rate of 6.75% and 7.00%, respectively, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's Net Pension Liability: As of June 30, 2020	\$ 14,094,618	\$ 7,847,977	\$ 2,831,784
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
The Authority's Net Pension Liability: As of June 30, 2019	\$ 10,971,115	\$ 5,066,725	\$ 94,071

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(i) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$2,643,293 and \$1,126,435, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 410,109
Change of assumptions	971,695	2,932
Differences between expected and actual experience	1,538,086	5,653
Employer contributions subsequent to the measurement date	1,368,135	-
Total as of June 30, 2020	<u>\$ 3,877,916</u>	<u>\$ 418,694</u>
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 392,656
Change of assumptions	-	76,221
Differences between expected and actual experience	1,233,636	146,998
Employer contributions subsequent to the measurement date	1,338,260	-
Total as of June 30, 2019	<u>\$ 2,571,896</u>	<u>\$ 615,875</u>

Deferred outflows of resources related to pensions totaling \$1,368,135 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as decreases to pension expense as follows:

<u>Years ending June 30</u>	
2021	\$ 1,518,523
2022	554,220
2023	(9,493)
2024	27,837
Total	<u>\$ 2,091,087</u>

(9) OPEB Plans

(a) Plan descriptions

(i) GLI plan

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB, for public employer groups in the Commonwealth of Virginia.

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In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

The benefits payable under the GLI Program have several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits, and accelerated death benefit options. The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,463.

(ii) *LODA plan*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the State Police Officers' Retirement System ("SPORS"), or the Virginia Law Officers' Retirement System ("VaLORS") are automatically covered by the LODA Program. As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the VRS's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The eligible employees of the LODA are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.

The LODA provides death and health insurance benefits for eligible individuals. The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows. \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

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The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management ("DHRM"). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

(iii) *VLDP plan*

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VLDP. This plan is administered by the VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. Eligibility includes full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. The VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

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(b) Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from the Authority were \$65,925 and \$64,000 for the years ended June 30, 2020 and 2019, respectively.

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the Authority were \$42,346 and \$42,000 for the years ended June 30, 2020 and 2019, respectively.

The contribution requirement for the VLDP Program for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VLDP were \$16,704 and \$15,000 for the years ended June 30, 2020 and 2019, respectively.

(c) OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2020 and June 30, 2019, the Authority reported liabilities of \$1,018,831 and \$945,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportion of the Net GLI OPEB Liability was based on the Authority's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion was 0.06261% as compared to 0.06224% at June 30, 2018.

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For the years ended June 30, 2020 and 2019, the Authority recognized GLI OPEB expenses of \$29,908 and \$16,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020 and June 30, 2019, the Authority reported liabilities of \$1,132,042 and \$1,019,000, respectively, for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net LODA OPEB Liability was based on the Authority's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the Authority's proportion was 0.31552% as compared to 0.32493% at June 30, 2018.

For the years ended June 30, 2020 and June 30, 2019, the Authority recognized LODA OPEB expense of \$92,249 and \$83,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020 and June 30, 2019, the Authority reported liabilities of \$13,420 and \$4,000, respectively, for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and June 30, 2018 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 and June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion of the VLDP was 0.66244% as compared to 0.58676% at June 30, 2018.

For the years ended June 30, 2020 and June 30, 2019, the Authority recognized VLDP OPEB expense of \$15,892 and \$10,000, respectively. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI, LODA and VLDP OPEB plans from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on		
OPEB plan investments	\$ -	\$ 23,123
Change of assumptions	117,824	129,371
Differences between expected and actual experience	239,030	13,625
Changes in proportionate share	44,905	32,415
Employer contributions subsequent to the measurement date	124,975	-
Total as of June 30, 2020	<u>\$ 526,734</u>	<u>\$ 198,534</u>

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	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on		
OPEB plan investments	\$ -	\$ 34,000
Change of assumptions	-	157,000
Differences between expected and actual experience	192,000	17,000
Changes in proportionate share	48,000	8,000
Employer contributions subsequent to the measurement date	121,000	-
Total as of June 30, 2019	<u>\$ 361,000</u>	<u>\$ 216,000</u>

Deferred outflows of resources related to OPEB plans totaling \$124,975 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plans will be recognized in the Authority's OPEB expense in future reporting periods as follows:

<u>Years ending June 30</u>	
2021	\$ 24,578
2022	24,575
2023	33,777
2024	39,286
2025	37,255
Thereafter	43,754
Total	<u>\$ 203,225</u>

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(d) Actuarial assumptions

The total GLI, LODA and VLDP OPEB liabilities were based on actuarial valuations as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50 percent
Salary increases, including inflation:	
General employees (GLI)	3.50 – 5.35 percent
General employees (VLDP)	3.50 – 5.95 percent
Hazardous duty employees (GLI)	3.50 – 4.75 percent
Medical cost trend rates assumption (LODA):	
Under age 65	7.25 – 4.75 percent
Ages 65 and older	5.50 – 4.75 percent
Investment rate of return (GLI & VLDP)	6.75 percent, net of investment expenses, including inflation*
Year of ultimate trend rate (LODA):	
Post-65	Fiscal year ended 2024
Pre-65	Fiscal year ended 2028
Investment rate of return (LODA)	3.50 percent, net of investment expenses, including inflation**

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed rate. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% (GLI & VLDP) to simplify preparation of the OPEB liabilities.

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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	Mortality assumptions	
	General employees	Hazardous duty employees
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years
Post-disablement:	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study for general employees include updating to a more current mortality table, lowering retirement rates at older ages and extending final retirement ages, adjusting termination rates, lowering disability rates, increasing line of duty disability, and decreasing the discount rate. Changes to the actuarial assumptions as a result of the experience study for hazardous duty employees include updating to a more current mortality table, increasing age 50 retirement rates at older ages, adjusting termination rates, adjusting disability rates, decreasing line of duty disability rates, and decreasing the discount rate.

(e) Net OPEB Liability

The net OPEB liability represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2019 and 2018, net OPEB liability amounts are as follows (dollar amounts in thousands):

	June 30, 2019		
	GLI	LODA	VLDP
Total OPEB liability	\$ 3,390,238	\$ 361,626	\$ 3,989
Plan fiduciary net position	1,762,972	2,839	1,962
Employers' net OPEB liability	<u>\$ 1,627,266</u>	<u>\$ 358,787</u>	<u>\$ 2,027</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.00 %	0.79 %	49.49 %

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	June 30, 2018		
	GLI	LODA	VLDP
Total OPEB liability	\$ 3,113,508	\$ 315,395	\$ 1,588
Plan fiduciary net position	1,594,773	1,889	816
Employers' net OPEB liability	<u>\$ 1,518,735</u>	<u>\$ 313,506</u>	<u>\$ 772</u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.22 %	0.60 %	51.39 %

The total OPEB liability is calculated by VRS' actuary, and each plan's fiduciary net position is reported in the VRS' financial statements. The net OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in the VRS' notes to the financial statements and required supplementary information.

(f) Long-Term Expected Rate of Return

The long-term expected rate of return on VRS' investments for the GLI and VLDP plans was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	34.00%	5.61%	1.91%
Fixed income	15.00	0.88	0.13
Credit strategies	14.00	5.13	0.72
Real assets	14.00	5.27	0.74
Private equity	14.00	8.77	1.23
MAPS - Multi-Asset Public Strategies	6.00	3.52	0.21
PIP - Private Investment Partnership	3.00	6.29	0.19
Total	<u>100.00%</u>		<u>5.13%</u>
Inflation			<u>2.50</u>
* Expected arithmetic nominal return			<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This single equivalent interest rate is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

(g) Discount rate

The discount rate used to measure the total GLI and VLDP OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the Authority for the GLI and VLDP OPEBs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI and VLDP OPEBs' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI and VLDP OPEB liabilities.

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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(h) Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 using the current discount rates, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current discount rate (6.75%)	1% Increase (7.75%)
As of June 30, 2020:			
The Authority's proportionate share of the GLI Net OPEB Liability	\$ 1,338,462	\$ 1,018,831	\$ 759,619
The Authority's proportionate share of the VLDP Net OPEB Liability	\$ 15,433	\$ 13,420	\$ 11,660
As of June 30, 2019:			
The Authority's proportionate share of the GLI Net OPEB Liability	\$ 1,235,000	\$ 945,000	\$ 709,000
The Authority's proportionate share of the VLDP Net OPEB Liability	\$ 5,000	\$ 4,000	\$ 4,000
As of June 30, 2020:			
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,313,249	\$ 1,132,042	\$ 988,718
As of June 30, 2019:			
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,167,000	\$ 1,019,000	\$ 899,000

(i) Sensitivity of the Authority's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA plan contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Authority's proportionate share of the net LODA OPEB liability as of June 30, 2020 using a health care trend rate of 7.75% decreasing to 4.75%, as well as what the Authority's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate. Also shown is the proportionate share of the net LODA OPEB liability as of June 30, 2019 using a health care trend rate of

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7.75% decreasing to 5.00%, as well as what the Authority's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the 2019 rate:

	1.00% Decrease (6.75% decreasing to 3.75%)	Health Care Trend Rates (7.75% decreasing to 4.75%)	1.00% Increase (8.75% decreasing to 5.75%)
As of June 30, 2020:			
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 957,130	\$ 1,132,042	\$ 1,352,623
	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
As of June 30, 2019:			
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 868,000	\$ 1,019,000	\$ 1,207,000

(j) VRS OPEB programs Fiduciary Net Positions

Detailed information about the GLI, LODA, and VLDP Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(10) Executive Supplemental Retirement Plan

The Authority has an Executive Supplemental Retirement Plan (the "ESRP"), which was approved and established by the Board of Commissioners for two former employees. Under the terms of the ESRP, the participants are receiving annual payments equal to 75% of their final salary less any benefits received under the VRS. During the year ended June 30, 2020, the plan expense was \$244,401, which is net of payments of \$76,841. During the year ended June 30, 2019, the plan expense was \$19,824, which is net of payments of \$75,305. Whole life insurance policies have been purchased to assist in funding this liability. The Authority is owner and beneficiary of each of these policies. The cash surrender value of these policies was \$1,177,680 and \$1,131,089 at June 30, 2020 and 2019, respectively, and is included as other noncurrent assets in the accompanying statements of net position. The ESRP accrued liability totaling \$493,247 and \$325,686 as of June 30, 2020 and 2019, respectively, is included in other long-term liabilities in the accompanying Statements of Net Position. The ESRP liability increased during the year due to updated actuarial assumptions, including reduced discount rate, and updated mortality expectations.

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(11) Employee Contribution Plan

The Authority maintains a deferred compensation plan through ICMA Retirement Corporation ("ICMA"). The plan was established under the guidelines of Section 457 of the Internal Revenue Code ("IRC"). The plan is a voluntary employee contribution plan in which employees elect a dollar amount to be withheld each pay period. Assets and liabilities related to this plan are not included in the accompanying Statements of Net Position.

All regular full-time employees of the Authority are eligible to participate with a minimum contribution of \$10 per pay period. Maximum contributions made by an employee are subject to IRC limitations.

The plan is entirely funded by the Authority's employees. ICMA charges fees to employees if they are enrolled in a managed account. ICMA also has the authority to annually deduct a certain percentage of the daily average net asset balance to cover administrative and other various costs.

(12) Rental Income from Operating Leases

The Authority has entered into various operating leases with tenants for the use of space at Authority facilities. The lease terms include a minimum fixed fee, as well as contingent fees, based on the tenant's volume of business. Substantially all the leases provide for a periodic review and redetermination of the rental amounts.

Minimum future rentals expected to be received on operating leases for each of the succeeding five years are as follows:

<u>Years ending June 30</u>	
2021	\$ 5,899,687
2022	1,949,039
2023	1,977,589
2024	1,653,899
2025	128,083

The above amounts do not include contingent rentals and fees in excess of minimums, which amounted to \$161,618 and \$2,052,411 in fiscal years 2020 and 2019, respectively.

(13) Concentration of Credit Risk

Financial instruments that potentially subject the Authority to concentration of credit risk consist of investments and accounts receivable. The Authority's investments are described in note 2. A substantial portion of the Authority's accounts receivable is from U.S. commercial airlines and rental car companies that could be similarly affected by industry economic conditions, including the effects of COVID-19. Historically, the Authority's uncollectible accounts receivable have been minimal, and the Authority does not require collateral for its receivables.

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(14) Risk Management

The Authority is exposed to a variety of risks or losses related to torts (i.e., injuries to employees, damage to property, destruction or theft of assets, cyber-attacks and natural disasters). The Authority purchases insurance through the Commonwealth of Virginia and commercial insurance carriers for specific types of coverage.

The Authority participates in a risk management self-insurance plan through the Commonwealth of Virginia administered by the Division of Risk Management. Through this plan, the Authority obtains public officers, law enforcement, and medical malpractice liability coverage of \$1,000,000 per occurrence. The CAFR of the Commonwealth of Virginia contains disclosure of the Commonwealth's estimated claims payable and estimated losses for self-insurance plans at June 30, 2020 and 2019.

Through commercial insurance carriers, the Authority has property insurance coverage of \$311,000,000 annually, personal and advertising liability coverage of \$50,000,000 per occurrence, airport liability coverage of \$300,000,000 annually, pollution coverage of \$10,000,000, terrorism coverage for 80% of the loss, business auto coverage of \$1,000,000 per occurrence, cyber-attack coverage of \$1,000,000, crime insurance coverage of \$1,000,000 per occurrence, watercraft coverage of \$3,000,000, and workers' compensation coverage for bodily injury of \$1,000,000 per occurrence.

There were no reductions to insurance coverage from the prior year. Claim settlements and judgments not covered by insurance coverage are covered by operating resources. The amount of settlements did not exceed insurance coverage for any of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss occurred and the amount of loss can be reasonably estimated.

(15) Government Grants in Aid of Construction

The Authority receives, on a reimbursement basis, grants from the Commonwealth of Virginia and the federal government for certain capital construction projects through the Airport Improvement Program. As a recipient of state and federal financial assistance, the Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. All grants are subject to financial and compliance audits by the grantors. In the opinion of management, audit adjustments, if any, would not have a significant impact on the financial position of the Authority.

(16) Commitments and Contingencies

Prior to July 1, 1998, the Authority had an agreement with the City of Norfolk, Virginia (the "City") whereby the Authority had use of the Airport property free of charge. As of July 1, 1998, the City reacquired title to all property. On January 18, 2000, the City executed a deed conveying title to the Authority, reserving a right of reversion if the Airport property is no longer used as an airport. In consideration of the conveyance of the property, the Authority agreed to compensate the City for the loss of tax revenue on the Airport property. Beginning in fiscal year 2016, the adjusted annual payment was set by the City's tax assessor; in no event shall the payment exceed stated tax rates on the fair value of the Airport property. Advance payments are due annually on July 1. Payment in the amount of \$2,500,000 was required for both fiscal years 2020 and 2019. Beginning with the July 1, 2020 payment, the amount will increase to \$2,650,000 per year. This amount will be due each year thereafter through the July 1, 2024 payment.

As of June 30, 2020, the Authority had entered into contracts totaling \$122.0 million, of which \$64.0 million was outstanding.

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From time to time, the Authority is a defendant in certain lawsuits which are incidental to its operations. Management is of the opinion that the accompanying financial statements will not be materially affected by the ultimate resolution of litigation pending or threatened as of June 30, 2020 or June 30, 2019.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Authority's revenue and operations for an indeterminable period. Other financial impacts could occur that are unknown at this time.

(17) Conduit Debt

From time to time, the Authority has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying statements of net position. As of June 30, 2020, there were four series of revenue bonds outstanding with an aggregate principal amount of approximately \$20,100,000. As of June 30, 2019, there were nine series of revenue bonds outstanding with an aggregate principal amount of approximately \$28,100,000.

REQUIRED SUPPLEMENTARY INFORMATION

NORFOLK AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios:						
Total pension liability:						
Service cost	\$ 1,420,679	\$ 1,414,966	\$ 1,373,319	\$ 1,346,523	\$ 1,300,433	\$ 1,278,926
Interest	3,419,644	3,151,550	3,053,266	2,880,450	2,688,486	2,530,135
Differences between expected and actual experience	1,367,730	1,816,734	(429,688)	237,910	484,660	-
Changes of assumptions	1,462,450	-	(222,799)	-	-	-
Benefit payments, including refunds of employee contributions	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Refunds of Contributions	(16,096)	-	-	-	-	-
Other	-	-	(313)	-	-	-
Net change in total pension liability	<u>5,039,214</u>	<u>3,907,888</u>	<u>1,509,055</u>	<u>2,737,453</u>	<u>2,738,524</u>	<u>2,450,315</u>
Total pension liability – beginning	<u>50,167,705</u>	<u>46,259,817</u>	<u>44,750,762</u>	<u>42,013,309</u>	<u>39,274,785</u>	<u>36,824,470</u>
Total pension liability – ending (a)	<u>55,206,919</u>	<u>50,167,705</u>	<u>46,259,817</u>	<u>44,750,762</u>	<u>42,013,309</u>	<u>39,274,785</u>
Plan fiduciary net position:						
Contributions – employer	1,335,367	1,208,422	1,170,578	1,223,465	1,179,412	1,260,523
Contributions – employee	593,189	577,112	564,624	553,205	522,626	512,028
Net investment income	2,992,190	3,148,504	4,691,484	671,007	1,669,448	4,930,757
Benefit payments, including refunds of employee contributions	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Administrative expense	(29,605)	(27,217)	(27,108)	(23,348)	(22,585)	(25,970)
Refunds of Contributions	(16,096)	-	-	-	-	-
Other	(1,890)	(2,799)	(4,170)	(173)	(663)	260
Net change in plan fiduciary net position	<u>2,257,962</u>	<u>2,428,660</u>	<u>4,130,678</u>	<u>696,726</u>	<u>1,613,183</u>	<u>5,318,852</u>
Plan fiduciary net position – beginning	<u>45,100,980</u>	<u>42,672,320</u>	<u>38,541,642</u>	<u>37,844,916</u>	<u>36,231,733</u>	<u>30,912,881</u>
Plan fiduciary net position – ending (b)	<u>47,358,942</u>	<u>45,100,980</u>	<u>42,672,320</u>	<u>38,541,642</u>	<u>37,844,916</u>	<u>36,231,733</u>
Authority's net pension liability – ending (a)-(b)	<u>\$ 7,847,977</u>	<u>\$ 5,066,725</u>	<u>\$ 3,587,497</u>	<u>\$ 6,209,120</u>	<u>\$ 4,168,393</u>	<u>\$ 3,043,052</u>
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	85.78 %	89.90 %	92.24 %	86.13 %	90.08 %	92.25 %
Covered payroll (c)	\$ 12,300,841	\$ 11,882,270	\$ 11,725,164	\$ 10,903,311	\$ 10,406,965	\$ 10,245,675
Authority's net pension liability as a percentage of covered payroll [(a)-(b)] / (c)	63.80 %	42.64 %	30.60 %	56.95 %	40.05 %	29.70 %

Note: Net pension liabilities are reported using the measurement date, which is one year prior to the reporting date

See accompanying report of independent auditor and notes to the required supplementary information.

NORFOLK AIRPORT AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS (UNAUDITED)

JUNE 30, 2020

<u>For the year ended June 30</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
2020	\$ 1,368,135	\$ 1,368,135	\$ -	\$ 12,677,884	10.79 %
2019	1,338,260	1,338,260	-	12,300,841	10.88
2018	1,207,848	1,207,848	-	11,882,270	10.17
2017	1,156,652	1,156,652	-	11,725,164	9.86
2016	1,223,500	1,223,465	35	10,903,311	11.22
2015	1,180,959	1,179,412	1,547	10,406,956	11.00

See accompanying report of independent auditor and notes to the required supplementary information.

NORFOLK AIRPORT AUTHORITY
SCHEDULE OF OPEB CONTRIBUTIONS (UNAUDITED)

YEAR ENDED JUNE 30, 2020

<u>Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
GLI Plan: 2020	\$ 65,925	\$ 65,925	\$ -	\$ 12,677,885	0.52%
LODA Plan: 2020	42,346	42,346	-	12,677,885	0.33%
VLDP Plan: 2020	16,704	16,704	-	2,319,957	0.72%
GLI Plan: 2019	64,000	64,000	-	12,273,178	0.52%
LODA Plan: 2019	42,000	42,000	-	12,273,178	0.34%
VLDP Plan: 2019	15,000	15,000	-	2,047,146	0.73%
GLI Plan: 2018	62,000	62,000	-	11,445,288	0.54%
LODA Plan: 2018	35,000	35,000	-	11,445,288	0.31%
VLDP Plan: 2018	9,000	9,000	-	977,098	0.92%
GLI Plan: 2017	58,000	58,000	-	11,841,567	0.49%
LODA Plan: 2017	35,000	35,000	-	11,841,567	0.30%
VLDP Plan: 2017	3,000	3,000	-	1,430,793	0.21%

See accompanying report of independent auditor and notes to the required supplementary information.

NORFOLK AIRPORT AUTHORITY**SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY (UNAUDITED)**

YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
GLI Plan:			
Authority's Proportion of the Net GLI OPEB Liability	0.06162%	0.06224%	0.06204%
Authority's Proportionate Share of Net GLI OPEB Liability	\$ 1,018,831	\$ 945,000	\$ 933,000
Employer's Covered Payroll	\$ 12,273,178	\$ 11,445,288	\$ 11,841,567
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.30%	8.26%	7.88%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%
LODA Plan:			
Authority's Proportion of the Net LODA OPEB Liability	0.31160%	0.32493%	0.31564%
Authority's Proportionate Share of Net LODA OPEB Liability	\$ 1,132,042	\$ 1,019,000	\$ 829,000
Employer's Covered Payroll	\$ 12,273,178	\$ 11,445,288	\$ 11,841,567
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	9.22%	8.90%	7.00%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%	0.60%	1.30%
VLDP Plan:			
Authority's Proportion of the Net VLDP OPEB Liability	0.62229%	0.58676%	0.53211%
Authority's Proportionate Share of Net VLDP OPEB Liability	\$ 13,420	\$ 4,000	\$ 3,000
Employer's Covered Payroll	\$ 2,047,146	\$ 977,098	\$ 1,430,793
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.66%	0.41%	0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	49.49%	51.39%	38.40%

See accompanying report of independent auditor and notes to the required supplementary information.

NORFOLK AIRPORT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

YEAR ENDED JUNE 30, 2020

(1) Changes of Benefit Terms

There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation.

(2) Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Updated to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates for pension and OPEB general employees. Adjusted disability rates for OPEB hazardous duty employees to better match experience.
- Increased line of duty disability from 14% to 15% for pension and OPEB general employees. Decreased line of duty disability from 60% to 45% for OPEB hazardous duty employees.
- Decreased discount rate from 7.00% to 6.75%

(3) Years Presented in Schedules

The Schedule of Changes in the Authority's Net Pension Liability and Related Ratios and the Schedule of Pension Contributions are required to be presented for the last ten fiscal years. However, the Authority has only presented the required supplementary information for the last six years as fiscal year 2015 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

The schedule of Authority's Share of Net OPEB liability and the Schedule of OPEB Contributions are required to be presented for the last ten fiscal years. However, the Authority has only presented the required supplementary information for the last three years as fiscal year 2018 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

SUPPLEMENTARY INFORMATION

NORFOLK AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>
Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-51-0036-65	\$ 331,611
Airport Improvement Program	20.106	3-51-0036-67	521,849
Airport Improvement Program	20.106	3-51-0036-68	278,975
Airport Improvement Program	20.106	3-51-0036-69	4,061,472
Airport Improvement Program	20.106	3-51-0036-70	141,078
Airport Improvement Program	20.106	3-51-0036-71	2,939,606
Airport Improvement Program	20.106	3-51-0036-72	2,381,492
COVID-19 Airport Improvement Program	20.106	3-51-0036-73	<u>5,056,595</u>
Total Airport Improvement Program			15,712,678
Department of the Treasury:			
Equitable Sharing Program	21.016		7,222
			<u>\$ 15,719,900</u>

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying report of independent auditor.

NORFOLK AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activities of the federal financial assistance programs of the Norfolk Airport Authority.

(2) Basis of Accounting

The Schedule is presented using the accrual basis of accounting.

(3) De Minimus Cost Rate

The auditee has not elected to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance Section 200.414

**Report of Independent Auditor on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners
Norfolk Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Norfolk Airport Authority (the "Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the *Specifications for Audits of Authorities, Boards, and Commissions*.

Norfolk Airport Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Belmont LLP".

Virginia Beach, Virginia
October 22, 2020

Report of Independent Auditor on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Norfolk Airport Authority

Report on Compliance for the Major Federal Program

We have audited the Norfolk Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Belmont LLP".

Virginia Beach, Virginia
October 22, 2020

NORFOLK AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

A. Summary of Auditor’s Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **Yes; 2020-001**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The program tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
20.106	Airport Improvement Program

10. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
11. The Norfolk Airport Authority qualified as a low-risk auditee under Section 530 of Uniform Guidance

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding: 2020-001

Type of Finding: Material Weakness over Internal Control over Financial Reporting

Criteria: Federal revenues and expenditures should be recorded on an accrual basis and reported in the period incurred and reported in the Schedule of Expenditures of Federal Awards (“SEFA”).

Condition: While performing our audit procedures to ensure compliance with 2 CFR Part 200, we noted expenditures that were recorded in 2021 related to services performed in 2020 and, as a result, the corresponding revenue was not recorded and corresponding expenditures were not included in the Authority’s SEFA. Consequently, the June 30, 2020 SEFA was understated.

Cause: Due to the timing of reimbursement requests being submitted after June 30, 2020, expenditures incurred in 2020 were not accrued for as of June 30, 2020 and were not included in the 2020 SEFA.

Effect: Federal expenditures reported in the SEFA were misstated in 2020.

NORFOLK AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Auditor's Recommendation: The Authority's personnel responsible for compiling the SEFA should put a process in place to ensure that federal expenditures incurred before year-end but requested for reimbursement after year-end are properly recorded on an accrual basis and included in the SEFA.

Management's Response: The Authority's expenditures related to federal awards that had not been requested for reimbursement as of year-end have historically been minimal. Due to the significant construction activity as of year-end related to federally funded projects, this unrequested activity was larger than normal. Management agrees with the auditor's finding and will implement additional processes to record year-end accruals for federal funding spent but not requested.

C. Findings and Questioned Costs Relating to Federal Awards

None reported

D. Findings and Questions Costs Related to Passenger Facility Charges

None reported

E. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

None reported

F. Status of Prior Year Findings

None reported

**Report of Independent Auditor on Compliance for the Passenger Facility Charge Program
and on Internal Control over Compliance Required by the Passenger Facility Charge
Audit Guide for Public Agencies**

To the Board of Commissioners
Norfolk Airport Authority

Report on Compliance for the Passenger Facility Charge Program

We have audited the Norfolk Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, that could have a direct and material effect on the Authority's Passenger Facility Charge Program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its Passenger Facility Charge Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's Passenger Facility Charge Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a the Passenger Facility Charge Program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Passenger Facility Charge Program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Passenger Facility Charge

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Passenger Facility Charge Program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge Program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Passenger Facility Charge Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Passenger Facility Charge Program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Belmont LLP".

Virginia Beach, Virginia
October 22, 2020

NORFOLK AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2020 AND EACH QUARTER DURING THE YEAR ENDED JUNE 30, 2020

	Quarter Ended				Year ended June 30, 2020
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	
Revenues:					
Receipts ¹	\$ 2,719,129	\$ 1,961,313	\$ 1,930,845	\$ 402,613	\$ 7,013,900
Interest	77,742	58,133	53,045	20,268	209,188
Total Revenues	<u>2,796,871</u>	<u>2,019,446</u>	<u>1,983,890</u>	<u>422,881</u>	<u>7,223,088</u>
Expenditures:					
Application #5					
Passenger loading bridges	4,606,018	857,370	1,584,224	4,727,452	11,775,064
Total Application #5	<u>4,606,018</u>	<u>857,370</u>	<u>1,584,224</u>	<u>4,727,452</u>	<u>11,775,064</u>
Application #6					
Alpha concourse extension	-	-	-	249,795	249,795
General aviation customs facility	-	-	-	234,060	234,060
Departures terminal elevators	-	-	-	222,502	222,502
Runway 14/32 pavement	-	-	-	445,100	445,100
Total Application #6	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,457</u>	<u>1,151,457</u>
Total Expenditures	<u>4,606,018</u>	<u>857,370</u>	<u>1,584,224</u>	<u>5,878,909</u>	<u>12,926,521</u>
Net PFC Inflows (Outflows)	<u>\$ (1,809,147)</u>	<u>\$ 1,162,076</u>	<u>\$ 399,666</u>	<u>\$ (5,456,028)</u>	<u>\$ (5,703,433)</u>

Revenues received and expenditures spent on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Norfolk Airport Authority to the Federal Aviation Administration (FAA).

¹ PFC revenues are shown on this schedule when the cash is received (cash basis).

**CERTAIN INFORMATION REGARDING
THE AIR TRADE AREA**

The outbreak of the novel coronavirus (“COVID-19”) is a significant event that has had and will have ongoing, material effects on the Air Trade Area finances and operations. Certain historic socioeconomic and demographic information in this *Appendix C* predates the COVID-19 outbreak and should be considered in light of the possible or probable negative effects that the COVID-19 pandemic may have on the Air Trade Area. See “*IMPACT OF COVID-19 PANDEMIC ON THE AUTHORITY*” in this Official Statement for a discussion of the effects of COVID-19 on the Norfolk Airport Authority.

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DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE AIR TRADE AREA

The population and economic strength of the Virginia Beach-Norfolk, VA-NC Combined Statistical Area (the “CSA”) provides the primary base for supporting air transportation at the Airport, and constitutes the Airport’s primary Air Trade Area. The CSA comprises 21 jurisdictions, including the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg and the counties of Gloucester, Isle of Wight, James City, Mathews, and York, all in Virginia, and the counties of Camden, Currituck, Dare, Gates, Pasquotank, Perquimans, and Tyrrell, in North Carolina.* The Air Trade Area encompasses approximately 7,000 square miles.

Economic Profile

Much of the statistical information contained below is provided with respect to the Virginia portion of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (the “Hampton Roads MSA”), which covers more than 90% of the total population of the CSA and the Air Trade area. The information provided in this Appendix C about the Hampton Roads MSA is taken from a report of the Virginia Employment Commission dated April 17, 2021, entitled “Virginia Community Profile – Virginia Beach-Norfolk-Newport News MSA (VA Part)” (the “Virginia Employment Commission Report”).

The Hampton Roads region is a metropolitan area in southeastern Virginia, with a growing population of more than 1.7 million people. The economy of Hampton Roads is largely driven by U.S. military employment and federal civilian contracting, as well as industries such as shipbuilding that are highly dependent on the Department of Defense. Other important economic drivers include the tourism industry, healthcare services, retail, and cargo shipping through the Port of Virginia.

Military. The presence of the military in the Hampton Roads MSA has a significant impact on the regional economy. Norfolk is the home of the world’s largest naval complex, with headquarters for the Commander in Chief of U.S. Atlantic Command, NATO’s Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Naval Station Norfolk is home to six aircraft carriers. Overall, Hampton Roads is home port to approximately 68 ships and home to 37 aircraft squadrons.

The Hampton Roads MSA is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in Norfolk. The Langley Air Base is located in Hampton and the U.S. Army facilities at Fort Eustis are located in Newport News. Norfolk hosts the U.S. Navy’s Norfolk Naval Ship Yard and various military facilities are located in almost every locality in the Virginia portion of the Hampton Roads MSA, including the Oceana Naval Air Station, Oceana Naval Air Station Dam Neck Annex and Joint Expeditionary Base Little Creek-Fort Story in Virginia Beach, Naval Weapons Center in York County, and Department of Defense and U.S. Navy technology complexes in Suffolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically alter the military’s year-to-year economic impact on the region.

According to the most recent data available, the U.S. Navy’s direct economic impact on the region was \$15.4 billion in Fiscal Year 2019, comprised of a total annual payroll of \$12.2 billion and the balance consumed on goods and services and procurement contracts. See Navy Region Mid-Atlantic Public Affairs Office Advisory No. 20-12, Dec. 21, 2020. The region is likely to continue as a center of activity for the U.S. Navy with total working personnel (military and civilian) in Fiscal Year 2019 of more than 135,000, with an additional 14,758 military contractor personnel.

* Cities and counties in the Commonwealth of Virginia are independent entities; therefore, the Virginia localities do not overlap, while North Carolina cities are included as part of the county in which they are located.

The shipbuilding and repair industry in the Hampton Roads MSA, though diverse, is highly dependent on military funding for new vessels and vessel repairs, repair cancellations or deferrals, the number of Navy Ships homeported in the region and other factors affecting the predictability and stability of work flows and access to work by smaller firms. Significant layoffs and additional employment demands occur from time to time. Newport News-based Huntington Ingalls is the largest industrial employer in the Commonwealth of Virginia (the “Commonwealth”) and the region is home to a number of other industry participants, including General Dynamics – NASSCO, BAE Systems, Norfolk Ship Repair and Colonna’s Shipyard, Inc.

The Virginia Port Authority. The Port of Virginia (the “Port”), one of the world’s largest natural deep-water harbors, is an integral part of the Hampton Roads economy. In 1981, the General Assembly of the Commonwealth passed legislation that unified the ports in the Hampton Roads MSA under a single agency, the Virginia Port Authority, with a single operating company named Virginia International Terminals, Inc. The terminals of the Port are situated in several different locations in Hampton Roads, including Norfolk International Terminal in Norfolk, Newport News Marine Terminal in Newport News, Portsmouth Marine Terminal in Portsmouth, and Virginia International Gateway (“VIG”) in Portsmouth. VIG is the newest and most technologically advanced of the terminals and unlike the other terminals it is leased from a private owner rather than owned by the Virginia Port Authority. The VIG lease extends through December 31, 2065.

The Port has the third highest volume of seaports on the east coast of the United States in terms of total value of port trade, after New York / New Jersey and Savannah, Georgia. In 2020, the Port handled a total of 21,081,930 tons of general cargo, including 21,001,830 tons of containerized cargo, with 80,100 tons of breakbulk making up the remainder.

Table 1
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2013 – 2020

<u>Calendar Year</u>	<u>Total General Cargo Tonnage (in thousands)</u>	<u>Percent Change Over Previous Year</u>
2013	18,840	7.49%
2014	19,061	1.17
2015	19,978	4.81
2016	20,869	4.50
2017	21,972	5.30
2018	21,975	0.01
2019	21,940	(0.01)
2020	21,082	(3.91)

Source: Virginia Port Authority.

The Virginia Port Authority has worked on several initiatives to facilitate further growth. The Heartland Corridor rail transport project has expanded the Port’s rail access to markets in Ohio, Illinois, Michigan and points west. VIG is currently pursuing a 650-berth expansion, together with other improvements. In 2016, the Port received a \$350,000,000 investment from the Commonwealth to expand cargo capacity and increase capacity by 46%, as well as to improve the speed at which the cargo moves through the area. As part of that investment, a 300-acre expansion of Norfolk International Terminal has been announced and is expected to transform Norfolk International Terminal into the largest inter-modal center in the United States. In 2018, the Port received a \$15.5 million federal grant to double its rail capacity at its Virginia Inland Port, to add equipment, and to build a new highway bridge grade separation.

Tourism. From Colonial Williamsburg to the Atlantic Ocean at Virginia Beach, Hampton Roads has a wide variety of tourism activities where tourists spend an aggregate of approximately \$4.6 billion per year. Tourist

attractions in the northwestern part of Hampton Roads include Colonial Williamsburg which consists of the restored Colonial Capital and Governor's Mansion with related shops, educational exhibits and presentations; the Jamestown Settlement, including living history exhibits and presentations on the original English settlement in Virginia; the Yorktown Battlefield which was the final battlefield of the American Revolutionary War; and the Colonial Parkway connecting these three locations. The Busch Gardens Williamsburg and Water Country USA theme parks are also in the Williamsburg area.

The oceanfront area in Virginia Beach offers extensive tourist attractions, including the Virginia Beach Aquarium and Virginia Beach Air Museum, and over 7,700 hotel rooms. Virginia Beach also attracts significant convention and conference visits, driving economic activity and tax receipts. Virginia Beach also has two state parks that offer camping and hiking. The Outer Banks, located in Currituck County and Dare County in North Carolina, is a major tourist destination generating significant seasonal traffic to the area.

Hampton Roads also hosts a large variety of museums including history, art, science, military, nature and children's museums, particularly including the Virginia War Museum (in Hampton), The Chrysler Museum of Art (in Norfolk), Virginia Air and Space Center (in Hampton), Norfolk Botanical Garden, the Virginia Zoo (in Norfolk), the Children's Museum of Virginia (in Portsmouth), the Mariner's Museum (in Newport News) and the Nauticus Naval Museum (in Norfolk) which features the decommissioned U.S. Navy battleship USS Wisconsin.

Health Services. The fastest growing industry in the Air Trade Area is projected to be health services. According to the Hampton Roads Economic Development Alliance, the healthcare industry contributes approximately \$7.4 billion in economic activity to Virginia. There are more than 50 medical corporations in the Air Trade Area working with healthcare facilities including Chesapeake Regional Medical Center, Children's Hospital of The King's Daughters, Riverside Health System, and Sentara Healthcare, Inc., each of which are listed among the top 50 employers in Table 12 below.

Population

The Hampton Roads MSA is the 37th largest metropolitan statistical area in the United States based on population figures from the 2010 U.S. Census, with an estimated total population on July 1, 2019 of 1,768,901. The estimated total population of the entire CSA on July 1, 2019 was 1,859,197. The UVA Weldon Cooper Center for Public Service estimates that the population of the Hampton Roads Planning District in July 2020 was 1,738,513 and that the region experienced average annual population growth of 4.3% from 2010 through 2020. Hampton Roads localities account for approximately 20% of the Commonwealth's total population.

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Table 2
CSA Population Trend Comparisons
2010 – 2019

Calendar Year	<u>CSA</u>	<u>Percentage Change</u>	<u>U.S.</u>	<u>Percentage Change</u>
2010	1,805,124	-	309,321,666	-
2011	1,811,128	0.33%	311,556,874	0.72%
2012	1,822,469	0.63	313,830,990	0.73
2013	1,829,358	0.38	315,993,715	0.69
2014	1,838,805	0.52	318,301,008	0.73
2015	1,844,655	0.32	320,635,163	0.73
2016	1,847,386	0.15	322,941,311	0.72
2017	1,849,950	0.14	324,985,539	0.63
2018	1,853,284	0.18	326,687,501	0.52
2019	1,859,197	0.32	328,239,523	0.48

Sources: U.S. Census Bureau.

Table 3 shows the population distribution by age in the CSA, the Commonwealth, and the United States, as reported by the 2019 U.S. Census Bureau Population Estimates.

Table 3
Population by Age in the CSA

	<u>CSA</u>	<u>Virginia</u>	<u>United States</u>
Under 5 years	113,438	499,906	19,404,835
5 to 9 years	111,470	504,065	19,690,437
10 to 14 years	114,654	543,494	21,423,479
15 to 19 years	121,530	555,996	21,353,524
20 to 24 years	133,403	559,301	21,468,680
25 to 29 years	144,850	595,190	23,233,299
30 to 34 years	131,548	579,465	22,345,176
35 to 39 years	128,553	593,379	21,728,259
40 to 44 years	107,931	534,773	20,186,586
45 to 49 years	104,571	541,735	20,398,226
50 to 54 years	111,297	554,159	20,464,881
55 to 59 years	119,825	571,897	21,484,060
60 to 64 years	123,504	543,823	20,984,053
65 to 69 years	90,939	432,999	17,427,013
70 to 74 years	78,712	376,642	14,148,548
75 to 79 years	53,918	237,432	9,759,764
80 to 84 years	33,173	159,276	6,38,0474
85 years and over	<u>30,586</u>	<u>151,987</u>	<u>6,358,229</u>
Total	1,853,902	8,535,519	328,239,523

Source: U.S. Census Bureau.

**Table 4
Population Change in Hampton Roads MSA**

Calendar Year	Hampton Roads MSA	(% change)	Virginia	(% change)
2000	1,551,898	-	7,079,030	-
2010	1,641,078	5.75%	8,001,024	13.02%
2020	1,753,966	6.88	8,744,273	9.29
2030	1,840,560	4.94	9,546,958	9.18
2040	1,900,007	3.23	10,201,530	6.86

Sources: U.S. Census Bureau and the Virginia Employment Commission Report.

**Table 5
Population Projections by Age and Gender in Hampton Roads MSA**

	2020		2030		2040	
	Female	Male	Female	Male	Female	Male
Under 5 years	54,536	56,693	55,771	57,945	55,728	57,868
5 to 9 years	51,916	53,706	54,503	56,369	55,037	56,906
10 to 14 years	53,544	55,794	55,441	57,768	57,465	59,889
15 to 19 years	54,410	57,752	54,559	57,966	57,668	61,323
20 to 24 years	60,966	70,840	62,965	73,082	64,912	75,172
25 to 29 years	66,702	69,607	61,351	63,846	61,684	64,186
30 to 34 years	64,142	63,855	59,274	58,747	61,360	60,737
35 to 39 years	60,791	59,016	66,315	64,092	62,088	59,850
40 to 44 years	52,483	48,968	63,700	59,389	59,753	55,589
45 to 49 years	50,223	46,751	58,780	54,756	64,736	60,626
50 to 54 years	54,342	50,095	51,079	47,066	62,324	57,503
55 to 59 years	63,181	56,861	48,969	44,095	57,565	51,850
60 to 64 years	60,417	52,748	52,803	46,136	49,786	43,503
65 to 69 years	48,021	40,278	58,438	49,080	46,221	38,824
70 to 74 years	38,923	31,401	53,522	43,058	47,294	38,180
75 to 79 years	27,036	19,936	39,169	28,899	47,214	34,791
80 to 84 years	17,612	11,420	27,637	18,028	37,625	24,427
85 years and over	<u>19,651</u>	<u>9,355</u>	<u>24,302</u>	<u>11,649</u>	<u>34,212</u>	<u>16,490</u>
Total by Gender	<u>898,896</u>	<u>855,076</u>	<u>948,578</u>	<u>891,971</u>	<u>982,672</u>	<u>917,350</u>
Total	<u>1,753,972</u>		<u>1,840,549</u>		<u>1,900,022</u>	

Sources: Virginia Employment Commission Report and University of Virginia Weldon Cooper Center for Public Service: Demographic Research Group (hereinafter, the "Weldon Cooper Center").

Hampton Roads includes three of the ten most populous local jurisdictions in Virginia, including four of the five largest cities. Virginia Beach is the second most populous locality in Virginia besides Fairfax County in Northern Virginia. The City of Virginia Beach, which is located southeast of the Airport, is the most populous city in Virginia based on 2019 U.S. Census population estimates, followed by the City of Chesapeake and the City of Norfolk, the city in which the Airport is located. The Air Trade Area is the second most populous area in Virginia; only the Washington-Arlington-Alexandria metropolitan area is more populous.

Based on U.S. Census information, population in the Hampton Roads MSA has been consistently growing. The Virginia Employment Commission projects that the population of both the Hampton Roads MSA and

Virginia will continue to grow in the future. This indicates an increasing population base surrounding the Airport, which will support growth in aviation activity and air service.

Table 6
Five Most Populous Cities in Virginia

<u>City</u> ⁽¹⁾	<u>2010 Census Population</u>	<u>2020 Population Estimate</u>
Virginia Beach	437,994	454,335
Chesapeake	222,209	247,564
Norfolk	242,803	246,063
Richmond	204,219	229,074
Newport News	180,719	181,587

Sources: U.S. Census Bureau and the Weldon Cooper Center (January 29, 2021).

Note: ⁽¹⁾ Data does not take into account urban counties such as Fairfax and Arlington.

As noted, the most populous jurisdictions are the Cities of Virginia Beach, Chesapeake, and Norfolk, which are contiguously located in the southeastern corner of the state, encompassing territory between the Atlantic Ocean, the Chesapeake Bay, and the North Carolina border. These localities, with others, are located to the south of the harbor and the Hampton Roads Bridge-Tunnel, and are known as the “Southside.” Another large portion of the region’s population is clustered in the Cities of Newport News and Hampton on the Virginia Peninsula, situated between the York River and James River and extending into the Chesapeake Bay north of the Hampton Roads Bridge-Tunnel.

The five most populous jurisdictions (the Cities of Virginia Beach, Chesapeake, Norfolk, Newport News, and Hampton) account for nearly 70% of the region’s population.

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**Table 7
Population by Air Trade Area Locality**

<u>Air Trade Area Locality</u>	<u>July 1, 2019 Population</u>	<u>Percentage of Total Air Trade Area</u>
Virginia		
City of Chesapeake	244,835	13.32%
City of Hampton	134,510	7.32
City of Newport News	179,225	9.75
City of Norfolk	242,742	13.21
City of Poquoson	12,271	0.67
City of Portsmouth	94,398	5.14
City of Suffolk	92,108	5.01
City of Virginia Beach	449,974	24.49
City of Williamsburg	14,954	0.81
Gloucester County	37,348	2.03
Isle of Wight County	37,109	2.02
Mathews County	8,834	0.48
James City County	76,523	4.16
York County	<u>68,280</u>	3.72
Virginia Total	<u>1,693,111</u>	
North Carolina		
Camden County	10,867	0.59%
Currituck County	27,763	1.51
Dare County	37,009	2.01
Gates County	11,562	0.63
Pasquotank County	39,824	2.17
Perquimans County	13,463	0.73
Tyrell County	<u>4,016</u>	0.22
North Carolina Total	<u>144,504</u>	
Air Trade Area Total	<u>1,837,615</u>	

Source: U.S. Census Bureau.

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Residential concentration largely follows population by jurisdiction; however, the region includes significant affluent suburban communities with strong real estate values.

Table 8
2020 Tax Year Total FMV of
Real Estate of Virginia Localities

<u>Virginia Locality</u>	<u>Total FMV</u>
City of Chesapeake	\$31,210,176,500
City of Franklin	675,628,090
City of Hampton*	14,464,733,900
City of Newport News	34,954,377,900
City of Norfolk	32,781,168,200
City of Poquoson*	1,705,778,225
City of Portsmouth*	13,030,153,653
City of Suffolk	11,630,792,500
City of Virginia Beach	70,980,388,200
City of Williamsburg	3,039,882,200
Isle of Wight County	5,349,062,280
James City County*	12,973,922,300
Southampton County	2,137,861,800
York County	14,425,106,069

Source: Virginia Department of Taxation 2020 Annual Report (Tax Year 2019).

* Locality did not submit data for Tax Year 2019 and as such the locality's Tax Year 2018 data is used.

Although Hampton Roads encompasses numerous local jurisdictions and movement within the region often requires water crossings, the economy of the region is well integrated, as demonstrated by the commuting patterns within the area, including significant commuting between the Southside and the Virginia Peninsula, largely by way of the Hampton Roads Bridge-Tunnel. There is also significant commuting into and out of the region.

Employment Statistics

The following table illustrates the unemployment rates for the Hampton Roads MSA, the Commonwealth and the United States for the years since 2010. In 2020, the unemployment rate in the Hampton Roads MSA was 7.1%, which, although a marked increase due to the COVID-19 pandemic, was below the national unemployment rate of 8.1%. As shown, unemployment rates in the Air Trade Area and Virginia, while lower, follow the same trends as the U.S.

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Table 9
Unemployment Rates
2010 – 2020

Calendar	Hampton Roads		
<u>Year</u>	<u>MSA</u>	<u>Virginia</u>	<u>U.S.</u>
2010	7.7%	7.3%	9.6%
2011	7.3	6.6	8.9
2012	6.6	5.9	8.1
2013	6.1	5.6	7.4
2014	5.6	5.1	6.2
2015	4.8	4.4	5.3
2016	4.5	4.0	4.9
2017	4.1	3.7	4.4
2018	3.2	2.9	3.9
2019	3.0	2.7	3.7
2020	7.1	6.2	8.1

Source: Virginia Employment Commission Report.

Although large employers such as the Department of Defense are critical to the Hampton Roads economy, the region’s employment is, like much of the United States, largely reliant on the success of small businesses, as demonstrated by Tables 10 and 11 below.

Table 10
Employers by Size of Establishment in Hampton Roads MSA

	Hampton Roads	Virginia
	<u>MSA</u>	<u>Virginia</u>
0 to 4 employees	23,922	184,986
5 to 9 employees	6,761	39,394
10 to 19 employees	5,420	28,395
20 to 49 employees	3,925	20,408
50 to 99 employees	1,277	6,933
100 to 249 employees	651	3,571
250 to 499 employees	183	1,091
500 to 999 employees	62	357
1,000 and over employees	<u>51</u>	<u>244</u>
Total	42,252	285,379

Source: Virginia Employment Commission Report.

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Table 11
Employment by Size of Establishment in Hampton Roads MSA

	Hampton Roads MSA	Virginia
0 to 4 employees	34,806	245,263
5 to 9 employees	45,136	261,483
10 to 19 employees	74,034	385,671
20 to 49 employees	117,172	613,463
50 to 99 employees	87,748	479,021
100 to 249 employees	97,464	533,476
250 to 499 employees	60,978	371,937
500 to 999 employees	43,266	245,220
1,000 and over employees	<u>152,641</u>	<u>655,214</u>
Total	713,218	3,790,748

Source: Virginia Employment Commission Report.

The Air Trade Area's concentration of employment among industries varies from that of the U.S., with a higher concentration of employment in government and military and a lower concentration in the business and financial services industry than experienced throughout the U.S. In order to protect the local economy from periodic economic downturns, governments and other organizations in the Air Trade Area are making efforts to diversify the local economy, including offering incentives to new or expanding businesses, investing in infrastructure improvements, and maintaining low corporate tax rates, while continuing to support existing businesses that rely on Department of Defense spending. For example, GO Virginia, a statewide economic development initiative which operates in the Air Trade Area as Reinvent Hampton Roads, and GENEDGE, Inc. partnered to focus on certain industry clusters such as cybersecurity, unmanned vehicles, and advanced manufacturing in an attempt to assist small and mid-size companies in these clusters innovate and accelerate growth.

Fortune 500 companies headquartered in the Air Trade Area include Dollar Tree, Inc., Huntington Ingalls Industries, Inc., and Norfolk Southern Corporation. As shown, the largest public employer is the U.S. Government with military and civilian employees located at facilities throughout the Air Trade Area. The largest private employers are Huntington Ingalls Industries, Inc. and Sentara Healthcare, Inc.

As noted, defense, seaport, healthcare and tourism related industries are major drivers of the regional economy, as demonstrated by the 50 largest employers in the Hampton Roads MSA and the industry-sorted statistics in the following tables.

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Table 12
50 Largest Employers in Hampton Roads MSA

1. U.S. Department of Defense	26. Science Applications International Corporation
2. Huntington Ingalls Industries, Inc.	27. College of William and Mary
3. Sentara Healthcare	28. Smithfield Fresh Meats Corporation
4. City of Virginia Beach Schools	29. Harris Teeter Supermarket
5. Wal Mart	30. Suffolk Public Schools
6. Riverside Regional Medical Center	31. Portsmouth City Public Schools
7. City of Virginia Beach	32. Chesapeake General Hospital
8. Chesapeake City Public School Board	33. Ferguson Enterprises Inc.
9. Food Lion	34. The Home Depot
10. Norfolk City School Board	35. Lowes' Home Centers, Inc.
11. City of Norfolk	36. U.S. Department of Homeland Defense
12. Newport News Public Schools	37. Stihl
13. Hampton City School Board	38. Williamsburg James City County School Board
14. Target Corp	39. Tidewater Community College
15. City of Chesapeake	40. Nat'l Aeronautics & Space Admin.
16. City of Newport News	41. York County School Board
17. Bon Secours Health System Inc.	42. Norfolk Naval Station
18. Old Dominion University, Norfolk	43. City of Portsmouth
19. Anthem	44. Sentara Health Management
20. Children's Hospital of the King's Daughters	45. U.P.S.
21. Postal Service	46. Security Forces, Inc.
22. Kroger	47. City of Suffolk
23. U.S. Navy Exchange	48. Eastern Virginia Medical School
24. City of Hampton	49. Virginia International Terminal
25. U.S. Department of Veterans Affairs	50. Onsite Engineering & Mana Inc.

Source: Virginia Employment Commission Report.

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Table 13
Employment by Industry in Hampton Roads MSA

<u>Industry</u>	<u>Employment</u>
Agriculture, Forestry, Fishing and Hunting	792
Mining, Quarrying, and Oil and Gas Extraction	92
Utilities	1,279
Construction	36,604
Manufacturing	57,754
Wholesale Trade	15,616
Retail Trade	82,165
Transportation and Warehousing	25,020
Information	8,652
Finance and Insurance	20,976
Real Estate and Rental and Leasing	11,882
Professional, Scientific, and Technical Service	46,786
Management of Companies and Enterprises	11,129
Administrative and Support and Waste Management	42,737
Educational Services	10,343
Healthcare and Social Assistance	90,025
Arts, Entertainment, and Recreation	9,501
Accommodation and Food Services	65,628
Other Services (except Public Administration)	19,355
Federal Government	60,169
State Government	18,771
Local Government	75,788
Unclassified	2,154

Source: Virginia Employment Commission Report.

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Table 14
Average Weekly Wage by Industry in Hampton Roads MSA

<u>Industry</u>	<u>Employment</u>
Agriculture, Forestry, Fishing and Hunting	\$ 911
Mining, Quarrying, and Oil and Gas Extraction	1,639
Utilities	1,849
Construction	1,323
Manufacturing	1,414
Wholesale Trade	1,398
Retail Trade	618
Transportation and Warehousing	1,197
Information	1,395
Finance and Insurance	1,728
Real Estate and Rental and Leasing	1,127
Professional, Scientific, and Technical Service	1,731
Management of Companies and Enterprises	2,251
Administrative and Support and Waste Management	821
Educational Services	928
Healthcare and Social Assistance	1,172
Arts, Entertainment, and Recreation	501
Accommodation and Food Services	395
Other Services (except Public Administration)	745
Federal Government	1,680
State Government	975
Local Government	983
Unclassified	<u>731</u>
Total All Industries	<u>\$ 1,114</u>

Source: Virginia Employment Commission Report.

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Table 15
Age of Workers by Industry in Hampton Roads MSA

	<u>14-18</u>	<u>19-21</u>	<u>22-24</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65+</u>
Agriculture, Forestry, Fishing, Hunting	31	46	42	187	160	159	223	96
Mining/Quarrying/Oil and Gas Extraction	-	3	4	18	11	23	12	14
Utilities	12	40	118	766	926	919	991	184
Construction	227	1,172	1,906	8,179	8,717	8,204	7,763	2,482
Manufacturing	171	1,388	2,962	14,501	12,554	12,370	14,893	3,056
Wholesale Trade	60	307	540	3,447	4,184	4,544	4,236	1,441
Retail Trade	3,697	7,942	6,950	18,345	14,285	12,913	12,683	5,841
Transportation and Warehousing	176	869	1,278	5,372	5,518	5,671	5,004	1,518
Information	354	478	544	2,308	2,522	2,526	2,017	679
Finance and Insurance	60	234	893	5,796	6,524	5,806	4,512	1,280
Real Estate/Rental and Leasing	57	308	604	2,852	2,912	2,795	2,798	1,184
Professional/Scientific/Technical Serv.	173	804	2,298	11,446	11,809	11,364	10,567	3,905
Management of Companies/Enterprises	123	332	686	3,144	3,097	2,943	2,651	812
Administrative/Support and Waste Mgmt.	286	2,144	3,336	12,896	11,125	9,803	8,131	3,180
Educational Services	275	662	1,752	11,183	15,045	17,664	17,053	6,942
Health Care and Social Assistance	479	2,246	4,769	24,765	24,482	22,505	20,314	6,936
Arts, Entertainment, and Recreation	1,040	1,136	1,063	3,108	2,299	2,184	2,175	1,205
Accommodation and Food Services	8,858	9,157	7,302	18,574	12,628	8,796	6,909	2,828
Other Serv. (except Public Administration)	762	1,530	1,618	5,181	4,610	4,391	4,375	2,181
Public Administration	<u>111</u>	<u>286</u>	<u>747</u>	<u>4,760</u>	<u>5,264</u>	<u>6,008</u>	<u>5,567</u>	<u>1,889</u>
Total, All Industries	16,950	31,085	39,411	156,826	148,671	141,588	132,876	47,661

Sources: U.S. Census Bureau and Virginia Employment Commission Report.

Per Capita Personal Income

The demand for air travel tends to increase as income increases since consumers with higher income levels tend to travel by air more frequently. The level of income in a particular area indicates the relative affluence of local residents, and changes in the level of income over time indicate changes in economic well-being and reflect local economic and employment trends.

Presented below are tables focusing on per capita personal income for the Hampton Roads MSA, and thereafter on the specific localities of the Air Trade Area. Per capita income is defined as total personal income divided by the area's residential population. Total personal income is a measurement of income from all sources.

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Table 16
Per Capita Personal Income Comparison
2009 – 2019

Calendar Year	Hampton Roads MSA	Virginia	U.S.
2009	\$40,345	\$44,458	\$39,366
2010	41,032	45,412	40,274
2011	42,830	47,689	42,459
2012	44,134	49,320	44,247
2013	44,097	48,956	44,425
2014	45,276	50,345	46,392
2015	46,400	52,687	48,940
2016	46,992	53,605	49,870
2017	48,485	55,631	52,118
2018	50,355	57,964	54,606
2019	52,011	59,657	56,490

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (hereinafter, "Bureau of Economic Analysis"). 2019 data is the most recent data available.

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Table 17
Per Capita Income by Air Trade Area Locality
2019

<u>Air Trade Area</u> <u>Locality</u>	<u>Per Capita</u> <u>Income</u>
Virginia	
City of Chesapeake	\$51,874
City of Hampton	44,909
City of Newport News	44,465
City of Norfolk	42,875
City of Poquoson/York County	61,308
City of Portsmouth	42,605
City of Suffolk	53,740
City of Virginia Beach	59,805
City of Williamsburg/ James City County	66,306
Gloucester County	51,847
Isle of Wight County	57,645
Mathews County	57,844
North Carolina	
Camden County	\$46,366
Currituck County	47,767
Dare County	57,688
Gates County	38,851
Pasquotank County	40,388
Perquimans County	41,804
Tyrell County	32,712

Source: Bureau of Economic Analysis.

Education

The Hampton Roads area is the home for a number of higher educational institutions: in Williamsburg, The College of William and Mary (approximately 8,939 students); in Newport News, Christopher Newport University (approximately 4,868 students); in Hampton, Hampton University (approximately 3,515 students); in Norfolk, Norfolk State University (approximately 5,457 students) and Old Dominion University (approximately 24,286 students); in Virginia Beach, Virginia Wesleyan University (approximately 1,361 students) and Regent University (approximately 10,970 students); and Eastern Virginia Medical School in Norfolk (approximately 1,459 students). Tidewater Community College has campuses throughout the Hampton Roads area with a total enrollment of approximately 16,769. The forgoing totals are provided for the Fall 2020 term from the State Council of Higher Education for Virginia.

The Hampton Roads MSA is home to a fairly well-educated population, as shown in Table 18 below.

Table 18
Educational Attainment in Hampton Roads MSA

	Hampton Roads MSA	Virginia	United States
8 th Grade or less	33,841	275,329	12,639,425
Some High School	90,116	464,075	20,093,117
High School Grad/GED	343,578	1,633,105	68,044,371
Some College	371,371	1,457,887	57,431,237
Associate's Degree	109,866	440,219	18,586,866
Bachelor's Degree	217,627	1,258,661	42,027,629
Graduate or Professional Degree	<u>124,266</u>	<u>862,686</u>	<u>24,008,551</u>
	1,290,665	6,391,962	242,831,196

Sources: U.S. Census Bureau, American Community Survey, 2011-2015 and Virginia Employment Commission Report.

Tax Base Data

The tables presented below summarize ten years of historical taxable retail sales from select localities in the Air Trade Area. The data is based on the tax base for the statewide and local option retail sales and use taxes. The data does not include sales which are exempt from taxation. Also, the figures do not include the significant amount of non-taxable sales on military bases in the region.

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Table 19
HISTORICAL TAXABLE RETAIL SALES FOR SELECT LOCALITIES⁽¹⁾

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Isle of Wight Co.	\$ 193,079,662	\$ 204,651,647	\$ 201,168,634	\$ 202,181,719	\$ 212,836,390
James City County	779,388,132	838,306,392	900,327,488	928,447,217	950,407,956
Southampton Co.	42,714,936	45,345,887	45,294,291	45,106,012	46,712,769
York County	869,224,277	867,742,727	878,090,000	882,105,332	889,086,749
Chesapeake City	2,914,222,025	2,927,041,905	3,068,371,746	3,156,162,495	3,239,193,243
Franklin City	147,977,590	149,028,981	162,318,801	158,121,626	156,495,518
Hampton City	1,313,196,923	1,291,230,845	1,310,456,652	1,341,696,078	1,365,676,976
Norfolk City	2,554,999,044	2,589,607,975	2,646,234,819	2,635,223,970	2,621,266,232
Portsmouth City	559,061,414	583,260,969	594,918,146	603,127,114	613,854,126
Newport News City	1,923,436,250	1,892,223,547	1,992,553,878	2,061,726,939	2,018,911,218
Poquoson City	42,249,817	43,773,528	47,883,990	50,061,535	50,505,443
Suffolk City	642,273,819	671,236,320	716,383,956	729,619,398	759,946,651
Virginia Beach City	4,690,141,163	4,738,333,394	4,946,894,714	5,064,938,738	5,159,858,692
Williamsburg	<u>339,281,019</u>	<u>341,210,119</u>	<u>353,677,177</u>	<u>384,692,454</u>	<u>369,902,748</u>
	\$17,011,246,070	\$17,182,994,237	\$17,864,574,293	\$18,243,210,624	\$18,454,654,709
Increase (Decrease)	0.3%	1.0%	3.8%	2.1%	1.2%

Sources: Weldon Cooper Center and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).

Note: ⁽¹⁾ Totals may not add up due to rounding.

Table 19 (Continued)
HISTORICAL TAXABLE RETAIL SALES FOR SELECT LOCALITIES⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Isle of Wight Co.	\$ 220,426,281	\$ 224,436,001	\$ 236,926,649	\$ 239,894,599	\$ 235,286,198	\$ 263,222,947
James City County	1,002,337,085	993,784,681	982,030,980	963,154,495	955,037,318	792,798,958
Southampton Co.	45,382,015	44,707,780	43,903,421	48,221,427	50,295,097	55,821,544
York County	922,303,790	939,115,512	949,567,169	960,938,398	971,997,702	909,613,349
Chesapeake City	3,343,105,780	3,425,962,195	3,514,278,566	3,616,819,973	3,597,884,568	3,708,701,438
Franklin City	162,315,899	162,713,731	164,268,775	165,928,106	161,178,318	480,345,237
Hampton City	1,396,275,490	1,369,473,557	1,354,676,659	1,378,896,759	1,387,274,077	1,435,291,064
Norfolk City	2,671,631,730	2,698,815,474	2,800,002,004	2,881,209,414	2,973,652,023	2,906,135,287
Portsmouth City	619,199,126	615,214,858	609,799,751	614,321,844	613,457,381	702,564,406
Newport News City	2,082,466,488	2,137,255,812	2,188,701,991	2,256,228,196	2,308,575,953	2,283,051,950
Poquoson City	52,684,184	53,034,017	52,879,880	52,952,914	49,655,125	55,958,473
Suffolk City	821,340,721	872,967,019	895,475,060	956,916,039	976,127,267	1,033,087,541
Virginia Beach City	5,374,616,764	5,530,431,346	5,597,203,814	5,658,176,716	5,763,591,049	5,656,494,141
Williamsburg	<u>389,879,512</u>	<u>390,892,339</u>	<u>400,643,947</u>	<u>408,899,048</u>	<u>418,177,903</u>	<u>317,688,380</u>
	\$19,103,964,864	\$19,458,804,321	\$19,790,358,666	\$20,202,557,928	\$20,462,189,979	\$20,600,774,715
Increase (Decrease)	3.4%	1.8%	1.7%	2.1%	1.3%	0.7%

Sources: Weldon Cooper Center and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).

Note: ⁽¹⁾ Totals may not add up due to rounding.

As demonstrated above, the five most populous jurisdictions (the Cities of Virginia Beach, Chesapeake, Norfolk, Newport News, and Hampton) account for approximately 77.62% of the region's 2020 taxable sales. The average annual growth rate of taxable sales in the jurisdictions was approximately 1.8% from 2010 through 2019.

APPENDIX D

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

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Set forth herein are definitions and summaries of certain sections of the Master Indenture of Trust. These summaries do not purport to be complete, and reference is made to the Master Indenture of Trust, a copy of which can be obtained from the Authority, for a complete statement of the rights, duties and obligations of the parties thereto. The headings herein are not part of the Indenture but have been added for ease of reference only. Purchasers of the Bonds should review this paragraph of the final Official Statement for any material changes in the summaries contained herein.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain of the terms used in this Official Statement (certain other terms are defined elsewhere in the text of the Official Statement).

“Accreted Value” means, with respect to each Compound Interest Bond, the principal amount of such Compound Interest Bond, plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Compound Interest Bond, and, with respect to any calculation on a date other than a compounding date, the Accreted Value means the Accreted Value as of the preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Compound Interest Bond.

“Act” means Chapter 463, Virginia Acts of Assembly of 1948, as amended.

“Additional Interest” means, for any period during which any Pledged Bonds are owned by a Credit Issuer pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal principal amount of Bonds at the Bond Rate.

“Additional Obligations” means Revenue Obligations issued pursuant to provisions of the Master Indenture relating to Additional Senior Lien Revenue Obligations, Additional Subordinate Lien Revenue Obligations, Additional Identified Revenue Obligations, Additional Special Purpose Revenue Obligations, Hybrid Obligations, and Other Airport Obligations.

“Airport” means the Norfolk International Airport and any other airport facilities that the Authority designates in writing as part of the Airport under the Master Indenture, less any portion thereof sold or otherwise disposed of pursuant thereto.

“Airport Consultant” means a firm of consultants experienced in the planning or assessment of financial feasibility of airports or airport-related projects and having a nationally recognized reputation for such work, which has been retained by the Authority or whose selection has been approved by the Authority.

“Annual Budget” means the annual budget of the Authority relating to the Airport (which will specify all costs, obligations, and expenses properly allocable to the Airport), as amended or supplemented in accordance with established procedures of the Authority, adopted or in effect for a particular Fiscal Year.

“Balloon Date” means any Principal Maturity Date or Put Date for Balloon Obligations in a Balloon Year.

“Balloon Obligations” means any Revenue Obligations 25% or more of the original principal amount of which (i) is due in any 12-month period or (ii) is required to be redeemed by the Authority, or otherwise paid in any 12-month period; provided that, in calculating the principal amount of such Revenue Obligations due or required to be redeemed in any 12-month period, such principal amount will be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

“Balloon Year” means any 12-month period in which more than 25% of the original principal amount of related Balloon Obligations mature or are subject to mandatory redemption by the Authority.

“Beneficial Owner” means the actual purchasers of the Bonds.

“Beneficiaries” means the holders of any Revenue Obligations and the parties to Contracts.

“Bond Counsel” means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing retained by the Authority.

“Bondholder” or **“holder”** means the registered owner or the holder of one or more Revenue Obligations.

“Bond Insurer” means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

“Bond Rate” means the rate of interest per annum payable on specified Revenue Obligations other than Pledged Bonds.

“Bond Register” means the registration books maintained and to be maintained by the Bond Registrar.

“Bond Registrar” means any bank or trust company designated as such by the Authority in the Indenture with respect to any of the Bonds, either by certificate of the Executive Director or by Supplemental Indenture. Such Bond Registrar will perform the duties required of the Bond Registrar in the Indenture.

“Bonds” means any revenue bonds authorized by and authenticated and delivered pursuant to the Indenture.

The term **“category”** or **“category of Revenues”** means an objectively definable portion of Revenues related to a particular type of service, activity or facility, including the categories of General Revenues, PFC Revenues, Released Revenues and Special Purpose Revenues and subcategories within such categories. A **“category of Revenues,”** unless otherwise determined by the Authority, includes Investment Earnings or other moneys in funds or amounts derived from such portion of Revenues.

“City” means the City of Norfolk, Virginia, a political subdivision existing under the laws of the State.

“Code” means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

“Commitment” when used with respect to Balloon Obligations, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Obligations on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Balloon Obligations.

“Compound Interest Bonds” means Bonds that bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

“Conditional Redemption” means an optional redemption described in the Master Indenture.

“Conduit Bonds” means bonds, notes or other obligations issued by a Conduit Issuer to provide proceeds to be loaned by the Conduit Issuer to the Authority pursuant to a Loan Agreement.

“Conduit Issuer” means a third-party issuer of Conduit Bonds.

“Contracts” means all Credit Facility Agreements, including any related Reimbursement Obligations, all agreements with respect to Reserve Account Credit Facilities, including any related Reimbursement Obligations, all Qualified Hedge Agreements, and any agreement made pursuant to the Master Indenture.

“Contract Payments Subaccount” means the Contract Payments Subaccount within the Payments Account established in the Master Indenture.

“Costs,” with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, install or otherwise implement the Project, including improvements to another Project, and will include, but will not be limited to, the following costs and expenses relating to such Project and the reimbursement to the Authority for any such items previously paid by the Authority:

- (i) the cost of all lands, real or personal properties, rights, easements and franchises acquired;
- (ii) the cost of the acquisition, construction, reconstruction, implementation or installation of any Project;
- (iii) the cost of engineering, architectural, planning, development, and supervisory services, fiscal agents’ and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Project, administrative expenses, and such other expenses as may be necessary or incident to any financing with proceeds of Revenue Obligations;
- (iv) the cost of placing any Project in operation;
- (v) the cost of condemnation of property necessary for construction implementation and operation;
- (vi) the costs of issuing any Revenue Obligations to finance or to refinance any Project;
- (vii) any other costs which may be incident to any Project prior to completion and implementation;
- (viii) interest on the Revenue Obligations during the construction and installation of any Project and for up to twelve (12) months thereafter; and
- (ix) any costs permitted by the Act.

“Credit Facility” means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution that is used by the Authority to perform one or more of the following tasks: (i) enhancing the Authority’s credit by assuring owners of any of the Revenue Obligations that principal of and interest on such Revenue Obligations will be paid promptly when due; (ii) providing liquidity for the owners of Revenue Obligations through undertaking to cause Revenue Obligations to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Indenture; or (iii) remarketing any Revenue Obligations so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Revenue Obligations). The term “Credit Facility” does not include a Reserve Account Credit Facility.

“Credit Facility Agreement” means an agreement between the Authority and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility and may include a related Reimbursement Obligation. The term “Credit Facility Agreement” does not include an agreement with respect to a Reserve Account Credit Facility.

“Credit Issuer” means any issuer of a Credit Facility then in effect for all or part of the Revenue Obligations. The term “Credit Issuer” does not include any Reserve Account Credit Facility Provider. Whenever in the Indenture the consent of the Credit Issuer is required, such consent will only be required from the Credit Issuer whose Credit Facility is issued with respect to the Revenue Obligations for which the consent is required.

“Debt Service Requirement” means the total principal and interest coming due, whether at maturity or upon mandatory redemption, in any specified period, provided:

(i) If any Revenue Obligations Outstanding or proposed to be issued shall bear interest at a Variable Rate (including Hedged Obligations if the interest thereon calculated as set forth below is expected to vary and Revenue Obligations secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary), the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period was, at the option of the Authority, either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Advisor.

(ii) If any Compound Interest Bonds are Outstanding or proposed to be issued, the total principal and interest coming due in any specified period shall be determined in accordance with the Supplemental Indenture of the Authority authorizing such Compound Interest Bonds.

(iii) With respect to any Revenue Obligations secured by a Credit Facility, the Debt Service Requirement therefor shall include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding amount of any Reimbursement Obligation and interest thereon, (3) any Additional Interest owed on Pledged Bonds, and (4) any remarketing agent fees; provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Revenue Obligations, (b) the Reimbursement Obligation provides for payments by the Authority or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Revenue Obligations as Hedged Obligations, then interest on such Revenue Obligations shall be calculated by adding (x) the amount of interest payable on such Revenue Obligations pursuant to their terms and (y) the amount of payments for interest to be made by the Authority under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the Authority or as interest on such Revenue Obligations as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Revenue Obligations shall be calculated as if there were no Credit Facility.

(iv) With respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Authority on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Authority under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Authority on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (*i.e.*, which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the “Determination Period”) shall be computed by assuming that the variables comprising the calculation (*e.g.*, indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the

date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(v) For the purpose of calculating the Debt Service Requirement on Balloon Obligations (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation, such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the Authority could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Obligations and with a 20-year term); provided, however, that if the maturity of such Balloon Obligations (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Obligations to maturity (including the Commitment) and at the interest rate applicable to such Balloon Obligations. For the purpose of calculating the Debt Service Requirement on Balloon Obligations (a) which are not subject to a Commitment and (b) which have a Balloon Year commencing within 12 months from the date of calculation, the principal payable on such Balloon Obligations during the Balloon Year shall be calculated as if paid on the Balloon Date.

(vi) The principal of and interest on Revenue Obligations, amounts for interest under a Credit Facility and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or proceeds of Revenue Obligations to be deposited on the date of issuance of proposed Revenue Obligations) in a fund under the Indenture (including any PFC Revenues on deposit in the PFC Revenue Account in the Revenue Fund).

“Debt Service Reserve Account” means the Debt Service Reserve Account within the Sinking Fund established in the Master Indenture.

“Debt Service Reserve Requirement” means an amount determined from time to time by the Authority as a reasonable reserve for the payment of principal of and interest on Revenue Obligations for which a subaccount in the Debt Service Reserve Account is created or added to pursuant to a Supplemental Indenture.

“Depository” means the depository of each fund established under the Indenture, and any successor depository of such fund hereafter designated by the Authority from time to time by Supplemental Indenture.

“DTC” means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Indenture.

“Event of Default” means any of the events defined as such in the Master Indenture.

“Executive Director” means the individual appointed by the Governing Body as the executive director of the Authority.

“Financial Advisor” means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the Authority for the purpose of passing on questions relating to the availability and terms of specified types of Revenue Obligations and is actively engaged in and, in the good faith opinion of the Authority, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

“Finance Officer” means the official of the Authority who serves as the chief financial officer of the Authority.

“First Supplemental Indenture” means the Supplemental Indenture with respect to the Series 2001 Bonds, dated as of April 1, 2001, as amended.

“Fiscal Year” means the 12-month period used by the Authority for its general accounting purposes, as it may be changed from time to time.

“Fitch” means Fitch Investors Service, L.P., or, if such limited partnership is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority. The notice address of Fitch is One State Street Plaza, New York, New York 10004.

“Forecast Period” means a period including each consecutive Fiscal Year through, and ending with, the first Fiscal Year beginning after the later of (i) the Fiscal Year in which any proposed Additional Obligations are to be issued or (ii) the Fiscal Year in which any Project to be financed with the proceeds of any proposed Additional Obligations is, in the judgment of the Authority, expected to be completed.

“General Reserve Fund” means the Authority’s General Reserve Fund established in the Master Indenture.

“General Revenue Account” means the General Revenue Account within the Revenue Fund established in the Master Indenture.

“General Revenue Obligations” means Revenue Obligations secured by a Senior Lien on General Revenues.

“General Revenue Facilities” means the Airport, including PFC Facilities, but not including all Special Purpose Facilities and Released Revenue Facilities.

“General Revenues” means all Revenues other than PFC Revenues, Special Purpose Revenues and Released Revenues.

“Governing Body” means the Board of Commissioners of the Authority and any predecessor or successor in office to such present body.

“Government Loans” means loans to the Authority by the government of the United States or the State, or by any department, authority, or agency of either, for the purpose of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the Airport.

“Government Obligations” means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (ii) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, (y) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (z) may include U.S. Treasury Trust Receipts.

“Hedge Agreement” means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk,

including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Authority determines is to be used, or is intended to be used, to manage or reduce the cost of any Revenue Obligations, to convert any element of any Revenue Obligations from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

“Hedged Obligations” means any Revenue Obligations for which the Authority will have entered into a Qualified Hedge Agreement.

“Hedge Payments” means amounts payable by the Authority pursuant to any Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

“Hedge Payments Subaccount” means the Hedge Payments Subaccount within the Payments Account established in the Master Indenture.

“Hedge Period” means the period during which a Hedge Agreement is in effect.

“Hedge Receipts” means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

“Hybrid Obligations” means Revenue Obligations which are not Subordinate Lien Obligations and either (i) have no Senior Lien on any Revenues, (ii) have no lien on any Revenues, or (iii) have a Senior Lien on some Revenues in addition to a Subordinate Lien on some Revenues.

“Identified Revenue Account” means the Identified Revenue Account within the Revenue Fund established in the Master Indenture.

“Identified Revenue Facilities” means the portion of the Airport with respect to which Identified Revenues arise or from which they are generated.

“Identified Revenue Obligations” means Revenue Obligations secured by a lien on one or more categories of Identified Revenues.

“Identified Revenues” means particular categories of General Revenues which have been identified in accordance with the Master Indenture.

“Indenture” means the Master Indenture of Trust as it may from time to time be modified, supplemented, or amended by Supplemental Indentures.

“Independent Certified Public Accountant” means a certified public accountant, or a firm of certified public accountants, who or which are “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote their full time to the Authority (but who or which may be regularly retained by the Authority).

“Interest Payment Date” means each date on which interest is to become due on any Revenue Obligations, as established in the Supplemental Indenture for such Revenue Obligations.

“Interest Subaccount” means the Interest Subaccount within the Payments Account established in the Master Indenture.

“Investment Earnings” means all interest received on and profits derived from investments made with Revenues or any other moneys in the funds and accounts established under the Master Indenture.

“Letter of Representations” means the Blanket Issuer Letter of Representations between the Authority and DTC.

“Loan Agreement” means any agreement or contract entered into by the Authority whereby a third-party agrees to advance funds to the Authority and the Authority agrees to repay those funds with interest and all costs associated with the Loan Agreement and any bonds, notes or other obligations issued to fund the Loan Agreement.

“Master Indenture” means the Master Indenture of Trust dated as of April 1, 2001, between the Authority and the Trustee.

“Maximum Annual Debt Service Requirement” for a series of Bonds means the largest Debt Service Requirement for such series during any Sinking Fund Year after the date of calculation.

“Moody’s” means Moody’s Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority. The notice address of Moody’s is 99 Church Street, New York, New York 10007.

“Net Revenues” means, for each category of Revenues, Revenues net of related Operating Expenses.

“Operating Expenses” means all expenses reasonably incurred in connection with the operation, maintenance, repair, ordinary replacement and ordinary reconstruction of the Airport, including without limitation salaries, wages, the cost of materials, services and supplies, rentals of leased property, if any, management fees, utility costs, the cost of audits, Paying Agent’s and Bond Registrar’s fees, operating and maintenance reserves, payments to the City, payment of premiums for insurance required by the Indenture and other insurance which the Authority deems prudent to carry on the Airport and its operations and personnel, and, generally, all expenses, exclusive of depreciation or amortization, which under generally accepted accounting principles are properly allocable to operation and maintenance; however, only such expenses as are reasonably and properly necessary or desirable for the proper operation and maintenance of the Airport will be included. “Operating Expenses” does not include any payments on Revenue Obligations, Contracts (including continuing commissions or commitment fees, remarketing agent fees, Additional Interest or amounts equivalent to principal on related Revenue Obligations) or Other Airport Obligations. To the extent Operating Expenses are allocable to particular related facilities, a lien on the portion of Revenues related thereto will not provide a claim on such Revenues ahead of the use thereof for payment of such allocable Operating Expenses.

“Other Airport Obligations” means obligations of any kind, including but not limited to, Government Loans, revenue bonds, capital leases, Hedge Agreements which are not Qualified Hedge Agreements, installment purchase agreements, loan agreements, or notes (but excluding Revenue Obligations and Contracts), incurred or issued by the Authority to finance or refinance the cost of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the Airport or any other cost relating to the Airport, which do not have a lien on any category of Revenues, except pursuant to the Master Indenture.

“Outstanding” means, when used in reference to the Revenue Obligations, all Revenue Obligations that have been duly authenticated and/or delivered under the Indenture, with the exception of (a) Revenue Obligations in lieu of which other Revenue Obligations have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the Master Indenture, and (c) Revenue Obligations for the payment of which provision has been made in accordance with the Master Indenture. In determining the amount of Compound Interest Bonds Outstanding under the Indenture, the Accreted Value of such Compound Interest Bonds at the time of determination will be used.

The term **“parity”** or **“parity secured”** when applied to two or more series of Revenue Obligations means each such Revenue Obligation has a lien of equal rank on the same category of Revenues; provided the existence of an additional lien on a different category of Revenues securing one or more series of such Revenue Obligations does not prevent such one or more series of Revenue Obligations from being **“parity secured”** with the other Revenue Obligations with respect to the category of Revenues on which they have liens of equal rank.

“Paying Agent” means any bank or trust company authorized by the Authority to pay the principal of, premium, if any, or interest on any Bonds on behalf of the Authority either by certificate of the Executive Director or by Supplemental Indenture. Such Paying Agent will perform the duties required of the Paying Agent in the Indenture.

“Payments Account” means the Payments Account within the Sinking Fund established in the Master Indenture.

“Permitted Investments” means obligations permitted as investments with respect to Revenue Obligations in the Supplemental Indenture pursuant to which such Revenue Obligations are issued.

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

“PFC Act” means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, as amended from time to time.

“PFC Facilities” means facilities for which the Airport has used funds under the PFC Act.

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

“PFC Revenue Account” means the PFC Revenue Account within the Revenue Fund established in the Master Indenture.

“PFC Revenue Obligations” means Revenue Obligations secured by a Senior Lien on PFC Revenues.

“PFC Revenues” means all income and revenue received by or required to be remitted to the Authority from the passenger facility charges imposed by the Authority pursuant to the PFC Act and the PFC Regulations, including any interest earned after such charges have been remitted to the Authority as provided in the PFC Regulations, all of which may be pledged pursuant to the PFC Act and PFC Regulations § 158.13; provided, the term **“PFC Revenues”** also includes any interest or other gain in any of the accounts or subaccounts created in the Master Indenture or in any Supplemental Indenture resulting from any investments and reinvestments of PFC Revenues.

“Pledged Bond” means any Revenue Obligation purchased and held by a Credit Issuer pursuant to a Credit Facility Agreement. A Revenue Obligation will be deemed a Pledged Bond only for the actual period during which such Revenue Obligation is owned by a Credit Issuer pursuant to a Credit Facility Agreement.

“Pledged Bond Rate” means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

“Pledged Revenues” means all Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts specified in the Master Indenture, but excluding (i) amounts in the Revenue Fund required to be used to pay Operating Expenses and (ii) any

amounts required in the Indenture to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Fund.

The term **“principal”** means the principal amount of any Revenue Obligation and includes the Accreted Value of any Compound Interest Bonds. All references to principal will be construed as if they were also references to Accreted Value with respect to Compound Interest Bonds.

“Principal Maturity Date” means each date on which principal is to become due on any Revenue Obligations, by maturity or mandatory sinking fund redemption, as established in the Supplemental Indenture for such Revenue Obligations.

“Principal Subaccount” means the Principal Subaccount within the Payments Account established in the Master Indenture.

“Project” means the acquisition, construction and equipping of improvements at the Airport, in whole or in part, and the acquisition of all property, real and personal, related thereto, with the proceeds of any Revenue Obligations.

“Project Fund” means the Authority’s Airport Project Fund established in the Master Indenture.

“Put Date” means any date on which a holder may elect to have Balloon Obligations redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid.

“Qualified Hedge Agreement” means any Hedge Agreement with a Qualified Hedge Provider.

“Qualified Hedge Provider” means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the third highest Rating category of each Rating Agency, but, if there is no Credit Facility with respect to the related Hedged Obligations, in no event lower than any Rating on the related Hedged Obligations at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating categories which each Rating Agency indicates in writing to the Authority will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Obligations that is in effect prior to entering into the Hedge Agreement. An entity’s status as a “Qualified Hedge Provider” is determined only at the time the Authority enters into a Hedge Agreement with such entity and cannot be redetermined with respect to that Hedge Agreement.

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

“Rating Agencies” or **“Rating Agency”** means Fitch, Moody’s, and Standard & Poor’s or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Revenue Obligations at the request of the Authority. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Revenue Obligations, then a reference to Rating Agency or Rating Agencies will not include such Rating Agency.

“Rebate Fund” means the Authority’s Airport Rebate Fund, established in the Master Indenture.

“Record Date” means, with respect to any semiannual Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, and, for any Revenue Obligations paying interest other than semiannually, any record dates designated by the Authority in a Supplemental Indenture.

“Reimbursement Obligation” means the obligation of the Authority to directly reimburse any Credit Issuer for amounts paid by such Credit Issuer under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term “Reimbursement Obligation” includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer’s fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer’s payments based on such variables.

The term **“related”** means, when used to refer to Revenue Obligations, subaccounts, category of Revenues or liens, the item modified by such term has a definite relationship to the subject as described in the Indenture. The term “related” means, when used to refer to Operating Expenses, (i) for Special Purpose Revenue Obligations or Special Purpose Revenues, Operating Expenses with respect to Special Purpose Facilities, (ii) for Released Revenue Obligations or Released Revenues, other than Released PFC Revenues, Operating Expenses with respect to Released Revenue Facilities, (iii) for Identified Revenue Obligations or Identified Revenues, Operating Expenses with respect to Identified Revenue Facilities, and (iv) for General Revenue Obligations or General Revenues, all Operating Expenses of the Airport less Operating Expenses with respect to Special Purpose Facilities and Released Revenue Facilities. There are no Operating Expenses related to PFC Revenues or PFC Obligations.

“Released PFC Revenue Obligations” means Revenue Obligations secured by a Senior Lien on amounts released from PFC Revenues pursuant to the Master Indenture.

“Released PFC Revenues” means Released Revenues which would be PFC Revenues but for action taken under the Master Indenture.

“Released Revenue Account” means the Released Revenue Account within the Revenue Fund established in the Master Indenture.

“Released Revenue Facilities” means the portion of the Airport with respect to which Released Revenues arise or from which they are generated, other than PFC Facilities.

“Released Revenue Obligations” means Revenue Obligations secured by a Senior Lien on one or more categories of Released Revenues.

“Released Revenues” means particular categories of Revenues which would otherwise be General Revenues or PFC Revenues but have been identified in accordance with the Master Indenture and therefore do not constitute a part of General Revenues or PFC Revenues, until the Authority has acted to include such categories of Revenues within General Revenues or PFC Revenues again.

“Renewal and Extension Fund” means the Authority’s Airport Renewal and Extension Fund established in the Master Indenture.

“Reserve Account Credit Facility” means any letter of credit, insurance policy, line of credit, surety bond, or similar obligation, arrangement or instrument issued by a bank, insurance company, or other financial institution, together with any substitute or replacement therefor, if any, and related Reimbursement Obligations, if any, complying with the provisions of the Indenture, thereby fulfilling all or a portion of a Debt Service Reserve Requirement.

“Reserve Account Credit Facility Provider” means any provider of a Reserve Account Credit Facility.

“Revenue Fund” means the Authority’s Airport Revenue Fund established in the Master Indenture.

“Revenue Obligations” means any revenue bonds, notes or other obligations authorized by and authenticated and delivered or any loan agreement executed and delivered pursuant to the Indenture, including any Additional Obligations.

“Revenues” means (i) all revenues, income, receipts, accounts receivable and money derived from the ownership and operation of the Airport, including without limitation all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the Authority, Investment Earnings (other than Investment Earnings on the Project Fund) and all other income earned and accreted from, and deferred gain from, securities and other investments and amounts earned on amounts deposited in funds and accounts under the Indenture or otherwise maintained with respect to the Airport, computed in accordance with generally accepted accounting principles, and (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the benefit of the Airport which are (y) not restricted by law or the payor to application for a particular purpose and (z) otherwise lawfully available for payment of Revenue Obligations or Contracts. The term “Revenues” does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the Authority in respect of a liability or are to be used to repair or replace portions of the Airport.

“Senior Lien” means a lien on one or more categories of Revenues that entitles the Beneficiaries of such lien to have a claim on such Revenues prior to any other Person and ahead of the use of such Revenues for any purpose other than payment of Operating Expenses; provided one or more series of Revenue Obligations, Contracts and related Beneficiaries may have parity Senior Liens on the same categories of Revenues pursuant to the terms of the Indenture.

“Senior Lien Revenue Obligations” means General Revenue Obligations, PFC Revenue Obligations and Released Revenue Obligations but not Identified Revenue Obligations, Subordinate Lien Obligations or Hybrid Obligations, provided “Senior Lien Obligations” also includes Additional Senior Lien Obligations issued in compliance with the Master Indenture and obligations secured by a Senior Lien pursuant thereto. A Hybrid Obligation may be a Senior Lien Revenue Obligation, if it has a Senior Lien on a category of Revenue but then will only be a Senior Lien Revenue Obligation as to such category.

“Series 2021 Bonds” means the Revenue Refunding Obligations issued under the Sixth Supplemental Indenture.

“Sinking Fund” means the Authority’s Airport Sinking Fund established in the Master Indenture.

“Sinking Fund Year” means the twelve-month period ending on June 30 of each year.

“Sixth Supplemental Indenture” means the Supplemental Indenture with respect to the Series 2021 Bonds, dated as of June 1, 2021.

“Special Purpose Facilities” means facilities which (i) will not result, upon completion, in a material reduction in Net General Revenues, (ii) will not be of such a type or design that the subsequent closing thereof will materially impair the general operations of the Airport, and (iii) the Authority has designated in a Supplemental Indenture, as “Special Purpose Facilities;” provided such facilities, if owned or operated by the Authority, cease to be Special Purpose Facilities (and become General Revenue Facilities) when there are no longer any Outstanding Special Purpose Revenue Obligations related thereto. As set forth in the section *“Existing Indebtedness”* in the front part of this Official Statement, the Authority incurred certain indebtedness secured by revenues from the Airport’s fixed base operations to construct an aircraft storage hanger and a ground service equipment maintenance facility.

“Special Purpose Revenue Account” means the Special Purpose Revenue Account within the Revenue Fund established in the Master Indenture.

“Special Purpose Revenue Obligations” means obligations secured by a Senior Lien on Special Purpose Revenues.

“Special Purpose Revenues” means Revenues arising from or generated by one or more Special Purpose Facilities.

“Standard and Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Authority. The notice address of Standard & Poor’s is 55 Water Street, New York, New York 10041.

“State” means the Commonwealth of Virginia.

“Subordinate Lien” means a lien on one or more categories of Revenues which is not a Senior Lien.

“Subordinate Lien Obligations” means Revenue Obligations which only have a Subordinate Lien and obligations secured by a Subordinate Lien pursuant to the Master Indenture.

“Supplemental Indenture” means an Indenture of Trust of the Authority supplemental to the Master Indenture (which itself may be supplemented by one or more Indentures of Trust) to be adopted prior to and authorizing the issuance and delivery of any series of Revenue Obligations, including the Sixth Supplemental Indenture. Such an Indenture of Trust, as supplemented, will establish the date or dates of the pertinent series of Revenue Obligations, the schedule of maturities of such Revenue Obligations, whether any such Revenue Obligations will be Compound Interest Revenue Obligations, the name of the purchaser(s) of such series of Revenue Obligations, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Revenue Obligations, the terms and conditions, if any, under which such Revenue Obligations may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Revenue Obligations, the liens relating to such Revenue Obligations, the Contracts, if any, relating to such Revenue Obligations, and such other details as the Authority may determine. “Supplemental Indenture” means (i) any Supplemental Indenture of Trust and (ii) any modification, amendment, or supplement to the Master Indenture other than a Supplemental Indenture of Trust.

“Tax-Exempt Bonds” means any Revenue Obligations the interest on which has been determined, in an unqualified opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

“Trustee” means U.S. Bank National Association, or its successor and assigns serving as trustee under the Indenture.

“U.S. Treasury Trust Receipts” means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (i) or (ii) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

“Variable Rate” means a rate of interest applicable to the Revenue Obligations, other than a fixed rate of interest which applies to a particular maturity of Revenue Obligations so long as that maturity of Revenue Obligations remains Outstanding.

“Virginia Code” means the Code of Virginia of 1950, as amended.

THE MASTER INDENTURE

Pledge of Revenues; Limited Obligations; Contract Liens. (a) All Pledged Revenues will be pledged to the prompt payment of the principal of, premium, if any, and interest on the Revenue Obligations, obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Revenue Obligations pursuant to the Master Indenture, and the Authority's obligations under the Contracts; provided:

(1) General Revenues will secure only (A) General Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on General Revenues, (C) Hybrid Obligations which have a lien on General Revenues, and (D) any Contracts with respect to such Revenue Obligations;

(2) PFC Revenues will secure only (A) PFC Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on PFC Revenues, (C) Hybrid Obligations which have a lien on PFC Revenues, and (D) any Contracts with respect to such Revenue Obligations;

(3) Special Purpose Revenues will secure only (A) the related Special Purpose Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on any Special Purpose Revenues, (C) Hybrid Obligations which have a lien on any Special Purpose Revenues, and (D) any Contracts with respect to such Revenue Obligations;

(4) Released Revenues will secure only (A) the related Released Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on any Released Revenues, (C) Hybrid Obligations which have a lien on any Released Revenues, (D) any Contracts with respect to such Revenue Obligations and (E) separate agreements pursuant to the Master Indenture;

(5) Identified Revenues, subject to use with other General Revenues under (1), will secure only (A) the related Identified Revenue Obligations, (B) Hybrid Obligations which have a lien on any Identified Revenues, and (C) any Contracts with respect to such Revenue Obligations; and

(6) A Contract may have a Senior Lien or a Subordinate Lien on a related category of Revenues, or no lien at all on Revenues, but no Contract will have a lien on Revenues that is senior to the lien on the category of Revenues securing the Revenue Obligations related to the Contract.

Pledged Revenues will immediately be subject to the lien of this pledge for the benefit of the Beneficiaries without any physical delivery thereof or further act, and the lien of this pledge will be valid and binding against the Authority and against all other persons having claims against the Authority, whether such claims will have arisen in tort, contract, or otherwise, and regardless of whether such persons have notice of the lien of this pledge. This pledge will rank superior to all other pledges which may hereafter be made of any Pledged Revenues. The lien of this pledge does not secure any obligation of the Authority other than the Revenue Obligations, obligations treated as Senior Lien Obligations or Subordinate Lien Obligations pursuant to the Master Indenture and the Contracts.

(b) The Revenue Obligations and related Contracts will be limited obligations of the Authority as provided therein payable solely from the particular Revenues pledged thereto. The Revenue Obligations and the interest thereon and related Contracts will not constitute a debt of any municipality, the State, or any political subdivision thereof other than the Authority and will not constitute an indebtedness within the meaning of any constitutional or statutory provision whatsoever. The Authority has no authority to levy any taxes to pay the Revenue Obligations or the Contracts. Neither the members of the Governing Body nor any person executing the Revenue Obligations will be liable personally on the Revenue Obligations by reason of the issuance thereof or on the Contracts by reason of the execution thereof.

(c) Other Airport Obligations (other than obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to the Master Indenture) are not secured by a lien on any category of

Revenues and Hybrid Obligations described in clause (ii) of the definition thereof will not have a lien on any category of Revenues, but such obligations, prior to an Event of Default, may be paid from Revenues as described in the Master Indenture.

Funds, Accounts, and Subaccounts. The Authority hereby establishes the following funds, accounts, and subaccounts, and the moneys deposited in such funds, accounts, and subaccounts will be held in trust for the purposes set forth in the Indenture:

(a) Norfolk Airport Authority Airport Revenue Fund, to be held by the Authority, and within the Revenue Fund:

- (1) General Revenue Account.
- (2) PFC Revenue Account.
- (3) Special Purpose Revenue Account.
- (4) Released Revenue Account.
- (5) Identified Revenue Account.

(b) Norfolk Airport Authority Airport Sinking Fund, to be held by the Trustee, and within the Sinking Fund:

(1) Payments Account, and within the Payments Account:

(A) Interest Subaccount, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues.

(B) Hedge Payments Subaccount, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series share exactly the same lien status on the same categories of Revenues and are secured in parity by the same or identical Qualified Hedge Agreements with the same provider.

(C) Contract Payments Subaccount, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues and are secured in parity by the same or identical Contracts with the same provider.

(D) Principal Subaccount, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues.

(2) Debt Service Reserve Account, with a subaccount for each series of Revenue Obligations which has a Debt Service Reserve Requirement; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations are specified in the related Supplemental Indentures to share a pledge of such account and have a combined Debt Service Reserve Requirement. Under the Sixth

Supplemental Indenture, the Debt Service Reserve Account subaccount for the tax-exempt series of the Series 2021 Bonds shall secure the tax-exempt series of the Series 2021 Bonds on a combined basis but not the federally taxable series of the Series 2021 Bonds. There shall also be established under the Sixth Supplemental Indenture, within the Debt Service Reserve Account of the Sinking Fund a special account for the federally taxable series of the Series 2021 Bonds, which shall secure the federally taxable series of the Series 2021 Bonds but not the tax-exempt series of the Series 2021 Bonds.

(3) Refunding Account, with a subaccount as defined in and established by the Sixth Supplemental Indenture.

- (c) Norfolk Airport Authority Airport Renewal and Extension Fund, to be held by the Authority.
- (d) Norfolk Airport Authority Airport Rebate Fund, to be held by the Trustee.
- (e) Norfolk Airport Authority Airport Project Fund, to be held by the Trustee.
- (f) Norfolk Airport Authority General Reserve Fund, to be held by the Authority.

Each account listed above will be held within the fund under which it is created. Each subaccount listed above will be held within the account under which it is created. All funds, accounts, and subaccounts listed above are further described in the Master Indenture. The Authority reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

Revenue Fund. The Authority will deposit and continue to deposit all Revenues in the Revenue Fund from time to time as and when received. The amounts deposited will be immediately allocated to the account within the Revenue Fund designated therefor: General Revenues other than Identified Revenues to the General Revenue Account; PFC Revenues to the PFC Revenue Account; Special Purpose Revenues to the Special Purpose Revenue Account; Released Revenues to the Released Revenue Account; and Identified Revenues to the Identified Revenue Account. Moneys in the Revenue Fund will be applied by the Authority from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the Authority in its sole discretion: (a) to pay Operating Expenses; (b) to deposit into the Sinking Fund the amounts required by the Master Indenture; (c) to deposit into the Debt Service Reserve Account the amounts required thereby; (d) to deposit into the Rebate Fund the amounts required thereby; (e) to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related Bonds; (f) to pay any amounts required to be paid with respect to any Other Airport Obligations; (g) for transfer to the Renewal and Extension Fund; (h) for transfer to the General Reserve Fund; and (i) for any other lawful purpose; provided the following strictures will be applicable for purposes of such use of funds:

(1) For Operating Expenses, (A) amounts in the Special Purpose Revenue Account will be used only for Operating Expenses of Special Purpose Facilities, (B) amounts in the Released Revenue Account other than Released PFC Revenues will be used only for Operating Expenses of Released Revenue Facilities, (C) subject to (D) hereafter, amounts in the Identified Revenue Account will be used for Operating Expenses of Identified Revenue Facilities, and (D) Operating Expenses related to General Revenues will be paid first from amounts in the General Revenue Account and second from amounts in the Identified Revenue Account;

(2) For deposits to the Sinking Fund, the Debt Service Reserve Account or the Rebate Fund, (A) amounts in the Special Purpose Reserve Account will be used only for deposits to subaccounts relating to Revenue Obligations which have a lien on any Special Purpose Revenues, (B) amounts in the Released Revenue Account will be used only for deposits to subaccounts relating to Revenue Obligations which have a lien on any Released Revenues or for other purposes pursuant to the Master Indenture, (C) amounts in the PFC

Revenue Account will be used only for deposits to subaccounts relating to Revenue Obligations which have a lien on PFC Revenues, (D) subject to (E) hereafter, amounts in the Identified Revenue Account will be for deposits to subaccounts relating to Revenue Obligations having a lien on Identified Revenues, (E) deposits to subaccounts relating to Revenue Obligations which have a lien on General Revenues will be made first from amounts in the General Revenue Account and second from amounts in the Identified Revenue Account, and (F) deposits to subaccounts relating to Revenue Obligations which have a lien on General Revenues and on PFC Revenues will be made first from PFC Revenues;

(3) For any payments on a Contract, amounts may be drawn only from the account or accounts relating to the revenues securing the Revenue Obligations related to such Contract, only in accordance with the strictures of (2);

(4) For any payments with respect to any Other Airport Obligations, (A) if such Other Airport Obligations relate to Special Purpose Facilities, from the Special Purpose Revenue Account; (B) if such Other Airport Obligations relate to Released Revenue Facilities, then from the Released Revenue Account; (C) subject to (D) hereafter, if such Other Airport Obligations relate to Identified Revenue Facilities, from the Identified Revenue Account, and (D) otherwise, first from the General Revenue Account and second from the Identified Revenue Account;

(5) No payments may be made to a subaccount of the Sinking Fund related to Subordinate Lien Obligations or Hybrid Obligations unless all required payments have been made to other subaccounts with respect to Revenue Obligations, or Contracts related to Revenue Obligations, which have a lien on a category of Revenues ahead of the lien of such Subordinate Lien Obligations or Hybrid Obligations, and no payments may be made with respect to any Other Airport Obligations unless all required payments have been made to each subaccount with respect to Revenue Obligations and on all Contracts; provided if required by the terms thereof, obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to the Master Indenture will be paid with the other Senior Lien Revenue Obligations or Subordinate Lien Obligations;

(6) The Authority may from time to time deposit into the General Reserve Fund any moneys and securities held in the Revenue Fund (other than in the PFC Revenue Account or Released PFC Revenues in the Released Revenue Account); provided that the Sinking Fund contains sufficient money to make the next payment of principal and interest on all Revenue Obligations and Contracts and that each Debt Service Reserve Subaccount contains the applicable Debt Service Reserve Requirement.

(7) If at any time the amounts in any subaccount of the Sinking Fund are less than the amounts required by the Indenture, and there are not on deposit in the Renewal and Extension Fund available moneys sufficient to cure any such deficiency, then the Trustee will withdraw from subaccounts related to Subordinate Lien Obligations and Hybrid Obligations (taking such amounts first from subaccounts related to Subordinate Lien Obligations, pro rata, and second from Hybrid Obligations, pro rata) and deposit in such subaccount of the Sinking Fund, as the case may be, the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency; provided no such amounts will be withdrawn from or payable to subaccounts related to Special Purpose Revenue Obligations; and

(8) Amounts in the PFC Revenue Account and Released PFC Revenues in the Released Revenue Account may be used to pay Costs of PFC Facilities; provided no such use will be made unless the amounts remaining are sufficient, with amounts in the related accounts of the Sinking Fund, for all payments to be made with respect to any related Revenue Obligations and Contracts during the succeeding 12 months.

Sinking Fund. (a) Payments Account. Sufficient moneys will be paid in periodic installments from the Revenue Fund into subaccounts in the Payments Account for the purpose of paying the Revenue Obligations as they become due and payable and for the purpose of making payments under Contracts. Amounts held in the Interest Subaccount will not be used to pay Additional Interest.

(b) Interest Subaccount. Unless otherwise provided in a Supplemental Indenture, on or before the 30th day preceding each Interest Payment Date for a series of Revenue Obligations, the Authority will deposit in the related subaccount of the Interest Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the interest (excluding Additional Interest) coming due on such Revenue Obligations on such Interest Payment Date. Moneys in the related subaccount of the Interest Subaccount will be used solely to pay interest (excluding Additional Interest) on the Revenue Obligations when due or to pay the interest portion of Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all interest payments on the Revenue Obligations. The Authority will also deposit and continue to deposit all Hedge Receipts under related Qualified Hedge Agreements and any payments from a Credit Issuer under a Credit Facility Agreement in the related subaccount of the Interest Subaccount from time to time as and when received.

(c) Hedge Payments Subaccount and Contract Payments Subaccount. Unless otherwise provided in a Supplemental Indenture or a Hedge Agreement, on or before the 30th day preceding each payment date for Hedge Payments under Qualified Hedge Agreements, the Authority will deposit in the related subaccount of the Hedge Payments Subaccount an amount which, together with any Hedge Receipts to be deposited in the Interest Subaccount by such payment date and other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date. Moneys in the related subaccount of the Hedge Payments Subaccount will be used solely to pay Hedge Payments under Qualified Hedge Agreements when due. Unless otherwise provided in a Supplemental Indenture or a Contract, on or before the 30th day preceding each payment date for amounts, other than for Reimbursement Obligations, due on Contracts other than Qualified Hedge Agreements, including Additional Interest, continuing commission or commitment fees and remarketing fees, the Authority will deposit in the related subaccount of the Contract Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the amount coming due on such payment date. Moneys in the related subaccount of the Contract Payments Subaccount will be used solely for such payments when due.

(d) Principal Subaccount. Unless otherwise provided in a Supplemental Indenture, on or before the 30th day preceding each Principal Maturity Date for a series of Revenue Obligations, the Authority will deposit in the related subaccount of the Principal Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the principal coming due on such Revenue Obligations on such Principal Maturity Date. Moneys in the related subaccount of the Principal Subaccount will be used solely for the payment of principal of the Revenue Obligations as the same will become due and payable at maturity or upon redemption or to pay the principal portion of Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all principal payments on the Revenue Obligations.

(e) No further payments need be made into a subaccount of the Interest Subaccount or the Principal Subaccount whenever the amount available in such subaccount of the Interest Subaccount and the related subaccount of the Principal Subaccount, if added to the amount then in the related subaccount of the Debt Service Reserve Account, if any (without taking into account any amount available to be drawn on any applicable Reserve Account Credit Facility), is sufficient to retire all the Revenue Obligations then Outstanding and Contracts to which such subaccounts relate and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in any subaccount of the Interest Subaccount or the Principal Subaccount will be used or applied to the optional purchase or redemption of or repayment of Revenue Obligations prior to maturity unless: (i) provision will have been made for the payment of all of the Revenue Obligations to which such subaccount relates and all other Revenue Obligations having a parity or higher ranking lien on any category of Revenues securing such Revenue Obligations; or (ii) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are applied to the purchase and cancellation of such Revenue Obligations which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Revenue Obligations are purchased at a price not more than would be required for mandatory redemption, and such Revenue Obligations are canceled upon purchase and credited against the redemption otherwise to be made on such mandatory redemption date; or (iii) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are applied to the purchase and

cancellation of such Revenue Obligations at a price less than the amount of principal which would be payable on such Revenue Obligations, together with interest accrued through the date of purchase, and such Revenue Obligations are canceled upon purchase; or (iv) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are in excess of the then required balance of the related subaccount in the Interest Subaccount or the Principal Subaccount and are applied to redeem a part of such Revenue Obligations on the next succeeding redemption date for which the required notice of redemption may be given.

(f) Debt Service Reserve Account. Upon issuance of the Series 2021 Bonds, there will be deposited into the Debt Service Reserve Account the amount required by the Sixth Supplemental Indenture. There will be deposited into the same or separate subaccount of the Debt Service Reserve Account the amounts specified in Supplemental Indentures with respect to Additional Obligations. After the issuance of any Additional Obligations, any increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of Additional Obligations which also are secured by an existing subaccount of the Debt Service Reserve Account will be accumulated, to the extent not covered by deposits from proceeds of Revenue Obligations or funds on hand, over a period not exceeding 61 months from date of delivery of such Additional Obligations in monthly deposits, none of which is less than 1/60 of the amount to be accumulated. The balance of each subaccount of the Debt Service Reserve Account will be maintained at an amount equal to the Debt Service Reserve Requirement for the related Revenue Obligations (or such lesser amount that is required to be accumulated in such subaccount of the Debt Service Reserve Account in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Additional Obligations or upon the failure of the Authority to provide a substitute Reserve Account Credit Facility in certain events). There will be transferred from the Revenue Fund on a pro rata basis (1) to each subaccount of the Debt Service Reserve Account the amount necessary to restore the amount of cash and securities in such subaccount of the Debt Service Reserve Account to an amount equal to the difference between (a) the Debt Service Reserve Requirement for the related Revenue Obligations (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Account after the issuance of Additional Obligations or upon the failure of the Authority to provide a substitute Reserve Account Credit Facility in certain events), and (b) the portion of the required balance of such subaccount of the Debt Service Reserve Account satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down. Whenever for any reason the amount in the related subaccounts of the Interest Subaccount or the Principal Subaccount is insufficient to pay all interest or principal falling due on any General Revenue Obligations within the next seven days, the Authority will make up any deficiency by transfers from the Renewal and Extension Fund. Whenever, on the date that such interest or principal is due on any Senior Lien Revenue Obligations, there are insufficient moneys in the related subaccounts of the Interest Subaccount or the Principal Subaccount available to make such payment, the Authority will, without further instructions, apply so much as may be needed of the moneys in the related subaccount, if any, of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency will be remedied by monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are available in the related account or accounts of the Revenue Fund for such purpose after all required transfers set forth above have been made.

The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement for any Revenue Obligations by means of a Reserve Account Credit Facility, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the greater of the then current Rating on the related series of Revenue Obligations or the second highest long-term Rating of such Rating Agency; (B) the Authority will not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Revenue Obligations; (C) each Reserve Account Credit Facility will have a term of at least one (1) year (or, if less, the remaining term of the related series of Revenue Obligations) and will entitle the Authority to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw

or demand; (D) the Reserve Account Credit Facility will permit a drawing by the Authority for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Revenue Obligations, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Account of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if the Rating issued by the Rating Agency to the Reserve Account Credit Facility Provider is withdrawn or reduced below the greater of the Rating assigned to the related series of Revenue Obligations immediately prior to such action by the Rating Agency or the second highest long-term Rating of such Rating Agency, the Authority will provide a substitute Reserve Account Credit Facility within sixty (60) days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; and (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority will provide a substitute Reserve Account Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period. If the events described in either clauses (E) or (F) above occur, the Authority will not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from the Reserve Account Credit Facility will be deposited directly into the related subaccounts of the Interest Subaccount and the Principal Subaccount, and such deposit will constitute the application of amounts in the related subaccount of the Debt Service Reserve Account. All repayment of any draw-down on the Reserve Account Credit Facility and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility will be secured by a lien on Revenues subordinate to the lien of the related Revenue Obligations for payments into the related subaccounts of the Sinking Fund, the Rebate Fund and payments on any Credit Facility Agreement securing the related Revenue Obligations.

Any such Reserve Account Credit Facility will be pledged to the benefit of the owners of all of the Revenue Obligations secured by it. The Authority reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Indenture without the consent of any of the owners of the Revenue Obligations in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment will not, in the written opinion of Bond Counsel filed with the Authority, impair or reduce the security granted to the owners of Revenue Obligations or any of them.

Renewal and Extension Fund; General Reserve Fund. (a) In addition to the deposits to be made to the Renewal and Extension Fund pursuant to the Master Indenture, the Authority will deposit in the Renewal and Extension Fund all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Renewal and Extension Fund will be used first to prevent default in the payment of interest on or principal of any General Revenue Obligations when due and then will be applied by the Authority from time to time, as and when the Authority will determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the Authority in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under the Master Indenture, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including fees, expenses, and indemnity payments) and any termination payments due under a Hedge Agreement, (c) to pay any governmental charges and assessments against the Airport or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the Airport deemed necessary by the Authority (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), and (e) to acquire Senior Lien Revenue Obligations (other than Special Purpose Revenue Obligations) by redemption or by purchase in the open market as provided and in accordance with the terms and conditions of the Indenture, which Senior Lien Revenue Obligations (other than Special Purpose Revenue Obligations) may be any of the Senior Lien

Revenue Obligations (other than Special Purpose Revenue Obligations), prior to their respective maturities, and when so used for such purposes the moneys will be withdrawn from the Renewal and Extension Fund and deposited into the related subaccounts of the Interest Subaccount and the Principal Subaccount for the Revenue Obligations to be so redeemed or purchased. Notwithstanding the preceding sentence, any PFC Revenues or Released PFC Revenues in the Renewal and Extension Fund may only be used for PFC Revenue Bonds, Released Revenue Bonds secured by Released PFC Revenues, related Contracts, and Costs of PFC Facilities.

(b) All deposits to be made to the General Reserve Fund pursuant to the Master Indenture may be used by the Authority for any lawful purpose.

Disposition of Moneys After Payment of Revenue Obligations and Contracts. Any amounts remaining in any fund or account established under the Indenture after payment in full of the principal of, redemption premium, if any, and interest on the Revenue Obligations (or after provision for payment thereof has been made) and obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to the Master Indenture, the fees, charges, and expenses of the Paying Agent and Bond Registrar, all amounts owing to any Credit Issuer, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider or other party to a Contract, and all other amounts required to be paid under the Indenture (including amounts required to be paid into the Rebate Fund), will be retained by the Authority and not be subject to the lien hereof.

No Revenue Obligations Except as Permitted in the Indenture. No Revenue Obligations may be issued and no other obligations, except Contracts, which are secured by any interest in or lien on Pledged Revenues may be entered into pursuant to the Master Indenture.

Additional Senior Lien Revenue Obligations. (a) Any portion or all of a series of Senior Lien Revenue Obligations may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Senior Lien Revenue Obligations, and the refunding Revenue Obligations so issued will constitute Senior Lien Revenue Obligations secured on a parity with any Revenue Obligations secured on a parity with the refunded Revenue Obligations, if all of the following conditions are satisfied:

(1) the Authority will have obtained a report from an Independent Certified Public Accountant or a Financial Advisor demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Lien Revenue Obligations, including payments on related Contracts, which are parity secured with the Revenue Obligations to be refunded on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Outstanding Senior Lien Revenue Obligations which are secured on a parity with the Revenue Obligations to be refunded are being refunded under arrangements which immediately result in making provision for the payment of such Revenue Obligations; and

(3) requirements of (b)(2), (5), and (6) are met with respect to such refunding Revenue Obligations.

(b) Additional Senior Lien Revenue Obligations (including refunding Revenue Obligations which do not meet the requirements of (a)) may also be issued on a parity with Outstanding Senior Lien Revenue Obligations pursuant to a Supplemental Indenture, and the Revenue Obligations so issued will be secured on a parity with such Outstanding Senior Lien Revenue Obligations, if all of the following conditions are satisfied:

(1) There will have been procured and filed with the Trustee either:

(A) a report by an Independent Certified Public Accountant to the effect that the historical related Net Revenues for General Revenues for each of the two most recent audited Fiscal

Years, were equal to at least 125% of the Maximum Annual Debt Service Requirement on all related Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith;

(B) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period, the related Net Revenues for General Revenues are forecast to equal at least 125% of the Debt Service Requirement in such Fiscal Year on all Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith; or

(C) a certificate of the Executive Director that an additional amount of Revenue Obligations is needed to complete the Project to be financed by the Revenue Obligations issued under the First Supplemental Indenture, provided that such Revenue Obligations will not exceed \$15,000,000.

(2) The payments required to be made into each account or subaccount of the Sinking Fund have been made and the balance in each account or subaccount of the Sinking Fund is not less than the balance required by the Indenture as of the date of issuance of the proposed Additional Obligations.

(3) The Supplemental Indenture authorizing the proposed Additional Obligations must require (i) that the amount to be accumulated and maintained in the subaccount of the Debt Service Reserve Account for Senior Lien Revenue Obligations which are to be secured on a parity with such Additional Obligations with respect to such Debt Service Reserve Account, if any, be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Lien Revenue Obligations which will be Outstanding and secured on a parity with the Additional Obligations with respect to such Debt Service Revenue Account immediately after the issuance of the proposed Additional Obligations and (ii) that the amount of such increase be deposited in such subaccount on or before the date and at least as fast as the rate specified in the Master Indenture.

(4) The Supplemental Indenture authorizing the proposed Additional Obligations must require the proceeds of such proposed Additional Obligations to be used to make capital improvements or otherwise to fund the Costs of one or more Projects, to fund interest on the proposed Additional Obligations or Outstanding Obligations, to refund other obligations issued for such purposes (whether or not such refunding Revenue Obligations satisfy the requirements of (a)), to fund a deposit to the Debt Service Reserve Account or to fund such other reserves as may be necessary or desirable in connection with the issuance of Additional Obligations, and to pay expenses incidental thereto and to the issuance of the proposed Additional Obligations.

(5) The Executive Director will have certified, by written certificate dated as of the date of issuance of the Additional Obligations, that the Authority is in compliance with all requirements of the Indenture.

(6) The Authority will have received an opinion of Bond Counsel, dated as of the date of issuance of the Additional Obligations, to the effect that the Supplemental Indenture and any related Supplemental Indenture authorizing the issuance of Additional Obligations have been duly adopted by the Authority.

(c) Additional Senior Lien Revenue Obligations (including refunding Revenue Obligations which do not meet the requirements of (a)) which will not be secured on a parity with any Outstanding Senior Lien Revenue Obligations (because there are none with a Senior Lien on such Revenues) may be issued, and the Revenue Obligations so issued will be Senior Lien Revenue Obligations, if all of the conditions of (b)(2) through (6) are satisfied.

(d) Obligations which would be Other Airport Obligations but for the existence of a Senior Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Senior Lien Revenue Obligations, if all of the conditions of (b) are satisfied treating such obligations as Additional Obligations and the issuance and security documents therefor as Supplemental Indentures.

(e) If the Additional Senior Lien Revenue Obligations are to have Senior Liens on more than one category of Revenues, the requirements of (b)(1) must be met with respect to each category of Revenues.

Additional Subordinate Lien Revenue Obligations. (a) Revenue Obligations also may be issued on a Subordinate Lien basis pursuant to a Supplemental Indenture, payable from, unless such Revenue Obligations are Identified Revenue Obligations or to be secured by PFC Revenues or Released PFC Revenues, moneys which would otherwise be deposited in the Renewal and Extension Fund, and the Revenue Obligations so issued will constitute Subordinate Lien Obligations, if all of the following conditions are satisfied:

(1) The Supplemental Indenture authorizing the Subordinate Lien Obligations will provide that such Subordinate Lien Obligations will be junior and subordinate in lien and right of payment (A) directly, to any Outstanding Senior Lien Revenue Obligations or Senior Lien Revenue Obligations issued in the future which have a Senior Lien on a category of Revenues as to which such proposed Additional Obligations have a Subordinate Lien, and (B) indirectly (as a result of the requirements in the Master Indenture, to withdraw certain amounts at certain times from subaccounts related to Subordinate Lien Obligations), to any other Outstanding Senior Lien Revenue Obligations or Senior Lien Revenue Obligations issued in the future.

(2) The Supplemental Indenture authorizing the Subordinate Lien Obligations will, unless such Revenue Obligations are Identified Revenue Obligations or to be secured by PFC Revenues or Released PFC Revenues, establish funds and accounts for the moneys which would otherwise be deposited in the Renewal and Extension Fund, to be used to pay debt service on the Subordinate Lien Obligations, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor. If Subordinate Lien Obligations are to be secured by PFC Revenues, Released PFC Revenues or Identified Revenues, the Supplemental Indenture will establish funds and accounts for the moneys securing such Revenue Obligations, to be used to pay debt service on such Revenue Obligations, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor.

(3) The requirements of the Master Indenture are met with respect to such Subordinate Lien Obligations.

(b) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the owners of all Senior Lien Revenue Obligations then Outstanding and parties to related Contracts will be entitled to receive payment in full of all principal and interest due on all such Senior Lien Revenue Obligations, and all payments due under related Contracts in accordance with the provisions of the Indenture before the owners of any Subordinate Lien Obligations having a Subordinate Lien on a category of Revenues as to which such Senior Lien Revenue Obligations have a Senior Lien or related Contracts are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture on account of principal of, premium, if any, or interest on the Subordinate Lien Obligations or related Contracts.

(c) In the event that any of the Subordinate Lien Obligations are declared due and payable before their expressed maturities because of the occurrence of an event of default (under circumstances when the provisions of paragraph (b) will not be applicable), no owners of such Subordinate Lien Obligations or parties to related Contracts or Hedge Agreements may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture of principal or, premium, if any, or

interest on such Subordinate Lien Obligations, payments on related Contracts or Hedge Payments under related Hedge Agreements, until the owners of all Senior Lien Revenue Obligations Outstanding having a Senior Lien on a category of Revenues as to which such Subordinate Lien Obligations have a Subordinate Lien and parties to related Contracts have received payment in full of all principal and interest on all such Senior Lien Revenue Obligations and all payments on related Contracts.

(d) If any Event of Default will have occurred and be continuing (under circumstances when the provisions of paragraph (b) will not be applicable), the owners of all Senior Lien Revenue Obligations then Outstanding and parties to related Contracts will be entitled to receive payment in full of all principal and interest then due on all such Senior Lien Revenue Obligations, and all payments due on related Contracts before the owners of the Subordinate Lien Obligations or parties to related Contracts are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture of principal of, premium, if any, or interest on the Subordinate Lien Obligations or payments under related Contracts.

(e) No owner of Senior Lien Revenue Obligations or party to any related Contract will be prejudiced in its right to enforce subordination of the Subordinate Lien Obligations and related Contracts by any act or failure to act on the part of the Authority.

(f) The obligations of the Authority to pay to the owners of the Subordinate Lien Obligations the principal of, premium, if any, and interest thereon in accordance with their terms and to pay parties to related Contracts in accordance with the terms of the related Contracts will be unconditional and absolute. Nothing in the Indenture will prevent the owners of the Subordinate Lien Obligations or parties to related Contracts from exercising all remedies otherwise permitted by applicable law or under the Indenture or the related Contracts upon default thereunder, subject to the rights contained in the Indenture of the owners of Senior Lien Revenue Obligations and parties to related Contracts to receive cash, property, or securities otherwise payable or deliverable to the owners of the Subordinate Lien Obligations and parties to related Contracts, and any Supplemental Indenture authorizing Subordinate Lien Obligations may provide that, insofar as a trustee or paying agent for the Subordinate Lien Obligations is concerned, the foregoing provisions will not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal of, premium, if any, and interest on such Subordinate Lien Obligations and payments under related Contracts if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(g) Any series of Subordinate Lien Obligations and related Contracts may have such rank or priority with respect to any other series of Subordinate Lien Obligations and related Contracts as may be provided in the Supplemental Indenture authorizing such series of Subordinate Lien Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

(h) Obligations which would be Other Airport Obligations but for the existence of a Subordinate Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Subordinate Lien Obligations, if all of the conditions of 503 are satisfied treating such obligations as Subordinate Lien Obligations and the issuance and security documents therefor as Supplemental Indentures.

Additional Identified Revenue Obligations; Additional Special Purpose Revenue Obligations; Hybrid Obligations; Other Airport Obligations. (a) Identified Revenue Obligations may be issued (1) if there are no Outstanding Identified Revenue Obligations which will be secured on a parity with such Additional Obligations, after compliance with the requirements of the Master Indenture, upon satisfaction of the conditions stated therein, and the Revenue Obligations so issued will be treated as Subordinate Lien Obligations for purposes of the Master Indenture; or (2) if there are Outstanding Identified Revenue Obligations which will be secured on a parity with such Additional Obligations, after compliance with the requirements of the Master Indenture and such Supplemental Indenture pursuant to which the Outstanding Identified Revenue Obligations were issued, upon satisfaction of the conditions stated in the Master Indenture and in each such Supplemental

Indenture, and the Revenue Obligations so issued will be treated as Subordinate Lien Obligations for purposes of the Master Indenture.

(b) Additional Special Purpose Obligations may be issued after compliance with any requirements therefor set forth in any Supplemental Indenture related to such Special Purpose Obligations or Outstanding Special Purpose Obligations which will be secured on a parity with such Additional Special Purpose Obligations.

(c) Revenue Obligations may be issued which are Hybrid Obligations, if, to the extent such Hybrid Obligations will have a Senior Lien on a category of Revenues, the requirements of the Master Indenture, as to Additional Senior Lien Revenue Obligations, are met and, to the extent such Hybrid Obligations will have a Subordinate Lien on a category of Revenues, the requirements of the Master Indenture, as to Revenue Obligations issued on a Subordinate lien basis, are met. The Hybrid Obligations so issued will be treated as Subordinate Lien Obligations for purposes of the Master Indenture; provided such treatment will not be applicable if an Event of Default has occurred with respect to Revenue Obligations that have a parity Senior Lien on the same category of Revenues as the Senior Lien on the same category securing such Hybrid Obligations.

(d) Hybrid Obligations which have no liens on a category of Revenues and Other Airport Obligations (other than obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to the Master Indenture) may not be accelerated for purposes of being paid from Revenues and, upon an event described in the Master Indenture, as to insolvency or bankruptcy proceedings, or an Event of Default, may not be paid from Revenues until the owners of all Senior Lien Revenue Obligations, Subordinate Lien Obligations, and related Contracts have been paid in full.

Released Revenues; Securitizations. (a) A separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the Airport may be withdrawn from General Revenues or PFC Revenues, including for PFC Revenues amounts authorized to be charged and actually charged in excess of a particular dollar amount and thereafter treated as Released Revenues for all purposes, including the security for Released Revenue Obligations, if the following conditions are met:

(1) Filing of a report of an Independent Certified Public Accountant to the effect that historical Net General Revenues or Net PFC Revenues, determined without regard to the category of Revenues proposed to become Released Revenues, for the most recent audited Fiscal Year prior to the date of such report were equal to at least 125%, if General Revenues, and at least 125%, if PFC Revenues, of the Maximum Annual Debt Service Requirement on all General Revenue Obligations or PFC Revenue Obligations, respectively, which will be Outstanding after the category of Revenues becomes Released Revenues;

(2) Rating Agency confirmation that the ratings on the respective Outstanding General Revenue Bonds or PFC Revenue Bonds will not be reduced as a result of such withdrawal of Released Revenues;

(3) Filing of a written request of the Executive Director to release such category of Revenues, accompanied by a written certificate of the Finance Officer certifying the Authority is in compliance with all requirements of the Indenture; and

(4) Either the report described in (1) above will include statements to the effect that there is, or there will be filed a report of an Airport Consultant to the effect that there are, sufficient internal accounting and fiscal operations management practices in place at the Airport to provide an adequate basis for the additional accounting and related procedures required as a result of the release of revenues from General Revenues or PFC Revenues and the subsequent treatment thereof as Released Revenues.

(b) Upon compliance with subsection (a) above, Released Revenues may be sold, leased or loaned

to a related or unrelated Person in a securitization or other similar transaction wherein the Authority either receives the current estimated or present value calculated value of such Released Revenues or expects to receive a fee or other denominated amounts for the lease or loan of such Released Revenues.

Identified Revenues. A separable category of revenues, income, receipts and money relating to a definable service, facility or program of the Airport may be identified as Identified Revenues upon the filing of a written request therefor signed by the Executive Director and accompanied either by a report of an Independent Certified Public Accountant or a report of an Airport Consultant, in either case to the effect that there are sufficient internal accounting and fiscal operations management practices in place at the Airport to provide an adequate basis for the additional accounting and related procedures required as a result of the identification of a category of revenues and the subsequent treatment thereof as Identified Revenues. Thereafter such Identified Revenues will be segregated from other General Revenues and, for all purposes related to General Revenue Obligations prior to an Event of Default or a condition described in the Master Indenture, as to amounts in any subaccount of the Sinking Fund, will be used after all other available General Revenues.

Special Revenue Facilities. Facilities to be located at the Airport which are not yet under construction or acquired and, when constructed or acquired, will not result in a material reduction in Net General Revenues and will not be of such a type or design that the subsequent closing thereof will materially impair the general operation of the Airport may be designated by the Authority as “Special Purpose Facilities” by the filing of a certificate of the Executive Director with respect thereto.

Accession of Subordinate Lien Obligations and Related Contracts to Senior Lien Status. By proceedings authorizing Subordinate Lien Obligations or a lien permitted by the Master Indenture, the Authority may provide for the accession of such Subordinate Lien Obligations and related Contracts to the status of complete parity with any Senior Lien Revenue Obligations and related Contracts with a lien on the same category of Revenues if, as of the date of accession, the conditions of the Master Indenture are satisfied, on a basis that includes all Outstanding Senior Lien Revenue Obligations with a lien on the same category of Revenues and such Subordinate Lien Obligations, and if on the date of accession:

(a) The subaccount of the Debt Service Reserve Account, if any, relating to the Senior Lien Revenue Obligations contains an amount equal to the Debt Service Reserve Requirement computed on a basis that includes all Outstanding Senior Lien Revenue Obligations with a lien on the same category of Revenues and such Subordinate Lien Obligations; and

(b) The subaccounts of the Interest Subaccount, the Principal Subaccount, the Hedge Payments Subaccount, the Contract Payments Subaccount and the Loan Repayment Subaccount contain the amounts which would have been required to be accumulated therein on the date of accession if the Subordinate Lien Obligations had originally been issued as Senior Lien Revenue Obligations with a lien on the same category of Revenues.

Credit Facilities and Hedge Agreements. (a) In connection with the issuance of any Revenue Obligations, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Revenue Obligations, providing for the purchase of such Revenue Obligations by the Credit Issuer, or providing funds for the purchase of such Revenue Obligations by the Authority. In connection therewith the Authority will enter into Credit Facility Agreements with such Credit Issuers providing for, among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Revenue Obligations affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The Authority may secure any Credit Facility by an agreement providing for the purchase of the Revenue Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the Authority in the applicable Supplemental Indenture. The Authority may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation will be created for purposes of the

Indenture until amounts are paid under such Credit Facility. Any such Reimbursement Obligation will be deemed to be a part of the Revenue Obligations to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to principal and interest payments with respect to such Revenue Obligations will include principal and interest (except for Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Revenue Obligations, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Revenue Obligations with the Credit Facility. Any such Credit Facility will be for the benefit of and secure such Revenue Obligations or portion thereof as specified in the applicable Supplemental Indenture. Notwithstanding the other provisions hereof, the Authority's obligations under a Credit Facility which requires the Credit Issuer to make all interest payments due on the Revenue Obligations may be secured to the extent of such amounts by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the Master Indenture to secure the related Revenue Obligations, or may be wholly or partially subordinate in lien and right of payment to the payment of the Revenue Obligations, as determined by the Authority.

(b) In connection with the issuance of any Revenue Obligations or at any time thereafter so long as such Bonds remain Outstanding, the Authority may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Revenue Obligations. The Authority will authorize the execution, delivery, and performance of each Qualified Hedge Agreement in a Supplemental Indenture, in which it will designate the related Hedged Obligations. The Authority's obligation to pay Hedge Payments on a Qualified Hedge Agreement may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the Master Indenture to secure the related Hedged Obligations, or may be wholly or partially subordinate in lien and right of payment to the payment of the Revenue Obligations, as determined by the Authority.

Other Obligations. The Authority expressly reserves the right, at any time, to enter into one or more other bond indentures and reserves the right, at any time, to issue any other obligations not secured by the amounts pledged under the Indenture.

Rate Covenant. The Authority will continuously own, control, operate, and maintain the Airport in an efficient and economical manner and on a revenue producing basis and will at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the Airport fully sufficient at all times:

(a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor; and

(b) such that Net Revenues for General Revenues in each Fiscal Year:

(1) will equal at least 125% of the Debt Service Requirement on all Revenue Obligations secured by General Revenues then Outstanding for the Sinking Fund Year ending on the next July 1 and, for other categories of Revenues, such percentages that may be established pursuant to a Supplemental Indenture;

(2) will enable the Authority to make all required payments, if any, into the Debt Service Reserve Account and the Rebate Fund and on any Contract or Other Airport Obligation;

(3) will enable the Authority to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the Airport, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the Airport; and

(4) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Indenture from prior Fiscal Years;

provided the Master Indenture will not be construed as requiring the Airport to impose passenger facility charges in excess of amounts permitted pursuant to the PFC Act.

If the Authority fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of the Master Indenture in any Fiscal Year, but the Authority in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there will be no Event of Default as described in the Master Indenture, as to failure by the Authority to perform any of the covenants, conditions, agreement, and provisions contained in the Senior Lien Revenue Obligations or in the Master Indenture, until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

The rates, fees, and other charges will be classified in a reasonable manner to cover users of the services and facilities furnished by the Airport so that, as nearly as practicable, such rates, fees, and other charges will be uniform in application to all users falling within any reasonable class.

Maintenance of the Airport in Good Condition. The Authority covenants that it has and will continue to enforce reasonable rules and regulations governing the Airport and the operation thereof, that all compensation, salaries, fees, and wages paid by it in connection with the operation, maintenance, and repair of the Airport will be reasonable, that it will operate the Airport in an efficient and economical manner and will at all times maintain the Airport in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the Airport, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the Airport and the Authority's operation thereof. The Authority will not take, or allow any person to take, any action which would cause the Administrator of the Federal Aviation Administration, Department of Transportation, or any successor to the powers and authority of such Administrator, to suspend or revoke the Airport's operating certificates issued under the Federal Aviation Act of 1958, or any successor statute.

Insurance. With respect to the Airport, the Authority will carry adequate public liability, fidelity, and property insurance, such as is maintained by similar airports as the Airport.

The Authority will indemnify itself against the usual hazards incident to the construction of any Project, and without in any way limiting the generality of the above, will: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of the Authority from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies will be for the benefit of and made payable to the Authority and will be on deposit with the Authority; provided, however, the Authority may elect to be a self-insurer with respect to any risks for which insurance is required under the Master Indenture. The cost of such insurance may be paid as an Operating Expense.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the Authority as security for the Revenue Obligations until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Extension

Fund. Adequate provision for making good such loss and damage will be made within 120 days from the date of the loss. Insurance proceeds not used in making such provision will be deposited in the Renewal and Extension Fund on the expiration of such 120-day period. Such insurance proceeds will be payable to the Authority by appropriate clause to be attached to or inserted in the policies.

No Sale, Lease, or Encumbrance; Exceptions. Except as expressly permitted in this section or elsewhere in the Master Indenture, the Authority irrevocably covenants, binds, and obligates itself not to sell, lease, encumber, or in any manner dispose of the Airport as a whole or in part until all of the Revenue Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Master Indenture.

The Authority shall have and hereby reserves the right to sell, lease, or otherwise dispose of any of the property comprising a part of the Airport in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the Airport; (ii) such property is not useful in the operation of the Airport; (iii) such property is not profitable in the operation of the Airport; or (iv) the disposition of such property will be advantageous to the Airport and will not adversely affect the security for the holders of the Revenue Obligations. All proceeds of any such sale or disposition received by the Authority shall be deposited in the Revenue Fund unless the Authority directs amounts be deposited in the Renewal and Extension Fund or the Authority is required to deliver such amounts to another Person.

The Authority reserves the right to sell any portion of the Airport to any political subdivision or authority or agency of one or more political subdivisions of the State, provided that there shall be first obtained: (i) an opinion of Bond Counsel to the effect that such sale will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) an opinion of an Airport Consultant expressing the view that such sale will not result in any diminution of Net Revenues to the extent that in any future Fiscal Year the Net Revenues will be less than 100% of the annual Debt Service Requirement on all Senior Lien Revenue Obligations to be Outstanding after such transfer with a lien on any category of Revenues, in the then current and each succeeding Fiscal Year. In reaching this conclusion, the Airport Consultant shall take into consideration such factors as the Airport Consultant may deem significant, including (i) anticipated diminution of Revenues, (ii) anticipated increase or decrease in Operating Expenses attributable to the sale, and (iii) reduction in the annual Debt Service Requirement attributable to the application of the sale proceeds to the provision for payment of Revenue Obligations theretofore Outstanding. All proceeds of any such sale or disposition received by the Authority shall be deposited in the Revenue Fund unless the Authority directs amounts be deposited in the Renewal and Extension Fund or the Authority is required to deliver such amounts to another Person.

The Authority reserves the right to transfer the Airport as a whole to any political subdivision or authority or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the Airport, or any portion thereof, on behalf of the public, and which undertakes in writing the Authority's obligations under the Indenture, provided that there shall be first obtained: (i) an opinion of Bond Counsel to the effect that such sale will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) an opinion of a Airport Consultant expressing the view that such transfer will not result in any diminution of Net Revenues to the extent that in any future Fiscal Year the Net Revenues will be less than 100% of the average annual Debt Service Requirement on all Senior Lien Revenue Obligations to be Outstanding after such transfer with a lien on any category of Revenues, in the then current and each succeeding Fiscal Year. In reaching this conclusion, the Airport Consultant shall take into consideration such factors as the Airport Consultant may deem significant, including any rate revision to be imposed by the transferee political subdivision, authority, or agency.

No Impairment of Rights. The Authority will not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the holders of any Revenue Obligations.

Satisfaction of Liens. The Authority will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges, if any, lawfully imposed upon the Airport or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials, or supplies which if unpaid might by law become a lien or charge upon the Airport or the Pledged Revenues or any part thereof or which might impair the security of the Revenue Obligations, except when the Authority in good faith contests its liability to pay the same.

Enforcement of Charges and Connections. The Authority will compel the prompt payment of rates, fees, and charges imposed for service connected with the Airport, and to that end will vigorously enforce all of the provisions of any Indenture or resolution of the Authority having to do with the same, and all of the rights and remedies permitted the Authority under law. The Authority by the Master Indenture expressly covenants and agrees that such charges will be enforced and promptly collected to the full extent permitted by law.

Payments. All payments falling due on the Revenue Obligations and related Contracts will be made by the Authority from the Pledged Revenues or, at the Authority's option, other legally available revenues to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar and any Paying Agent will be paid by the Authority when due.

No Loss of Lien on Revenues. The Authority will not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Indenture on the Pledged Revenues or any part thereof might or could be lost or impaired.

Annual Budget. Before the start of each Fiscal Year, the Authority agrees to adopt an Annual Budget for the Airport for such Fiscal Year in compliance with the rate covenant as stated in the Master Indenture. The Annual Budget and the annual audit of the Airport will make distinctions among different categories of Revenues to comply with, and evidence compliance with, the provisions of the Indenture.

Definition of Events of Default. An "Event of Default" means the occurrence of any one or more of the following:

- (a) a failure to pay the principal or redemption price of any Senior Lien Revenue Obligation when the same will become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) a failure to pay any installment of interest on any Senior Lien Revenue Obligation when and as such installment of interest will become due and payable; or
- (c) a default is made by the Authority in the performance of any obligation in respect to any subaccount in the Debt Service Reserve Account relating to Senior Lien Revenue Obligations and such default continues for 30 days thereafter; or
- (d) a court of competent jurisdiction enters an order, judgment, or decree appointing a receiver of the Airport or any of the funds or accounts established in the Master Indenture, or approving a petition seeking reorganization of the Authority under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, and such order, judgment, or decree is not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or
- (e) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of any of the funds or accounts established in the Master Indenture, and such custody or control is not terminated or stayed within 60 days from the date of assumption of such custody or control; or
- (f) the Authority fails to perform any of the other covenants, conditions, agreements, and provisions contained in the Senior Lien Revenue Obligations or in the Indenture on the part of the Authority to

be performed, and such failure continues for 90 days after written notice specifying such failure and requiring it to be remedied has been given to the Authority by the owners of not less than, or a Credit Issuer securing not less than, 25% in aggregate principal amount of the Senior Lien Revenue Obligations; provided, however, if the failure stated in such notice can be corrected, but not within such 90 day period, the Authority has 180 days after such written notice to cure such default if corrective action is instituted by the Authority within such 90 day period and diligently pursued until the failure is corrected; or

(g) an Event of Default under any Supplemental Indenture relating to Senior Lien Revenue Obligations occurs; or

(h) a failure by any Credit Issuer to pay the purchase price of Senior Lien Revenue Obligations under any Credit Facility then in effect; or

(i) the issuance to the Authority by a Credit Issuer of written notice stating that an “Event of Default” has occurred under any Credit Facility Agreement relating to Senior Lien Revenue Obligations; or

(j) the issuance to the Authority by a Qualified Hedge Provider of written notice stating that an “Event of Default” has occurred under any Hedge Agreement;

provided if the Event of Default relates solely to Revenue Obligations related to a particular category of Revenues and no other event has occurred which, with the lapse of time or the delivery of notice or both, could become an Event of Default with respect to any other Revenue Obligations then Outstanding, such Event of Default will be deemed to apply solely to the related Revenue Obligations and Contracts and the provisions of the Indenture will otherwise remain in full force and effect with respect to all other Revenue Obligations and related Contracts.

Remedies. (a) Upon the happening and continuance of any Event of Default specified in the Master Indenture, the Trustee may and, upon the written declaration of the owners of more than 50% in aggregate principal amount of all Senior Lien Revenue Obligations then Outstanding affected thereby or upon the written demand of a Credit Issuer securing more than 50% in aggregate principal amount of the Senior Lien Revenue Obligations then Outstanding affected thereby, will, declare that the principal of all Senior Lien Revenue Obligations then Outstanding affected thereby become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on such Senior Lien Revenue Obligations will cease to accrue after the date of such acceleration, anything in the Indenture or in the Senior Lien Revenue Obligations to the contrary notwithstanding.

Upon any declaration of acceleration under the Indenture, the Authority will immediately draw under the applicable Credit Facility to the extent permitted by the terms thereof that amount which, together with other amounts on deposit under the Indenture, will be sufficient to pay the principal of and accrued interest on the related Senior Lien Revenue Obligations so accelerated.

The above provisions, however, are subject to the condition that if, after the principal of the Senior Lien Revenue Obligations has been so accelerated, all arrears of interest upon such Senior Lien Revenue Obligations, and interest on overdue installments of interest at the rate on such Senior Lien Revenue Obligations, has been paid by the Authority, the principal of such Senior Lien Revenue Obligations which has matured (except the principal of any Senior Lien Revenue Obligations not then due by their terms except as provided above) have been paid, and the Authority also has performed all other things in respect to which it may have been in default under the Indenture, and the Credit Issuer has reinstated the Credit Facility in the full amount available to be drawn thereunder by written notice to the Authority, then, in every such case, the owners of more than 50% in aggregate principal amount of all Senior Lien Revenue Obligations then Outstanding by written notice to the Authority, may waive such default and its consequences and such waiver will be binding upon the Authority and upon all owners of the Revenue Obligations; but no such waiver will extend to or affect any subsequent default or impair any right or remedy consequent thereon. Notwithstanding the foregoing, as long as the applicable

Credit Issuer will not then continue to dishonor draws under the Credit Facility, no Event of Default with respect to the related Senior Lien Revenue Obligations may be waived without the express written consent of such Credit Issuer.

(b) Upon the happening and continuance of any Event of Default, any owner of Senior Lien Revenue Obligations then Outstanding affected by the Event of Default or a duly authorized agent for such owner may proceed to protect and enforce its rights and the rights of the owners of Senior Lien Revenue Obligations by such of the following remedies as it will deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the owners of Senior Lien Revenue Obligations, including the right to require the appointment of a receiver for the Airport or to exercise any other right or remedy provided by the Acts and to require the Authority to perform any other covenant or agreement contained in the Indenture and to perform its duties under the Acts;
- (2) by bringing suit upon the Senior Lien Revenue Obligations;
- (3) by action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the owners of the Senior Lien Revenue Obligations;
- (4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Senior Lien Revenue Obligations; or
- (5) by pursuing any other available remedy at law or in equity or by statute.

In the enforcement of any remedy under the Indenture, owners of Senior Lien Revenue Obligations will be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal, redemption premium, interest, or otherwise, under any provision of the Indenture or of the Senior Lien Revenue Obligations, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Senior Lien Revenue Obligations, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Senior Lien Revenue Obligations, without prejudice to any other right or remedy of the owners of Senior Lien Revenue Obligations, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Remedies Cumulative. No remedy conferred upon or reserved to the holders of any Revenue Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Waiver of Default. No delay or omission of any holders of any Revenue Obligations to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default, or an acquiescence therein, and every power and remedy given by the Indenture to the holders of any Revenue Obligations may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys After Default. If an Event of Default occurs and will not have been remedied, the Authority or a receiver appointed for the purpose will apply all Pledged Revenues as follows and in the following order of priority (subject to the Master Indenture):

- (a) Expenses of the Trustee, Receiver, Paying Agent and Bond Registrar - to the payment of the reasonable and proper charges, expenses, and liabilities of the Trustee or receiver and the Paying Agent and

Bond Registrar under the Indenture with the amounts payable under this (a), if related to a particular series and therefore to a particular category of Revenues, first from such category and second from other categories of Revenues in amounts as determined by the Trustee or receiver or the Paying Agent, and if not so related to a particular series or category of Revenues, then from all Revenues as determined by the Trustee or receiver or the Paying Agent;

(b) Operating Expenses and Renewals and Replacements - then, within each category of Revenues, to the payment of all reasonable and necessary related Operating Expenses and major renewals and replacements to the related facilities at the Airport;

(c) Principal or redemption price, interest and payments on related Contracts - then, within each category of Revenues, to the payment of the interest and principal or redemption price then due on the related Senior Lien Revenue Obligations and payments under related Contracts, as follows:

(1) Unless the principal of all the Senior Lien Revenue Obligations related to such category of Revenues will have become due and payable, all such moneys will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest then due on the Senior Lien Revenue Obligations, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Lien Revenue Obligations with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Senior Lien Revenue Obligations bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such interest, the moneys in the Debt Service Reserve Account will be applied (to the extent necessary) to the payment of all interest falling due on the dates upon which such interest is payable to and including the date six months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account plus any other moneys available in the Interest Subaccount will be set aside for the payment of interest on Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to interest on the same dates) pro rata among Senior Lien Revenue Obligations of the various classes on a daily basis so that there will accrue to each owner of a Senior Lien Revenue Obligation throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Lien Revenue Obligation as will so accrue to every other owner of a Senior Lien Revenue Obligation during such Fiscal Year. As to any Compound Interest Bond which is a Senior Lien Revenue Obligation, such interest will accrue on the Accreted Value of such Senior Lien Revenue Obligations and be set aside on a daily basis until the next compounding date for such Senior Lien Revenue Obligations, whereupon it will be paid to the owner of such Senior Lien Revenue Obligation as interest on a defaulted obligation and only the unpaid portion of such interest (if any) will be treated as principal of such Senior Lien Revenue Obligation.

second: to interest portions of Reimbursement Obligations related to Senior Lien Revenue Obligations pursuant to the terms of the related Contracts.

third: to the payment to the persons entitled thereto of the unpaid principal of any of the Senior Lien Revenue Obligations which will have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Lien Revenue Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture), in the order of their due dates, with interest upon such Senior Lien Revenue Obligations from the respective dates upon which they became due, and, if the amount available

will not be sufficient to pay in full Senior Lien Revenue Obligations due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Lien Revenue Obligations mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such principal falling due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph first above will be applied to the extent necessary to the payment of all principal falling due prior to the date 12 months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available in the Principal Subaccount will be set aside for the payment of principal of Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to principal on the same date) pro rata among Senior Lien Revenue Obligations of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total principal payable on each such Senior Lien Revenue Obligation as will be equal among all classes of Senior Lien Revenue Obligations maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Compound Interest Bond which is a Senior Lien Revenue Obligation (except for interest which will have been paid under paragraph first) will be treated as principal for purposes of this paragraph third.

fourth: to the payment of the principal portions of Reimbursement Obligations related to Senior Lien Revenue Obligations pursuant to the terms of the related Contracts.

fifth: to the payment of the redemption premium on and the principal of any Senior Lien Revenue Obligations called for optional redemption pursuant to their terms.

sixth: to the payment of all other amounts then due on Contracts related to Senior Lien Revenue Obligations.

(2) If the principal of all the Senior Lien Revenue Obligations becomes due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Senior Lien Revenue Obligations, with interest thereon as aforesaid, and due and unpaid payments under related Contracts (excluding termination payments), without preference or priority of principal over interest or payments on Contracts or of interest over principal or payments on Contracts or of payments on Contracts over principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Lien Revenue Obligation over any other Senior Lien Revenue Obligations, or of any such payment under a Contract over any other such payment under a Contract, ratably, according to the amounts due respectively for principal, interest, and payments under Contracts, to the persons entitled thereto without any discrimination or preference.

(d) If a series of Senior Lien Revenue Obligations has a Senior Lien on more than one category of Revenues, payments will be made thereto under (c) pro rata as to the number of Senior Liens; provided if after such payments amounts are owed on such Senior Lien Revenue Obligations and amounts are remaining hereunder, payments thereon will be made from any category of Revenues as to which such series has a Senior Lien. If any amounts remain after payment under (c), further payments will be made with respect to all Subordinate Lien Obligations and Hybrid Obligations (to the extent not already paid) upon the same order and priority as used for Senior Lien Revenue Obligations under (c) within lien classifications as provided in the related Supplemental Indentures.

Notwithstanding anything else in the Master Indenture to the contrary, payments made pursuant to (b), (c) and (d) will be made by category of Revenues to related Revenue Obligations such that:

(i) Amounts traceable to General Revenues including Identified Revenues are used only for General Revenue Obligations and related Contracts until, and unless, all such amounts are paid, after which any amounts traceable to Identified Revenues may be used to pay Identified Revenue Obligations and related Contracts;

(ii) Amounts traceable to PFC Revenues are used only for PFC Revenue Obligations and related Contracts;

(iii) Amounts traceable to Released Revenues are used only for Released Revenue Obligations and related Contracts or otherwise as permitted by the Master Indenture; and

(iv) Amounts not traceable to particular categories of Revenues will be used first as General Revenues for purposes of this section, then as PFC Revenues, then as Identified Revenues, then as Released PFC Revenues, then as other Released Revenues, and then as Special Purpose Revenues.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Revenue Obligations may be enforced by the Trustee without the possession of any of the Revenue Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Revenue Obligations.

Control of Proceedings. (a) If an Event of Default with respect to a Revenue Obligation related to a particular category of Revenues has occurred and is continuing, the Holders of a majority in aggregate principal amount of Revenue Obligations of such category then Outstanding will have the right, at any time, by any instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Revenue Obligations or assets solely securing such Revenue in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of Holders of Revenue Obligations secured by such category of Revenues not joining in such direction and provided further that nothing in this Section will impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Holders.

(b) If an Event of Default with respect to all Revenue Obligations secured by a category of Revenues has occurred and is continuing, the Holders of a majority in aggregate principal amount of such Revenue Obligations then Outstanding will have the right, at any time, by any instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to the applicable Revenues or other assets securing such Revenue Obligations in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of Holders not joining in such direction and provided further that nothing in this Section will impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper in accordance with the Indenture and which is not inconsistent with such direction by Holders.

Individual Bondholder Action Restricted. (a) No holder of any Revenue Obligation will have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) an Event of Default has occurred under the Master Indenture of which the Trustee is deemed to have notice;

(ii) the Holders of at least 25% in aggregate principal amount of Revenue Obligations secured by the applicable category of Revenues then Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceeding in its own name;

(iii) such Holder has offered the Trustee indemnity as provided in the Master Indenture;

(iv) the Trustee has failed or refused to exercise the powers in the Master Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity; and

(v) during such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a majority in aggregate principal amount of Revenue Obligations secured by the applicable category of Revenues then Outstanding in accordance with the Master Indenture.

(b) No one or more Holders of Revenue Obligations will have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner in the Master Indenture provided and for the equal benefit of the Holders of all Revenue Obligations then Outstanding.

(c) Nothing contained in the Master Indenture will affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Revenue Obligations to the extent provided for in the Master Indenture.

Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to the Bondholders, then the Authority, the Trustee and the Bondholders will be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders will continue as if no such proceeding had been taken.

Limitation on Remedies. It is the purpose and intention of the Master Indenture to provide rights and remedies to the Trustee and Bondholders which lawfully may be granted under the provisions of the Act, but should any right or remedy granted in the Master Indenture be held to be unlawful, the Trustee and the Bondholders will be entitled as above set forth, to every other right and remedy provided in the Indenture and by law.

Provision for Payment. Except as otherwise set forth in the Supplemental Indenture authorizing Revenue Obligations, the Revenue Obligations for the payment, prepayment or redemption of which sufficient moneys or sufficient Government Obligations has been deposited with the Paying Agent or the Depository of the Sinking Fund (whether upon or prior to the maturity or the redemption date of such Revenue Obligations) will be deemed to be paid and no longer Outstanding under the Indenture; provided, however, that if such Revenue Obligations are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given as provided in the Master Indenture or firm and irrevocable arrangements have been made for the giving of such notice. Government Obligations will be considered sufficient for purposes of the Master Indenture only: (i) if such Government Obligations are not callable by the issuer of the Government Obligations prior to their stated maturity, and (ii) if such Government Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Government Obligations are redeemed by the Authority pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption

premiums, if any, when due on the Revenue Obligations without rendering the interest on any Tax-Exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

The Authority may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Indenture which the Authority may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Release of Pledge. If all Revenue Obligations and obligations secured by a lien on a category of Revenues have been paid or provision for payment thereof made pursuant to the Master Indenture and related Supplemental Indenture, then at the option of the Authority the terms and provisions of the Indenture relating solely to such category of Revenues may be determined as void and of no further force or effect; provided the other terms and provisions of the Indenture will remain in effect until the election of the Authority after payment or provision for payment of all Revenue Obligations and obligations secured by a lien created pursuant to the Indenture on any Revenues.

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority, from time to time and at any time, subject to the conditions and restrictions in the Indenture, may adopt one or more Supplemental Indentures which thereafter will form a part of the Indenture, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in the Indenture to or conferred upon the Authority (including but not limited to the right to issue Additional Obligations);

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

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

(d) to evidence the appointment of successors to any Depositories, Paying Agent(s), or Bond Registrar(s);

(e) to modify, amend, or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Indenture such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(f) to make any modification or amendment of the Indenture required in order to make any Revenue Obligations eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Revenue Obligations or interests therein in book-entry form;

(g) to modify any of the provisions of the Indenture in any respect if such modification will not become effective until after all the Revenue Obligations Outstanding immediately prior to the effective date of such Supplemental Indenture will cease to be Outstanding and if any Revenue Obligations issued contemporaneously with or after the effective date of such Supplemental Indenture will contain a specific reference to the modifications contained in such subsequent proceedings;

(h) to modify the provisions of the Indenture with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project or to revise, enlarge or reduce the definition or description of any particular Project;

(i) to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

(j) to modify the Indenture to permit the qualification of any Revenue Obligations for offer or sale under the securities laws of any state in the United States of America;

(k) to modify the Indenture in connection with the issuance of Additional Obligations or Subordinate Lien Obligations permitted to be issued under the Indenture prior to such modification, and such modification may deal with any subjects and make any provisions relating to the Additional Obligations or Subordinate Lien Obligations which the Authority deems necessary or desirable for that purpose;

(l) to make such modifications in the provisions of the Indenture as may be deemed necessary by the Authority to accommodate the issuance of Revenue Obligations which (i) are Compound Interest Bonds (including, but not limited to, provisions for determining the Debt Service Requirement for such Compound Interest Bonds and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate;

(m) to make such modifications in the provisions of the Indenture as may be deemed necessary for the Authority to accommodate the issuance of PFC Revenue Obligations; provided such Supplemental Indenture takes effect not later than the first issuance of PFC Revenue Obligations; and

(n) to modify any of the provisions of the Indenture in any respect (other than a modification of the type described in the Master Indenture requiring the unanimous written consent of the holders); provided that (i) for any Outstanding Revenue Obligations which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency gives written notification to the Authority that such modification will not cause the then applicable Rating on any Revenue Obligations to be reduced or withdrawn, and (ii) for any Outstanding Revenue Obligations which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer consents in writing to such modification.

Any Supplemental Indenture authorized by the Master Indenture may be adopted by the Authority without the consent of or notice to the owners of any of the Revenue Obligations (except as otherwise set forth in such Supplemental Indenture) at the time Outstanding, notwithstanding any of the provisions of the Master Indenture. Any such Supplemental Indenture of the Authority may modify the provisions of the Indenture in such a manner, and to such extent and containing such provisions, as the Authority may deem necessary or desirable to effect any of the purposes stated above. As used in this Section, the term “modify” means “modify, amend, or supplement” and the term “modification” means “modification, amendment, or supplement.” Modifications to any Loan Agreement will also be made only in conformance with any additional provisions required by such Loan Agreement.

The provisions of the Master Indenture will be interpreted by category of Revenues such that each provision of any Supplemental Indenture will be reviewed for compliance therewith upon its effect on the Revenue Obligations secured by the related category of Revenues and whether the consent of any holders, of a majority of holders of a certain category of Revenue Obligations or the consent of all such holders will be determined with respect to each category of Revenues. Supplemental Indentures may be adopted containing provisions which (1) do not require the consents of any holders, (2) require the consents of some but not all holders of Revenue Obligations related to a category of Revenues, (3) require the consents of some but not all holders of Revenue Obligations related to several categories of Revenues, (4) require the consents of all holders of Revenue Obligations related to a category of Revenues, (5) require the consents of all holders of Revenue Obligations, or (6) are covered in a combination of some or all of (1) through (5).

Supplemental Indentures Requiring Consent of Holders of Revenue Obligations. With the consent (evidenced as provided in the Master Indenture) of the owners of not less than a majority in aggregate principal

amount of the Outstanding Revenue Obligations of each class (senior and subordinate), voting separately by class, of each series of Revenue Obligations related to an affected category of Revenues or related Revenue Obligations, the Authority may from time to time and at any time adopt a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture will: (a) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Revenue Obligations Outstanding under the Indenture; (b) reduce or extend the time for payment of principal of, redemption premium, or interest on any Revenue Obligations Outstanding under the Indenture; (c) reduce any premium payable upon the redemption of any Revenue Obligation under the Indenture or advance the date upon which any Revenue Obligation may first be called for redemption prior to its stated maturity date; (d) give to any Revenue Obligation or Revenue Obligations (or related Contracts) a preference over any other Revenue Obligation or Revenue Obligations (or related Contracts) not already permitted by the Indenture; (e) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Indenture for the Senior Lien Revenue Obligations; (f) reduce the percentage of owners of either class of Revenue Obligations required to approve any such Supplemental Indenture; or (g) deprive the owners of the Revenue Obligations of the right to payment of the Revenue Obligations or from the Pledged Revenues, without, in each case, the consent of the owners of all the Revenue Obligations then Outstanding of the category of Revenue Obligations affected thereby. No amendment may be made under the Master Indenture which affects the rights or duties of any Credit Issuer securing any of the Bonds or any Qualified Hedge Provider under any Hedge Agreement without its written consent. The provisions of this paragraph will be strictly construed such that Supplemental Indentures requiring the consents of owners of Revenue Obligations will be limited to those clearly falling within one of the enumerated categories.

If the Authority intends to enter into or adopt any Supplemental Indenture as described in the Master Indenture, the Authority will mail, by registered or certified mail, to the registered owners of the Revenue Obligations at their addresses as shown on the Bond Register and the holders or assignees of such holders of any Loan Agreement, a notice of such intention along with a description of such Supplemental Indenture not less than 30 days prior to the proposed effective date of such Supplemental Indenture. The consents of the registered owners of the Revenue Obligations and the holders or assignees of such holders of any Loan Agreement need not approve the particular form of wording of the proposed Supplemental Indenture, but it will be sufficient if such consents approve the substance thereof. Failure of the owner of any Revenue Obligations and the holders or assignees of such holders of any Loan Agreement to receive the notice required in the Indenture will not affect the validity of any Supplemental Indenture if the required number of owners of the Revenue Obligations and the holders or assignees of such holders of any Loan Agreement of each class will provide their written consent to such Supplemental Indenture. Modifications to any Loan Agreement will also be made in conformance with any additional provisions required by such Loan Agreement.

Notwithstanding any provision of the Indenture to the contrary, upon the issuance of a Credit Facility to secure any Revenue Obligations and for the period in which such Credit Facility is outstanding, the Credit Issuer may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Indenture, to the extent provided in the applicable Supplemental Indenture. Notwithstanding the foregoing, if a Credit Issuer is granted the consent rights of the owners of any Revenue Obligations in a Supplemental Indenture and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Revenue Obligations secured by the related Credit Facility may exercise such consent rights.

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APPENDIX E

**SUMMARY OF CERTAIN PROVISIONS OF AIRLINE
USE AND LEASE AGREEMENT**

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Set forth herein are definitions and summaries of certain terms in the Airline Use and Lease Agreement between the Authority and Scheduled Air Carriers operating at Norfolk International Airport. This summary is not complete and reference is made to the documents themselves, copies of which may be obtained from the Authority for a complete statement of the rights, duties and obligations of the parties thereto.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms included in the Airline Use and Lease Agreement:

“Affiliate” shall mean any air transportation company that is (i) a parent or subsidiary of Airline, (ii) shares an International Air Transport Association (IATA) flight designator code with Airline at the Airport (Code-Sharing Partner), or (iii) otherwise operates under essentially the same trade name as Airline at the Airport and uses essentially the same livery as Airline; provided that no major airline, as such term is defined by the FAA, shall be classified as an Affiliate of another major airline, unless either clause (i) or (iii) above defines the relationship between such airlines at the Airport.

“Agreement” means the Airline Use and Lease Agreement between Authority and each Signatory Airline, as the same may be amended or supplemented from time to time.

“Air Transportation Business” means the business operated by the Airline at the Airport for commercial transportation by air of persons, property, mail and/or cargo.

“Air Transportation Company” means a company engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property, mail, and/or cargo.

“Airline” means the Scheduled Air Carrier executing an individual Agreement.

“Airline’s Share of Surplus Revenue” means the amount, if any, calculated as a credit to the Signatory Airlines and Affiliates in accordance with the provisions of Exhibit E to the Agreement.

“Amortization Requirements” means the recovery or repayment of capital costs, excluding any amounts funded with PFCs or federal, state, or local grants, in substantially equal annual installments for a Capital Expenditure that is not debt financed. The amortization charge, if any, for each such expenditure shall be computed using the useful life of the Capital Expenditure as the amortization period, an interest component equal to the Thirty-Year Revenue Bond Index, published by the “Bond Buyer,” (except that no interest component shall apply to Capital Expenditures funded with Revenues from any Air Transportation Company) and the date as the first day of the Fiscal Year after said Capital Expenditure is placed in service. In no event shall the total Amortization Requirements for a Fiscal Year for all Airline-supported Cost Centers exceed Two Million Dollars (\$2,000,000), net of direct rental reimbursements for amortization of new facilities.

“Capital Expenditure” means an expenditure made to acquire, purchase or construct a single capital item or project for the purpose(s) of improving, maintaining or developing the Airport and shall include expenses incurred for development, study, analysis, review or planning efforts. For the purposes of the Agreement, a Capital Expenditure shall be One Hundred Thousand Dollars (\$100,000) or more in net cost after application of any applicable federal, state and local grants or PFC funds for such Capital Expenditure and subject to annual adjustment in accordance with the Cost Increase Factor.

“City Airport Assessment” means that sum approved by the Authority to be paid to the City in accordance with an agreement between these two parties dated as of January 18, 2000 and the settlement

agreement dated March 23, 1999 between the City and certain airlines, or any successor agreements containing substantially similar terms. The calculation of such sum shall be in the manner set forth in said agreements.

“Code Share Airline” means an Air Transportation Company providing regularly scheduled air service under a common airline code with a Signatory Airline.

“Cost Centers” shall mean those areas or functional activities set forth in Exhibit B to the Agreement.

“Debt Service” means the amount required for the accrual and payment of principal, interest on, and premium, if any, and other fees associated with all series of Bonds and Subordinated Indebtedness.

“Debt Service Reserve Fund” means any funds established by the Authority for monies necessary to satisfy any Debt Service Reserve Requirement of any Resolution or other financing document.

“Debt Service Reserve Requirement” means the requirement, if any, for the Debt Service Reserve Funds for all series of Bonds, Subordinated Indebtedness, and Other Indebtedness.

“Gate” means an aircraft loading position at the Airport, including the associated passenger loading bridge, the passenger holdroom and the stairway between the passenger holdroom and the apron.

“Operation and Maintenance Expenses or O&M Expenses” means expenses paid or accrued by the Authority for operation, maintenance, administration and ordinary current repairs to maintain and operate the Airport in a reasonable and prudent manner. O&M Expenses do not include: (i) the principal of, the premium, if any, or interest payable on any notes, bonds or indebtedness for borrowed money, including capital leases and the purchase price for any such obligations purchased pursuant to tender or otherwise: (ii) any allowance for amortization or depreciation, (iii) any other expenses for which the Authority is paid or reimbursed from any source and which is not includable as Revenues: (iv) any extraordinary items arising from early extinguishment of debt: (v) the City Airport Assessment: and (vi) Capital Expenditures.

“Operation and Maintenance Reserve Requirement” means the reserve maintained to pay not less than three (3) months of budgeted O&M Expenses.

“Other Debt Service” means the amount required during any period for the payment of principal of, interest and premium on, and other fees and amounts associated with Other Indebtedness of the Authority.

“Other Indebtedness” means any obligation incurred by the Authority to fund a Capital Expenditure which is neither Bonds nor Subordinated Indebtedness.

“Resolution” means any ordinance, resolution, indenture or other instrument authorizing the issuance of, and providing security for Bonds, Subordinated Indebtedness or Other Indebtedness.

“Revenues” means income accrued by the Authority, including investment earnings, from operations, leasing or use of the Airport as further defined in any Resolution or other financing document of the Authority (but not including PFC’s, federal, state or local grants, nor investment earnings on these funds).

“Scheduled Air Carrier” means any Air Transportation Company performing or desiring to perform pursuant to published schedules, commercial air transportation services over specified routes to and from

the Airport and holding the necessary authority from the appropriate federal or state agencies to provide such transportation.

“Signatory Airline” means a Scheduled Air Carrier which: (1) has an agreement with Authority substantially similar to the Agreement and which, operates a minimum of four (4) scheduled domestic flights a week, and leases from the Authority at a minimum one (1) Gate and associated operations space; or (2) has an agreement with Authority substantially similar to the Agreement and operates two (2) scheduled international flights a week. “Signatory Airline” shall also mean any Affiliate as long as it is accommodated by a Signatory Airline.

“Subordinated Indebtedness” means any bonds or other financing instrument or obligation having a lien on Revenues subordinate only to Bonds.

Additional words, and phrases used in the Agreement but not defined therein shall have the meaning set forth in the Indenture, a Resolution(s), or other financing document(s) of the Authority, or, if not so set forth, shall have their usual and customary meaning.

THE AIRLINE USE AND LEASE AGREEMENT

Term

Each Agreement became effective July 1, 2013, and, upon reaching its stated expiration date of June 30, 2018, was amended to extend its term through June 30, 2021, unless sooner terminated. Each Agreement shall be automatically renewed for two (2) additional terms of one year each unless either party shall give the other written notice ninety (90) days prior to the end of the then current term of its intent to terminate at the end of such term.

Use of Airport

Gates are leased on a preferential or common-use basis. Other Airline premises are leased on either an exclusive, common, or joint-use basis. The Agreement grants to the Signatory Airlines the use, in common with others, of the Airport and appurtenances, including the Airfield, Terminal and other areas for the purpose of operating an Air Transportation Business at the Airport.

Each Airline was provided with and agreed to exhibits to the Agreement (Exhibits C and D) setting forth the overall leased premises of each Signatory Airline.

The Signatory Airlines have the right to provide ground handling services and accommodate an Affiliate’s Air Transportation Business at the Airport.

A Signatory Airline serves as the financial guarantor for all rentals, landing fees and other charges incurred by Affiliates in the course of such Affiliate’s operations at the Airport as an Affiliate of the Signatory Airline.

Airline Requirements

The Signatory Airlines are required to meet certain insurance, environmental, and security standards that are consistent with the provisions contained in medium- and small-hub airport use and lease agreements across the country.

Airport Cost Centers

For the purposes of developing rentals, fees and charges under the Agreement, the Airport has been divided into the following Cost Centers to which all revenues, expenses, and Debt Service on General Revenue Bonds and PFC Revenue Bonds are allocated. Following are the direct Cost Centers:

A. *Airfield.* The Airfield cost center is comprised of the facilities for the general support of air navigation and flight activity requirements. The Airfield includes all runways, taxiways, aviation and other easements, ramp areas, approach and clear zones, safety and infield areas (together with all associated landing and navigational aids), landing area buffer requirements and all noise mitigation costs, and aviation controls and related system requirements.

B. *Terminal.* The Terminal cost center includes all passenger terminal facilities, and other related and appurtenant facilities, whether owned, operated, or maintained by the Authority, an airline or another tenant; together with associated exterior curbs, canopies, lighting, sidewalks, and landscaped areas adjacent to the terminal building, as well as enplanement and deplanement roadways.

C. *Passenger Loading Bridges.* The passenger loading bridges cost center is comprised of passenger loading bridges at the Airport that are owned and maintained by the Authority. Any airline-owned bridges are excluded from this cost center.

D. *Ground Transportation.* The Ground Transportation cost center includes: all public and employee parking facilities or areas, as well as taxi and limousine waiting areas, and all other areas and facilities that accommodate ground transportation, including exterior information and directional graphics, rental car ready/return facilities, and roadways and access roadways on Airport premises, other than the enplanement and deplanement roadways contained in the Terminal cost center.

E. *Other.* The Other cost center consists of those areas and facilities related to air cargo activities at the Airport; general aviation (GA), including any GA terminal facilities, fixed base operator (FBO) facilities, fueling facilities, and hangars; and any other revenue-producing activities on the Airport not assigned or defined above in the other four cost centers.

The Authority has established a series of functional areas in which costs are categorized called indirect Cost Centers, including administrative, general, trade development, maintenance, field, building, janitorial, police, and fire. These indirect Cost Centers are allocated to the direct Cost Centers as provided in Exhibit B-1 of the Agreement.

Rentals, Fees and Charges.

The Agreement provides for the periodic adjustment of Landing Fee Rate and Terminal Building Rental Rates, and other charges, normally in connection with the Authority's budgeting process to allow for variations in revenues, expenses, and other requirements. Detail regarding the calculation of Rentals, Fees, and Charges is provided in Exhibit E of the Agreement.

A. *Landing Fees.* Signatory Airline Landing Fees are calculated according to a compensatory methodology. The Airfield Requirement is calculated by summing all the Annual Debt Service, Debt Service Coverage Requirement, O&M Reserve Requirement, Debt Service Reserve Requirement, O&M Expenses, Amortization Requirement, and City Airport Assessment attributable to the Airfield Cost Center. The Airfield Requirement is then allocated among the Signatory Airlines and Non-Signatory Airlines on the basis of the landing weight for each group of carriers. The Signatory Airlines' share of the Airfield Requirement is then reduced by seventy-five percent (75%) of the Airline's Share of Surplus Revenues,

described in (F) below. The adjusted Signatory Airline Airfield Requirement is then divided by the landed weight of the Signatory Airlines to derive the required Landing Fee rate per 1,000 pounds of landed weight.

B. *Terminal Rentals.* Signatory Airline Terminal Rentals are calculated according to a compensatory methodology. The Terminal Requirement is calculated by summing all the Annual Debt Service, Debt Service Coverage Requirement, O&M Reserve Requirement, Debt Service Reserve Requirement, O&M Expenses, Amortization Requirement, and City Airport Assessment attributable to the Terminal Cost Center less payments from Signatory Airlines for O&M Expenses incurred by the Authority attributable to the Terminal Cost Center. The Terminal Requirement is then allocated to the Signatory Airlines on the basis of the square footage leased by Signatory Airlines divided by the usable Terminal space (total Terminal space less mechanical and utility space.) The Signatory Airline's share of the Terminal Requirement is then reduced by twenty-five percent (25%) of the Airline's Share of Surplus Revenues, described in (F) below. The adjusted Signatory Airline Terminal Requirement is then divided by the square footage of Terminal space leased by the Signatory Airlines to derive the average Terminal Rental rate.

C. *Other Fees and Charges.* The Authority sets other fees and charges for Airline Terminal finishes and equipment, employee parking, public address system, flight information display system, telephone equipment, and other concessions and services provided by the Authority at the Airport.

D. *Annual Adjustment.* No later than April 1 of each year, the Authority shall notify the Airline of the proposed operating budget, Capital Improvement Program, and schedule of rates for rentals, fees and charges for the next Fiscal Year. No later than May 15 of sending the proposed operating budget, the Signatory Airlines and the Authority shall meet to discuss the information sent to the Signatory Airlines. Following the meeting, and prior to the end of the then current Fiscal Year, the Authority shall notify the Airline of the rates for rentals, fees and charges to be established for the next Fiscal Year.

E. *Mid-Year Adjustment.* Rates for rentals, fees and charges may, at the option of the Authority, be changed at any other time that unaudited monthly Airport financial data indicates that total rentals, fees and charges are anticipated to vary by more than ten percent (10%) from the total rentals, fees and charges that would be payable based upon the use of the monthly financial data then available for said Fiscal Year.

F. *Airline's Share of Surplus Revenue.* The Signatory Airlines are entitled to a fifty percent (50%) share of net surplus revenues determined by calculating total revenue less (i) operating and maintenance expenses, (ii) payments of the City Airport Assessment, (iii) replenishment of an operating and maintenance reserve requirement (3 months of budgeted expenses), (iv) Debt Service to the extent not paid with PFC Revenues, and (v) replenishment of a capital fund reserve requirement (maximum of \$1 million per year with a total maximum capital fund reserve of \$5 million). The Signatory Airlines' share is credited seventy-five percent (75%) to landing fees and twenty-five percent (25%) to terminal rentals. As referenced below, the Agreement provides that Airline's Share of Surplus Revenue shall not include revenues from facilities of the Authority financed by non-AMT Bonds of the Authority.

G. Further, the Agreement establishes the calculation of "Parking Incremental Revenue" to be used by the Authority to pay costs associated with the future construction of parking facilities. The "Parking Incremental Revenue" is defined as any incremental parking revenues generated from an increase in parking rates from the rates established on February 1, 2014. The Agreement sets forth a formula for the calculation of the Parking Incremental Revenues as 20% of long-term parking revenue less 20% of total parking revenue credit card fees. Upon the commencement of any debt service payments for parking-related improvements, the Parking Incremental Revenue will be reduced by such debt service amounts but not

below zero. The Parking Incremental Revenue is deducted prior to the calculation of the airlines' share of surplus revenues.

H. *Settlement.* By November 1 each year, or as soon as audited financial data for the preceding Fiscal Year is available but no later than December 31 of each year, final rates for rentals, fees and charges for the preceding Fiscal Year shall be recalculated and Airline's Share of Surplus Revenue shall be calculated using audited financial data according to the methods set forth in Exhibit E. Upon the determination of any difference between the actual rentals, fees and charges paid by Signatory Airlines during the preceding Fiscal Year and the rentals, fees and charges that would have been paid by Signatory Airlines using recalculated rates and Airline Share of Surplus Revenue credits, Authority shall, in the event of overpayment, promptly credit to Airline the amount of such overpayment or if in the last year of the Agreement, a cash refund. In the event of underpayment, Authority shall invoice Airline for the amount of such underpayment. The invoiced amount shall be due within thirty (30) days of the receipt of such invoice, after which any unpaid balance shall be subject to interest.

For all purposes of the Agreement, Airline's Share of Surplus Revenue shall not include any revenue from Authority facilities which may now or in the future be financed by any non-AMT Bonds issued by the Authority. In addition, the Authority reserves the right to withhold Airline's Share of Surplus Revenue to the extent that Airline is delinquent or otherwise not current in its payments to Authority of any rentals, fees or charges of any kind, or upon the occurrence of any event of default by Airline until such time as such breach is cured.

In no case shall a Signatory Airline receive an amount of Airline's Share of Surplus Revenue that exceeds the amount of actual rentals, fees and charges, net of any incentive credits or other credits, paid by such Signatory Airline.

Capital Expenditures

The Authority shall submit to the Signatory Airlines its capital improvement program prior to the beginning of each Fiscal Year. The Signatory Airlines have no rights to approve or disapprove Capital Expenditures at the Airport.

Accommodation of New Entrant Airlines

The Authority maintains a policy of providing open access to the Airport and achieving balanced utilization of Airport facilities. The Authority reserves the right to require sharing and temporary use of Airline premises in accordance with the following procedures: (i) vacant or unassigned facilities and aircraft parking positions shall be utilized first to accommodate airlines requiring facilities at the Airport, and (ii) facilities and aircraft parking positions leased to Signatory Airlines shall be utilized second.

The Authority shall retain under its exclusive control and possession all vacant or unassigned facilities at the Airport. Such facilities will be made available first to meet space requirements of Signatory Airlines; second, to Signatory Airlines being relocated by the Authority; and third, to airlines not requiring permanent facilities or for the temporary accommodation of airlines pending allocation of permanent facilities.

Subordination to Resolution

The Agreement and all rights granted to the Airline thereunder are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation, or assignment made by the Authority in any Resolution, or any proceedings authorizing and providing security for Other Indebtedness.

APPENDIX F

FORM OF OPINIONS OF BOND COUNSEL

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PROPOSED FORM OF BOND COUNSEL OPINIONS

Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the Series 2021A Bonds and Series 2021B Bonds. It is preliminary and subject to change prior to delivery of the Bonds.

June 23, 2021

Norfolk Airport Authority
Norfolk International Airport
2200 Norview Avenue
Norfolk, Virginia 23518-5897

Norfolk Airport Authority
\$20,890,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT)
\$2,690,000 Airport Revenue Refunding Bonds, Series 2021B (AMT)

Ladies and Gentlemen:

We have examined Chapter 463, Virginia Acts of Assembly of 1948, as amended (the “Act”), certified copies of documents relating to the organization of the Norfolk Airport Authority (the “Authority”) and certified copies of proceedings and other papers relating to the issuance and sale by the Authority of its \$20,890,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT) (the “Series 2021A Bonds”) and \$2,690,000 Airport Revenue Refunding Bonds, Series 2021B (AMT) (the “Series 2021B Bonds,” and together with the Series 2021A Bonds, the “Bonds”). The Bonds are being issued to (a) refund a portion of the Authority’s Revenue Refunding Bonds, Series 2011 (the “Refunded Bonds”), and (b) pay costs associated with the issuance of the Bonds. Reference is made to the form of the Bonds for additional information concerning their details, payment and redemption provisions, and the proceedings pursuant to which they are issued. Capitalized terms not defined herein shall have the meanings assigned in the Master Indenture of Trust dated as of April 1, 2001 (the “Master Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture of Trust, dated as of April 1, 2001, a Second Supplemental Indenture dated as of May 1, 2011, a Third Supplemental Indenture dated as of October 1, 2011, a Fourth Supplemental Indenture dated as of June 1, 2019, a Fifth Supplemental Indenture dated as of June 1, 2020, and a Sixth Supplemental Indenture as of dated June 1, 2021 (the Master Indenture as so supplemented, the “Indenture”). The Bonds are issued under, and are equally and ratably secured by, the Indenture.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Authority and others as to certain facts relevant to both our

opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The Authority has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in proceedings and documents relating to the issuance of and security for the Bonds (the “Covenants”).

Based on the foregoing and assuming the due authorization, execution and delivery of all documents by parties other than the Authority, we are of the opinion that:

1. The Authority is duly organized and validly existing under the Act and has authority under the Act to issue and sell the Bonds.

2. The Bonds have been duly authorized, executed and delivered in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Authority, payable as to principal and interest from Pledged Revenues (as defined in the Indenture) proceeds received from the sale of the Bonds and such other revenues of the Authority as may, under the Indenture, be available for such payment, including such amounts as may be on deposit in the funds and accounts established under the Indenture; provided that the pledge of Pledged Revenues to secure the Bonds made by the Authority pursuant to the Indenture will not become perfected until such Pledged Revenues have been deposited with the Trustee for deposit into the funds and accounts established under the Indenture. The Bonds shall not be a debt of the Commonwealth of Virginia (the “Commonwealth”) or any political subdivision thereof and neither the Commonwealth nor any political subdivision thereof nor the City of Norfolk shall be liable thereon, nor in any event shall such Bonds be payable out of any funds or properties other than those of the Authority.

3. The Indenture has been duly authorized, executed and delivered by the Authority, constitutes a valid and binding agreement of the Authority, and is enforceable against the Authority in accordance with its terms.

4. The rights of the holders of the Bonds and the enforceability of such rights, including the enforceability by the other parties thereto of the obligations of the Authority under the Indenture, may be limited or otherwise affected by state and federal bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws, now or hereafter in effect, relating to or affecting the rights of creditors generally and to any judicially developed doctrines related thereto. Such obligations also are subject to usual equitable principles, which may limit the specific enforcement of certain remedies.

5. Interest on the Series 2021A Bonds (including any accrued original issue discount properly allocable to an owner of a Series 2021A Bond) (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Series 2021A Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the Authority to comply with the

Covenants could cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2021A Bonds.

6. Interest on the Series 2021B Bonds (including any accrued original issue discount properly allocable to an owner of a Series 2021B Bond) (a) is not included in gross income for federal income tax purposes, except when held by a “substantial user” of the facilities to be financed by the Series 2021B Bonds or a “related person” within the meaning of Section 147(a) of the Code, and (b) is an item of tax preference for purposes of the federal alternative minimum income tax. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Series 2021B Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the Authority to comply with the Covenants could cause interest on the Series 2021B Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2021B Bonds.

7. Under existing statutes, interest on the Bonds is exempt from all income taxation by the Commonwealth and any political subdivision thereof.

Our services as bond counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. The foregoing opinion is in no respect an opinion as to the adequacy of Net Operating Revenues or otherwise as to the Authority’s ability to provide for the payment of the Bonds or the accuracy or completeness of any information, including the information contained in the Preliminary Official Statement dated June 1, 2021, or the Official Statement dated June 10, 2021, that may have been relied upon by anyone in making the decision to purchase the Bonds. Our opinions set forth herein are based upon laws, rules, regulations and court decisions in effect as of the date hereof. Our opinions speak as of the date hereof and we undertake no obligation to update or supplement this letter to reflect any changes in law that may occur or become effective after the date hereof or to reflect any facts or circumstances that may hereafter come to our attention.

Very truly yours,

Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the Series 2021C Bonds. It is preliminary and subject to change prior to delivery of the Bonds.

June 23, 2021

Norfolk Airport Authority
Norfolk International Airport
2200 Norview Avenue
Norfolk, Virginia 23518-5897

Norfolk Airport Authority
\$2,270,000 Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)

Ladies and Gentlemen:

We have examined Chapter 463, Virginia Acts of Assembly of 1948, as amended (the “Act”), certified copies of documents relating to the organization of the Norfolk Airport Authority (the “Authority”) and certified copies of proceedings and other papers relating to the issuance and sale by the Authority of its \$2,270,000 Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the “Bonds”). The Bonds are being issued to (a) refund a portion of the Authority’s Revenue Refunding Bonds, Series 2011 (the “Refunded Bonds”), and (b) pay costs associated with the issuance of the Bonds. Reference is made to the form of the Bonds for additional information concerning their details, payment and redemption provisions, and the proceedings pursuant to which they are issued. Capitalized terms not defined herein shall have the meanings assigned in the Master Indenture of Trust dated as of April 1, 2001 (the “Master Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture of Trust, dated as of April 1, 2001, a Second Supplemental Indenture dated as of May 1, 2011, a Third Supplemental Indenture dated as of October 1, 2011, a Fourth Supplemental Indenture dated as of June 1, 2019, a Fifth Supplemental Indenture dated as of June 1, 2020, and a Sixth Supplemental Indenture as of dated June 1, 2021 (the Master Indenture as so supplemented, the “Indenture”). The Bonds are issued under, and are equally and ratably secured by, the Indenture.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Authority and others as to certain facts relevant to our opinion, all as set forth in proceedings and documents related to the issuance of and security for the Bonds.

Based on the foregoing and assuming the due authorization, execution and delivery of all documents by parties other than the Authority, we are of the opinion that:

1. The Authority is duly organized and validly existing under the Act and has authority under the Act to issue and sell the Bonds.

2. The Bonds have been duly authorized, executed and delivered in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Authority, payable as to principal and interest from Pledged Revenues (as defined in the Indenture) proceeds received from the sale of the Bonds and such other revenues of the Authority as may, under the Indenture, be available for such payment, including such amounts as may be on deposit in the funds and accounts established under the Indenture; provided that the pledge of Pledged Revenues to secure the Bonds made by the Authority pursuant to the Indenture will not become perfected until such Pledged Revenues have been deposited with the Trustee for deposit into the funds and accounts established under the Indenture. The Bonds shall not be a debt of the Commonwealth of Virginia (the "Commonwealth") or any political subdivision thereof and neither the Commonwealth nor any political subdivision thereof nor the City of Norfolk shall be liable thereon, nor in any event shall such Bonds be payable out of any funds or properties other than those of the Authority.

3. The Indenture has been duly authorized, executed and delivered by the Authority, constitutes a valid and binding agreement of the Authority, and is enforceable against the Authority in accordance with its terms.

4. The rights of the holders of the Bonds and the enforceability of such rights, including the enforceability by the other parties thereto of the obligations of the Authority under the Indenture, may be limited or otherwise affected by state and federal bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws, now or hereafter in effect, relating to or affecting the rights of creditors generally and to any judicially developed doctrines related thereto. Such obligations also are subject to usual equitable principles, which may limit the specific enforcement of certain remedies.

5. Interest on the Bonds is includable in gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

6. Under existing statutes, interest on the Bonds is exempt from all income taxation by the Commonwealth and any political subdivision thereof.

Our services as bond counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax status of the interest thereon. The foregoing opinion is in no respect an opinion as to the adequacy of Net Operating Revenues or otherwise as to the Authority's ability to provide for the payment of the Bonds or the accuracy or completeness of any information, including the information contained in the Preliminary Official Statement dated June 1, 2021, or the Official Statement dated June 10, 2021, that may have been relied upon by anyone in making the decision to purchase the Bonds. Our opinions set forth herein are based upon laws, rules, regulations and court decisions in effect as of the date hereof. Our opinions speak as of the date hereof and we undertake no obligation to update or supplement this letter to reflect any changes in

law that may occur or become effective after the date hereof or to reflect any facts or circumstances that may hereafter come to our attention.

Very truly yours,

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

Norfolk Airport Authority

\$20,890,000
Airport Revenue
Refunding Bonds
Series 2021A (Non-AMT)

\$2,690,000
Airport Revenue
Refunding Bonds
Series 2021B (AMT)

\$2,270,000
Airport Revenue
Refunding Bonds
Series 2021
(Federally Taxable)

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Norfolk Airport Authority (the “Issuer”) in connection with the issuance of its \$20,890,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT) (the “2021A Bonds”), \$2,690,000 Airport Revenue Refunding Bonds, Series 2021B (AMT) (the “2021B Bonds”), and \$2,270,000 Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the “2021C Bonds,” and together with the 2021A Bonds and the 2021B Bonds, the “Bonds”), each dated as of June 23, 2021.

The Bonds are being issued pursuant to a Master Indenture of Trust dated as of April 1, 2001 (the “Master Indenture”), by and between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”), as previously supplemented and amended by a First Supplemental Indenture dated as of April 1, 2001 (the “First Supplemental Indenture”), a Second Supplemental Indenture dated as of May 1, 2011 (the “Second Supplemental Indenture”), a Third Supplemental Indenture dated as of October 1, 2011 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture dated as of June 1, 2019 (the “Fourth Supplemental Indenture”), a Fifth Supplemental Indenture dated as of June 1, 2020 (the “Fifth Supplemental Indenture”), and as further supplemented by a Sixth Supplemental Indenture (the “Sixth Supplemental Indenture”) dated as of June 1, 2021 (the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and Sixth Supplemental Indenture being hereinafter collectively referred to as the “Indenture”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Dissemination Agent” shall mean the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Fiscal Year” shall mean the period beginning on July 1 and ending on June 30, or such other 12-month period as may be adopted by the Issuer in accordance with law.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

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

“Official Statement” means the final Official Statement prepared in connection with the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as in effect on the date of this Disclosure Certificate.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer’s Fiscal Year, beginning with the Issuer’s Fiscal Year ending June 30, 2021, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall file or cause to be filed with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements of the Issuer prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit B hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents (including official statements), which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Listed Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds. All of the events currently mandated by the Rule are listed below; however, some may not apply to the 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) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of bondholders, *if material*;
- (8) Bond calls, *if material*, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, *if material*;
- (11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;¹

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Issuer, 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*;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, *if material*;

(15) Incurrence of a financial obligation² of the Issuer, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, *if material*; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation² of the Issuer, any of which reflect financial difficulties.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

¹ For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

² For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term “financial obligation” is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. Numerous other terms contained in these subsections and/or in the definition of “financial obligation” are not defined in the Rule; SEC Release No. 34-83885 contains a discussion of the current SEC interpretation of those terms. For example, in the Release, the SEC provides guidance that the term “debt obligation” generally should be considered to include only lease arrangements that operate as vehicles to borrow money.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held 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 Bonds.

SECTION 8. Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Issuer elects not to appoint a successor Dissemination Agent, it shall perform the duties thereof under this Disclosure Certificate. The Dissemination Agency shall have only such duties as are specifically set forth in this Disclosure Certificate and any other agreement between the Issuer and the Dissemination.

(b) In addition to the filing duties on behalf of the Issuer described in this Disclosure Certificate, the Dissemination Agent shall:

(1) each year, prior to the date for providing the Annual Report, determine the appropriate electronic format prescribed by the MSRB;

(2) send written notice to the Issuer at least forty-five (45) days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the Issuer, certify in writing to the Issuer that the Annual Report has been provided pursuant to this Disclosure Certificate and the date it was provided.

(4) If the Annual Report (or any portion thereof) is not provided to the MSRB by the date required in Section (3)(a), the Dissemination Agent shall file with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: June __, 2021

NORFOLK AIRPORT AUTHORITY

By: _____
Robert S. Bowen
Executive Director

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Norfolk Airport Authority
Name of Bond Issue: \$20,890,000 Airport Revenue Refunding Bonds, Series 2021A (Non-AMT), \$2,690,000 Airport Revenue Refunding Bonds, Series 2021B (AMT), and 2,270,000 Airport Revenue Refunding Bonds, Series 2021C Bonds (Federally Taxable)
Date of Issuance: June 23, 2021
CUSIP Number: 655857 EK2 to EZ9

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated June 23, 2021. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

NORFOLK AIRPORT AUTHORITY

By: _____
Executive Director

EXHIBIT “B”

OFFICIAL STATEMENT INFORMATION TO BE UPDATED

- (a) The Signatory Airlines (as defined in the Official Statement) currently serving the Airport;
- (b) The number of enplanements at the Airport for the immediately preceding fiscal year;
- (c) Enplanement passenger share of each Signatory Airline for the immediately preceding fiscal year;
- (d) Signatory Airline cost per enplanement for the immediately preceding fiscal year;
- (e) All indebtedness (other than the Series 2021 Bonds) issued, remarketed or incurred by the Issuer during the immediately preceding fiscal year;
- (f) Debt service requirements and calculation of debt service coverage ratio for the immediately preceding fiscal year;
- (h) Current rates for rentals, fees and charges for the Signatory Airlines under the Airport Agreements (as defined in the Official Statement);
- (i) Revenues from concessions at the Airport for the immediately preceding fiscal year;
- (j) Parking fees for the immediately preceding fiscal year;
- (k) PFC Revenues (as defined in the Official Statement) for the immediately preceding fiscal year; and
- (l) Payments made to the City of Norfolk on the immediately preceding July 1.

APPENDIX H

**INFORMATION REGARDING THE
DEPOSITORY TRUST COMPANY AND ITS
BOOK-ENTRY ONLY SYSTEM**

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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 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. A Beneficial Owner is, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of the Beneficial Owner’s holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2021 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of the Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 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 dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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 depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority, under certain circumstances, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority or the Authority take any responsibility for the accuracy thereof.

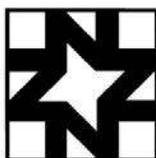
None of the Authority, the Underwriters or the Trustee, as paying agent, will have any responsibility or obligations to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC, any Direct Participant

or any Indirect Participant; (2) the payment by any Direct Participant or any Indirect Participant of any amount due to any beneficial owner in respect of the principal amount or redemption price of or interest on the Series 2021 Bonds; (3) the delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Bondholders under the terms of the Indenture; (4) the selection of the beneficial owners to receive payment in the event of any partial redemption of the Series 2021 Bonds; or (5) any consent given or other action taken by DTC as Bondholder.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of the Series 2021 Bonds for all purposes under the Indenture.

The Authority may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2021 Bonds without the consent of Beneficial Owners or Bondholders.

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NORFOLK AIRPORT AUTHORITY



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